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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
Case No. 12-11076(SHL)

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In the Matter of:

ARCAPITA BANK B.S.C.(C), ET AL.,

Debtors.

- - - - - x

U.S. Bankruptcy Court  
One Bowling Green  
New York, New York

March 22, 2013  
10:11 AM

B E F O R E :  
HON SEAN H. LANE  
U.S. BANKRUPTCY JUDGE

ECR OPERATOR: K. HARRIS

1 Hearing re: Doc. # 12 Motion to Authorize -- Debtors'  
2 Motion for Interim and Final Orders (A) Authorizing Debtors  
3 to (I) Continue Existing Cash Management System, Bank  
4 Accounts, and Business Forms and (II) Continue Ordinary  
5 Course Intercompany Transactions; and (B) Granting an  
6 Extension of Time to Comply with the Requirements of Section  
7 345(b) of the Bankruptcy Code.

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Transcribed by: Jamie Gallagher

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22 BY: BRADLEY SCOTT FRIEDMAN, ESQ.

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P R O C E E D I N G S

THE COURT: Good morning. Please be seated.

MR. MILLET: Good morning, Your Honor.

THE COURT: All right. We're here for Arcapita Bank and I know that some of the matters -- I think we only have one matter on for today, is that correct?

And first let me extend my apologies for disrupting folks' schedules on Monday. The -- one of the great joys of having children is the exposure to many varieties of viruses and other things that will creep up on you. But by Sunday, late night, about 5:00 a.m., I realized I was not going to make it.

So, I apologize for re-shuffling schedules, particularly those of your witnesses who may have made travel arrangements. But thank you for your patience in that regard.

MR. MILLET: Thank you, Your Honor. For the record, Craig Millet of Gibson, Dunn & Crutcher on behalf of the Arcapita debtors.

Certainly we're glad to see you're feeling better and no need to apologize. We know how hard the Court works on this case and we figured if you couldn't come for a hearing, you must really be sick. So, we're glad to see that you're up and around.

THE COURT: Well, thank you very much.

1 MR. MILLET: And back with us.

2 I don't know if the Court wants to take other  
3 appearance before I proceed, or if the Court would just  
4 prefer --

5 THE COURT: Please.

6 MR. FRIEDMAN: Thank you. Bradley Scott Friedman,  
7 Milbank, Tweed, Hadley, & McCloy on behalf of the committee.

8 MR. MILLET: Correct, Your Honor, we only have one  
9 quick matter before the Court today and so we will not take  
10 too much of the Court's time.

11 And we do thank you, though, for allowing us to at  
12 least bring this matter before the Court so quickly since  
13 our budget period runs out tomorrow. So, we're glad to get  
14 this resolved.

15 The Eurolog IPO fee motion has been adjourned to  
16 the April 30, next omnibus hearing date, and I still remain  
17 hopeful that we'll get something worked out on a consensual  
18 basis. But if not, we'll take it up at that time.

19 THE COURT: All right.

20 MR. MILLET: So, therefore, the only matter is the  
21 14th interim cash management motion. I'm not going to give  
22 the Court a long status report, but I did want to update the  
23 Court on two quick items before we get into that very  
24 quickly.

25 First of all, I'm pleased to report that we are

1 making substantial progress toward confirmation of what we  
2 hope to be a consensual plan. Beginning the week of  
3 March 4, meetings began to occur and are starting in Bahrain  
4 between representatives of the committee, and the debtor,  
5 and others, and are even continuing to this day, in fact,  
6 right now.

7 Mr. Fledka (ph) and Mr. Rosenthal are in fact in  
8 those meetings with company management, who is here in New  
9 York, meeting with committee representatives. And we are  
10 pleased to report that we think that good progress is being  
11 made.

12 We are very hopeful that we will file an amended  
13 formal disclosure statement, reflecting agreements that have  
14 been reached with the committee on some of the issues next  
15 week. And that we then will be ready to go forward with the  
16 disclosure statement motion, or the motion to approve the  
17 disclosure statement that's now set for March 10th.

18 THE COURT: All right.

19 MR. MILLET: So, we do remain hopeful and we think  
20 that in the last two and a half weeks, as does often happens  
21 in cases like this, more has happened in two and a half  
22 weeks than has happened in several months prior to that  
23 point.

24 So, the second item very quickly is the 2004  
25 motion which has sort of been hanging in limbo a little bit,

1 or at least the order has, along with the discussions that  
2 occurred in Bahrain during that week of March 4, involving  
3 the Central Bank of Bahrain. The parties met and finalized  
4 a structure through confidentiality and other agreements  
5 that allows the committee the access to the information that  
6 they seek without an order. And the parties have agreed to  
7 proceed on that basis, which basically addresses all of the  
8 issues that they Court had raised, as well as provide  
9 (indiscernible - 00:03:38) the Court had discussed.

10 As a result, Mr. Fledka has authorized to tell you  
11 that the committee will be withdrawing its 2004 motion  
12 without the need for entry of an order, without prejudice.  
13 So, to the extent, of course, something goes wrong --

14 THE COURT: All right.

15 MR. MILLET: -- we agree they may come back. But  
16 we think that we worked it out in a way that's better for  
17 all concerned, considering the issues with Bahraini law.  
18 There are issues there.

19 And with that, that's my full status report so  
20 that we can move on to the interim cash management motion.  
21 With -- there's no objections that we received. I'll note a  
22 couple of reservations like we always do when we address  
23 these matters, but no objections have been received for the  
24 motion.

25 We did file the budget last Friday, on the 15th.

1 And this budget does cover a little longer period, through  
2 May 4, and that's simply because our next interim omnibus --  
3 pardon me, I guess omnibus hearing, is set for the 30th.  
4 So, we'll need to carry it forward a little bit longer.

5 Like all of the prior 13 budgets, I think we're  
6 still proceeding on a record for interim approval of budgets  
7 there. This does reflect continuing negotiations, as well  
8 as disclosure with the committee in discussions of the  
9 expenditures that are to be made. And we only have a couple  
10 of exceptions, which I wanted to note for the Court.

11 One thing pertains -- it's actually not really an  
12 exception, it's sort of to point out the split in the way  
13 the Eurolog IPO fees have been handled. And we reported to  
14 Court back in February, that of the \$12 million in the  
15 budget in that budget, we would not expend that money unless  
16 there was either an agreement with the committee or an order  
17 of the Court.

18 As to 14 of the 17 total claimants, we have a  
19 meeting of the mind with the committee. And those were --  
20 those payments to those 14 are split into two payments, 50  
21 percent one month, 50 percent the next. This month, I think  
22 the second 50 percent is included in the budget. So, that  
23 will resolve that issue.

24 With regard to fees to Linklaters, this Court in  
25 September of last year approved what we called the



1 Linklaters fee order that provided for pieces to be paid to  
2 Linklaters.

3 THE COURT: Right.

4 MR. MILLET: So, the pieces that are referred to  
5 in that order as the IPO termination payment and the second  
6 interim payment, which have already been approved in the  
7 amount of approximately \$3.29 million, are included in this  
8 budget.

9 So, that leaves the last piece, if you will, of  
10 the Linklaters' fee, which is about 2.73 million. The fees  
11 claimed by Fresh Fields and the fees claimed by KPMG as the  
12 only disputed fees. And that, as we discussed a moment ago,  
13 will be subject to -- further -- hopefully in agreement  
14 with, if not the consideration with the Court on the 30th.

15 There are three other funding matters that are in  
16 the budget, but as we always do, we've agreed not to expend  
17 these funds until we have the committee's consensus that we  
18 should go ahead and do so.

19 One is \$300,000 for the Costello deal funding.  
20 Second is AGUD One funding of \$575,000. And the third is  
21 project funding for Haunton (ph). And basically what the  
22 committee has asked for is just further diligence on those  
23 three items, which we're in the process of providing. And  
24 we expect that there not be an issue. But again if there  
25 is, post-monies will not be spent unless we have a consensus

1 with the committee.

2 If for some reason we can't, than of course we  
3 would bring it back to the Court. But hopefully, with the  
4 exception of the Eurolog matter, we haven't had to do that  
5 yet. And I trust these will be the same.

6 But with that, Your Honor, that's -- that's the  
7 interim budget and we would ask the Court to approve it.

8 I've been told by my colleagues back at the office  
9 that because the budget does (indiscernible - 00:07:05)  
10 tomorrow, to ask the Court, if it would, to enter the order  
11 on the record that it's approved so that it would be  
12 approved immediately?

13 THE COURT: We should be able to get the order not  
14 only entered on the record, but entered on the docket today.  
15 So --

16 MR. MILLET: Very well. Of course, I don't want  
17 to commit -- I don't want to (indiscernible - 00:07:18) any  
18 comments that the committee wanted to make, but other  
19 than --

20 THE COURT: Certainly. So, let me hear from the  
21 committee.

22 MR. MILLET: Very well. Thank you.

23 UNIDENTIFIED SPEAKER: Thank you, Brad.

24 MR. FRIEDMAN: Bradley Scott Friedman for the  
25 committee.

1 Mr. Millet, I think, hit it all and we have  
2 nothing to add.

3 THE COURT: All right. Thank you very much.

4 All right, then I will grant the request to enter  
5 a 14th interim order authorizing debtors to a continuing use  
6 of existent cash management systems and continue ordinary  
7 course in (indiscernible - 00:07:45) transactions, and  
8 granting extension of time to comply with 345(b), so, based  
9 on all of the conditions that have been set forth today.

10 So, I will get that order entered. It is so  
11 entered on the record and the order will be entered, I would  
12 think, this morning.

13 MR. MILLET: Very well, Your Honor. We have  
14 delivered a disk to chambers, so I think we've  
15 (indiscernible - 00:08:07).

16 THE COURT: All right.

17 MR. MILLET: Thank you very much, Your Honor. We  
18 appreciate it. Good to see you feeling better.

19 THE COURT: Thank you very much. Anything else we  
20 should discuss?

21 No, thank you. That's one of the reasons why  
22 children are so cute, you can excuse them anything.

23 MR. MILLET: Been there, done that. I've done my  
24 time with that as well.

25 THE COURT: So, all right, thank you very much.

1 MR. MILLET: Thank you, Judge.

2 THE COURT: And I guess our -- well, I know we  
3 have -- are on for the 30th and --

4 MR. MILLET: The 10th.

5 THE COURT: -- the 10th. And then --

6 MR. MILLET: We have, I believe, three matters on  
7 for the tenth. We have the motion to extend the exclusive  
8 solicitation period, a motion by Goldman Sachs for a  
9 substantial contribution payment, and then our motion to  
10 approve the disclosure statement.

11 THE COURT: All right. Thank you.

12 MR. MILLET: Thank you, Your Honor.

13 (Whereupon these proceedings were concluded at 10:20  
14 AM)

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I N D E X

RULINGS

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Motion to Authorize -- Debtors' Motion for Interim and Final Orders (A) Authorizing Debtors to (I) Continue Existing Cash Management System, Bank Accounts, and Business Forms and (II) Continue Ordinary Course Intercompany Transactions; and (B) Granting an Extension of Time to Comply with the Requirements of Section 345(b) of the Bankruptcy Code.	11	4

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C E R T I F I C A T I O N

I, Jamie Gallagher, certify that the foregoing transcript is  
a true and accurate record of the proceedings.

Jamie  
Gallagher

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Date: March 25, 2013