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1 (Proceedings commenced at 10:02 a.m.)

2 THE CLERK: Case No. 22-50073, Ho Wan Kwok.

3 THE COURT: Okay. Good morning. If we could have
4 appearances for the record, please, starting with the
5 debtor's counsel.

6 MR. BALDIGA: Good morning, Your Honor. William
7 Baldiga, Brown Rudnick, for the debtor.

8 THE COURT: Good morning.
9 Counsel for PAX, please.

10 MR. FRIEDMAN: Good morning, Your Honor. Peter
11 Friedman, from O'Melveny & Meyers, on behalf of Pacific
12 Alliance Group. I see Mr. Sarnoff and Mr. Birney, of the
13 Robinson & Cole firm as well this morning, on behalf of PAX.

14 THE COURT: Good morning.
15 Counsel for the creditors committee?

16 MR. GOLDMAN: Good morning, Your Honor. Irve
17 Goldman, Pullman & Comley, representing the creditors
18 committee.

19 THE COURT: Good morning.
20 Counsel for Rui Ma?

21 MS. MAYHEW: Good morning, Your Honor. Kristen
22 Mayhew, McElroy Deutsch Mulvaney & Carpenter, on behalf of
23 creditors Rui Ma, Zheng Wu and Weican Meng.

24 THE COURT: Good morning.
25 The Office of the United States Trustee?

1 MS. CLAIBORN: Good morning, Your Honor. Holley
2 Claiborn for the U.S. Trustee. And also with me this
3 morning is the Chapter 11 trustee candidate, Attorney Luc
4 Despina.

5 THE COURT: Good morning. Good morning to both of
6 you.

7 MR. DESPINA: Good morning, Your Honor.

8 THE COURT: Okay. I also see counsel for HK
9 International.

10 MR. KINDSETH: Yes, Your Honor. Good morning.
11 Stephen Kindseth, Zeisler & Zeisler, for HK International
12 Funds Investments.

13 THE COURT: Good morning.

14 And Attorney Wolman? I see you today --

15 MR. WOLMAN: Good morning, Your Honor.

16 THE COURT: -- so I didn't forget to say hello.
17 But I often -- for some times the screen cuts you off for
18 some reason, but I see you this morning. So go right ahead.

19 MR. WOLMAN: Thank you, Your Honor. Good morning.
20 This is Jay Wolman, of Randazza Legal Group, for creditor
21 Logan Cheng.

22 THE COURT: Good morning.

23 So I think that's everyone that has -- everyone
24 that I see, anyway, has noted their appearance. Is that
25 correct?

1 (No audible response.)

2 THE COURT: Okay. So we'll proceed with this
3 hearing this morning on the United States Trustee's motion
4 -- application for the order approving the United States
5 Trustee's appointment of a Chapter 11 trustee.

6 Attorney Claiborn, you -- please proceed.

7 MS. CLAIBORN: Thank you, Your Honor. Good
8 morning.

9 Before the Court this morning is the United States
10 Trustee's application for an order approving the appointment
11 of Mr. Despins as the Chapter 11 trustee. Mr. Despins has a
12 significant Chapter 11 history practice in his firm and in
13 his past. He's been a member of the bar for over 30 years.

14 And the U.S. Trustee has attached to the
15 application a declaration of disinterestedness, which sets
16 forth his connections and his contacts with various parties
17 in this case, and with creditors and with the debtor.

18 And based upon that the U.S. Trustee's requested
19 the Court approve the application this morning.

20 I do, however, want to bring to the Court's
21 attention that this morning we learned there are some
22 additional disclosures that need to be made and will be made
23 by Attorney Despins as to connections with entities that are
24 connected to, we believe, PAX.

25 And Mr. Despins can put a finer point on that and

1 address the Court and explain. And, again, that will be
2 followed by a supplemental disclosure that will be filed
3 with the Court as soon as possible in the hope that that is
4 within a matter of just a day or two.

5 So, with that, Your Honor, if I could ask Mr.
6 Despina to address the Court about the supplemental
7 disclosures that are not yet before the Court in writing?

8 THE COURT: Yes, please. Go right ahead.

9 MR. DESPINA: Good morning, Your Honor.

10 As I stated in paragraph 11 of my declaration, I
11 said that to the extent we learned of new connections that
12 were not known to us at the time I submitted the
13 declaration, we would update our disclosure statement and I
14 will do that in writing.

15 But I wanted to make sure today that I mentioned
16 to the Court that we discovered last night that we have in
17 the past represented entities that have -- that are -- have
18 the acronym PAG in them, P-A-G. Unbeknownst to our conflict
19 system, PAG means Pacific Asia Group.

20 And those entities -- and, again, as I said, these
21 are representations that were completed, but these entities
22 are unrelated to the Kwok matter in any way.

23 However, PAX is probably managed by a similar or a
24 PAG entity of some kind. We're trying to figure out exactly
25 which one.

1 But it doesn't change anything from our point of
2 view in a sense that we still believe we're disinterested,
3 we can be adverse to PAX, not that we are seeking that, but
4 we're -- we can be adverse to PAX. And, therefore, it
5 doesn't change the declaration.

6 But given that these P-A-G entities are somehow
7 related to PAX, I wanted to bring that to the attention of
8 the Court early on this morning.

9 And I did, by the way, not only with the U.S.
10 Trustee, but I mentioned this to Mr. Friedman, you know,
11 around 8:45 this morning.

12 THE COURT: Okay. Thank you. And when you say
13 we, you're speaking of the firm of Paul Hastings?

14 MR. DESPINS: Yes. Yes. Yes. Yes. But
15 personally, I've never had any representation of PAG. I
16 didn't even know it existed frankly until last night.

17 THE COURT: Understood. Understood, obviously,
18 with the firm having offices in different areas of the
19 world. That's why I was asking when you said we, you mean
20 Paul Hastings, not you individually?

21 MR. DESPINS: That's correct, Your Honor.

22 THE COURT: Okay. Thank you.

23 I see a gentleman. Mr. Bassett, are you a counsel
24 in this case? I don't recognize you and I'm sorry if I
25 should, but I don't.

1 MR. BASSETT: Your Honor, I'm with Paul Hastings.

2 THE COURT: Okay.

3 MR. BASSETT: I would be serving as counsel to Mr.
4 Despina in his capacity as trustee.

5 THE COURT: Okay. Well, Mr. Despina, I don't
6 think you need to file an appearance because you're the
7 Chapter 11 trustee.

8 If Mr. Bassett and/or your firm is going to be
9 proposed to be counsel to you, acting as the Chapter 11
10 trustee, as you know, you'll have to file an application.
11 And Mr. Bassett and any other members of Paul Hastings will
12 have to file notices of appearance and/or pro hac motions,
13 depending upon whether they're admitted to the District
14 Court of Connecticut. And you'll take care of that.

15 MR. DESPINA: Yes.

16 THE COURT: So that's why I didn't recognize Mr.
17 Bassett.

18 You haven't been involved in any of the other
19 hearings. So that's -- I'm glad at least that it was --
20 that I was correct that I hadn't seen you before.

21 But in any event, with regard to the United States
22 Trustee's application to -- for an order approving the
23 appointment of a Chapter 11 trustee, does any party wish to
24 be heard?

25 MR. FRIEDMAN: Your Honor, it's Peter Friedman

1 from O'Melveny.

2 We don't have an issue directly with Mr. Despins.
3 We just -- Mr. Despins just mentioned he disclosed at 8:45
4 this morning that his firm had had some involvement with the
5 parent of our client, which I think is actually -- the
6 correct terminology for that is Pacific Alliance Group,
7 which is slightly different than our fund, Pacific Asia
8 Opportunity Fund, but we do obviously need to consult with
9 our client as to the nature of the relationship. I don't --
10 I'm not saying that there is an issue.

11 It is midnight or 10 p.m. in Hong Kong already,
12 which is where our client is located.

13 And to the extent that our client needs to look at
14 any files -- I don't know if that's doable over the weekend
15 -- but I think that might be a Paul Hastings issue as
16 opposed to a trustee issue. But this is a, you know, a
17 late-breaking development.

18 And I guess that I can't say it's a concern, but I
19 do think it's important to mention to the Court in this
20 context that, you know, it's just something that we'll have
21 to look at in the context of a retention of Paul Hastings.

22 And, you know, Your Honor, I think, just as I said
23 at every hearing we will be constructive. We will work
24 closely with Mr. Despins, who I have encountered over the
25 years in other Chapter 11 cases.

1 I have high respect for Mr. Despins. He was
2 counsel to the creditors committee in Puerto Rico where I
3 represented the debtor. So I've been adverse to him and on
4 the same side of the (indiscernible) over the last five
5 years.

6 You know, we are concerned about expense. We will
7 do everything we can. And we hope everything can be done by
8 Mr. Despins and Paul Hastings to -- you know, especially in
9 light of the circumstances of this debtor having a very
10 limited available -- readily available fund. We really hope
11 that there will be, you know, as much cost efficiency as
12 possible given the size of the estate at current.

13 And, you know, with those comments, we look
14 forward to hopefully a successful trustee appointment.

15 And if there are issues relating to past retention
16 or employment of Paul Hastings by our client, we will
17 obviously have to address those in the future.

18 THE COURT: Okay. Thank you, Attorney Friedman.

19 Does anyone else wish to be heard?

20 MR. GOLDMAN: Your Honor, Irve Goldman for the
21 committee.

22 This is the first time I'm hearing about this
23 additional disclosure. I would have the same caveat as Mr.
24 Friedman and would hope that he would share his diligence
25 with the committee so we can take a closer look and evaluate

1 this additional connection.

2 We're not looking to upset this appointment, but
3 just with the same ideas Mr. Friedman articulated, we'd just
4 want to consider it further.

5 THE COURT: Well, do you agree that it's an issue
6 with regard -- as Attorney Friedman said -- that it would be
7 an issue with regard to the retention of Paul Hastings as
8 counsel versus Mr. Despins as Chapter 11 trustee?

9 MR. GOLDMAN: Yes, I do. He's made it clear that
10 he had no connection, wasn't even aware of the existence of
11 this entity. So with that, I agree it's an retention
12 issue.

13 THE COURT: Okay. Thank you.

14 Does anyone else wish to be heard?

15 MR. BALDIGA: Yes, Your Honor. William Baldiga,
16 Brown Rudnick, for the debtor.

17 THE COURT: Go right ahead.

18 MR. BALDIGA: We have the same qualification
19 concern. We share Brown Rudnick's great respect for Paul
20 Hastings, and Mr. Despins more specifically, but we will
21 need to understand the new disclosures exactly given that
22 PAG is the business behind the fund which is PAX. And PAX
23 is obviously the largest creditor by far of the estate. So I
24 think we all need to understand that.

25 THE COURT: Do you, Mr. Baldiga, agree with what

1 -- the question I just asked Attorney Goldman?

2 Then is your concern more with regard to Paul
3 Hastings being retained as counsel and not with Mr. Despins
4 serving as the Chapter 11 trustee? Or do you have a concern
5 even with Mr. Despins serving as the Chapter 11 trustee?

6 MR. BALDIGA: I don't know yet. I think -- I'm
7 not sure we're going to have -- going to have any concerns.
8 But to the extent we do, I think it's premature to assess
9 what those would be exactly until we see the disclosure and
10 have an opportunity to talk to the client about that.

11 THE COURT: And that's fine, because the
12 bankruptcy code has provisions with regard to if someone
13 thought that the trustee as appointed should no longer serve
14 as the trustee. So I don't -- I do not see an impediment to
15 the appointment of Mr. Despins as the Chapter 11 trustee
16 today unless someone wants to persuade me otherwise.

17 MR. BALDIGA: We just haven't seen anything, so we
18 -- it's hard to do a persuasive argument, Your Honor, with
19 just finding out about this during the course of the
20 hearing.

21 THE COURT: I understand. I do understand what
22 you're saying.

23 But I'm talking about right now, today, the only
24 thing before the Court is the appointment of Mr. Despins as
25 the Chapter 11 trustee.

1 And no one has put forth any reason at this point
2 as to why that should not occur. And if it occurs and then
3 you find some reason, then you have remedies under the
4 bankruptcy code to address those reasons.

5 We're not going to wait any longer for the
6 appointment of a Chapter 11 trustee. I mean, the decision
7 was issued on June 15th. It's July 8th.

8 My understanding -- and maybe that's why Attorney
9 Kindseth is here today -- is that the yacht is in Bridgeport
10 Steelpointe Harbor. So the Lady May is here. It arrived on
11 the 6th at night is my understanding. So there's plenty for
12 Mr. Despins to do as soon as an order enters. And I don't
13 see any reason for delay.

14 So unless someone has some other concern or
15 argument that they want to advance about Mr. Despins being
16 the Chapter 11 trustee, then I'm going to grant the United
17 States Trustee's application and enter an order approving
18 the appointment of Mr. Despins as the Chapter 11 trustee in
19 this case.

20 So I'm giving everyone one last opportunity to
21 tell me why I should not do that.

22 MR. BALDIGA: Your Honor, William Baldiga again.

23 We have nothing further to add other than what I
24 already said.

25 THE COURT: Okay. Thank you.

1 MR. BALDIGA: And that's just we don't have the
2 disclosure to make a final decision on that.

3 THE COURT: Okay. Thank you.

4 Anyone else wish to be heard?

5 (No audible response.)

6 THE COURT: All right. Then, Mr. Despins, I know
7 you will continue to review the issues that you've already
8 discussed on the record and that you've already set forth in
9 your affidavit. Whenever you have an opportunity in the
10 next -- you know, soon to make further disclosures, please
11 do.

12 But as of now, as of 10:19 a.m., on July 8th, the
13 Court is ordering that the application of the U.S. Trustee
14 is granted and that you're appointed as the -- you will be
15 serving as the Chapter 11 trustee in this case. And I
16 appreciate your willingness to do so.

17 As I noted for the record, and, Attorney Kindseth,
18 you should correct me if I'm wrong, but one of the -- I
19 don't know what you've looked at, if anything, Mr. Despins,
20 yet, but one of the issues in this case that's now almost
21 five months old, but not quite, was the debtor's pledge of a
22 -- of this yacht, the Lady May, to a plan, which of course
23 is not on track at the moment. But there was also an
24 agreement that the Lady May would be brought back into the
25 navigable waters of Connecticut.

1 And my understanding is that occurred on July -- I
2 suppose I could go outside and go look quite frankly. It's
3 not that far away -- on July 6th. And that is -- that was
4 an issue of contention among the parties, both before this
5 Chapter 11 case was filed and after the Chapter 11 case was
6 filed.

7 So there seems to me, in addition to the yacht,
8 the Lady May, other issues that there are plenty of things
9 that you could become -- that you could become involved in
10 fairly quickly, if not immediately, in this matter.

11 MR. DESPINS: Yes, Your Honor. We are aware of
12 the situation.

13 In fact, we have already contacted counsel that
14 were parties to the stipulation, docket number 299, that
15 Your Honor entered a while ago, and I've asked them to
16 consent to the trustee having the same rights as PAX and the
17 official committee under that stipulation.

18 We received some response that request but not from
19 everyone, so we expect to obviously -- to us it's a no
20 brainer that that needs to happen. But we expect to be back
21 in front of the Court to modify the stipulation to ensure
22 that the trustee has exactly the same rights as PAX or the
23 official committee. Thank you, Your Honor.

24 THE COURT: Thank you.

25 MR. FRIEDMAN: Your Honor, on the record -- it's

1 Peter Friedman on behalf of PAX --

2 THE COURT: Yes.

3 MR. FRIEDMAN: -- we consent to that. We consent
4 to that request.

5 THE COURT: Okay. Thank you.

6 And I would note that there are, Mr. Despina,
7 other provisions of that stipulation that I believe anyway,
8 but I don't have it in front of me, and you're all the
9 lawyers so you will figure it out, but that still need to be
10 -- there still needs to be compliance with other provisions
11 in that stipulation once the boat was returned to the
12 navigable waters.

13 So there are other issues that still need to be
14 addressed in that stipulation now that the yacht is back in
15 the navigable waters of Connecticut.

16 So in any event, to let you all know, Monday,
17 Tuesday and Wednesday of next week, I have to attend
18 required meetings. But if there is a need for a hearing, I
19 could -- I could have one at some point during any of those
20 three days at some time, but I will be remote, as will you.

21 But once we get over this hurdle of the next few
22 days, then, you know, our hearings are going to be in person
23 for the most part. This is a case where we need to make
24 sure that we're all on the same page.

25 And while I truly agree that remote hearings serve

1 a very valuable purpose and can be very helpful, given what
2 has occurred in this case, we're going to be coming together
3 in person. Okay?

4 So, I mean, there may be a situation if we're
5 having a five-minute discussion that we could turn to
6 remote, but I would like everyone to understand that we are
7 going to be here in person. Okay?

8 MR. DESPINS: Yes, Your Honor.

9 THE COURT: All right. Is there anything further
10 we should address today?

11 Attorney Claiborn, your order approving
12 appointment of Chapter 11 trustee that was attached to the
13 application, I actually -- I would like to change it to an
14 order granting the appointment and that's what I'm going to
15 do. Otherwise, the proposed order is fine with me.

16 Are there any other changes that anyone else
17 wanted to make to the order, Attorney Claiborn, that you're
18 aware of?

19 MS. CLAIBORN: No, Your Honor.

20 THE COURT: Anyone else wish to be heard on the
21 proposed order that Attorney --

22 Oh, the only thing, Attorney Claiborn, that -- the
23 amount of the bond, that may have to change during the
24 course of this case I would assume.

25 MS. CLAIBORN: It is a fluid issue, Your Honor.

1 THE COURT: Okay.

2 MS. CLAIBORN: And that is just a starting point
3 for the cash that we know that will be coming to Mr. Despins
4 hopefully in short order from the debtor.

5 But it will have to be adjusted upward in the
6 event that there is money that comes to the estate that Mr.
7 Despins is responsible for.

8 THE COURT: Great. I just -- I mean, your order
9 does say that, but I wanted to be clear on that, that I
10 would anticipate that there would have to be a change in the
11 amount of the bond during the case. Okay?

12 MS. CLAIBORN: Yes, Your Honor.

13 MR. KINDSETH: Your Honor, would you like an
14 update on the Lady May?

15 THE COURT: Sure.

16 MR. KINDSETH: Thank you very much.

17 So as Your Honor noted, the Lady May returned to
18 Connecticut, specifically to Bridgeport, on July 6th. In
19 the week prior -- a week or two prior -- I reached out to
20 counsel for the creditors committee and counsel for PAX,
21 concerning the inspection that they are entitled to conduct.

22 Just to remind Your Honor, the other elements of
23 the stipulation are that the captain and the yacht
24 management company are served with this court's order, they
25 signed a declaration attesting to certain items that are set

1 forth in the stipulation, and that this court provides for
2 repair reserves to fund the remaining repairs to the Lady
3 May.

4 All the repairs were done except for the -- to my
5 knowledge -- the replacement of the sea inlet valves. We're
6 in the process of obtaining two estimates for the cost of
7 that, which would guide us with respect to proposing a
8 repair reserve.

9 We are also in touch, as I said, with counsel for
10 PAX and the creditors committee to coordinate their
11 inspection. So hopefully their inspection will take place
12 next week. We're hoping that we can have a joint proposed
13 motion approving the repair reserve.

14 Once the repair reserve is put in place, I can
15 then file the certification that each of the elements of the
16 stipulation that my client is obligated to perform has been
17 performed. The various other parties would then have 15
18 days from the filing of that certification to object.

19 I spoke to the then proposed trustee, the now
20 trustee, Mr. Despina, this morning and expressed tentatively
21 my client's understanding and agreement that he would be
22 having the same rights and obligations and really a party to
23 the stipulation.

24 Our hope is that we would be drafting a proposed
25 stipulated modification to the existing order simply having

1 Mr. Despins as an additional party to the existing
2 stipulation.

3 And so that's the status of the Lady May.

4 THE COURT: Thank you.

5 The other provision that I believe you didn't --
6 you did not mention with regard to the stipulation was that
7 the captain and the -- I don't remember what the other name
8 -- whether it was a harbor master, whomever, would also be
9 restrained, agreed to be restrained, from removing the boat
10 from the navigable waters of Connecticut once it arrived.

11 MR. KINDSETH: That's one of the elements of the
12 declaration, yes.

13 THE COURT: Okay.

14 MR. KINDSETH: The declaration has multiple
15 elements, one of which is that they understand they're
16 restrained from removing the yacht from the navigable waters
17 of Connecticut.

18 THE COURT: I just -- I think that's an important
19 provision to note for especially Mr. Despins who's just
20 become involved so that he's aware of that.

21 MR. KINDSETH: Agreed.

22 THE COURT: Okay? All right. Anything further
23 that we need to address today in the Kwok matter?

24 MS. CLAIBORN: No, Your Honor.

25 THE COURT: All right. Then the United States

1 Trustee's application for an order approving the appointment
2 of a Chapter 11 trustee is granted and the proposed order
3 will enter.

4 MS. CLAIBORN: Thank you, Your Honor.

5 THE COURT: All right. Thank you, all.

6 MR. DESPINS: Thank you, Your Honor.

7 THE COURT: And that is the last matter on the
8 calendar this morning, so court is adjourned.

9 (Proceedings concluded at 10:28 a.m.)

10 I, CHRISTINE FIORE, court-approved transcriber and
11 certified electronic reporter and transcriber, certify that
12 the foregoing is a correct transcript from the official
13 electronic sound recording of the proceedings in the above-
14 entitled matter.

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16

Christine Fiore

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July 13, 2022

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Christine Fiore, CERT

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Transcriber

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