

1/4/17 The Deal (Pg. Unavail. Online)
2017 WLNR 915238

Deal, The
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January 4, 2017

Cocoa trader can't satisfy its cash collateral sweet tooth just yet

Ian Wenik

A New York bankruptcy judge has stopped cocoa trader Transmar Commodity Group Ltd. from unwrapping its cash collateral too quickly.

Uneasy over the pace of the case, Judge James. L Garrity declined to immediately rule on the debtor's motion at a Wednesday hearing.

"I'm concerned that there hasn't been any notice to unsecured creditors," he said from the bench. All but one of Transmar's unsecured creditors are based outside of the U.S., with some located in countries as far off as Singapore, Ecuador and Ghana. Transmar submitted its Chapter 11 petition on Saturday and its first-day motions on Tuesday, which functionally gave unsecured creditors zero time to review the documents before Wednesday's hearing.

The first day hearing is set to resume next Tuesday. In the meantime, Transmar will operate under a bridge order negotiated with its lenders that lets the debtor access its cash collateral on an interim basis to maintain operations. Unsecured creditors will have a chance to review court documents and file motions if they so desire.

Transmar is in a tough spot thanks to the failure of European affiliate Euromar, one of its biggest customers. Euromar collapsed into a German insolvency proceeding in early December after it lost millions on poor forward purchase contracts to buy cocoa beans when the volatile price of the commodity shifted.

"A lot of inventory has been sent to Euromar," debtor counsel Joseph F. Schwartz of Riker, Danzig, Scherer, Hyland & Perretti LLP said at the hearing. "But it hasn't been paid for."

Euromar owes Transmar at least \$94 million, Schwartz added.

Transmar - which lists Hershey's, Nestle and Mars among its customers - defaulted on its \$400 million senior secured credit facility in late August. Dutch bank ABN AMRO Bank NV is administrative agent on the loan as well as a lender. Societe Generale SA, BNP Paribas, Macquarie Group LTD, Bank Hapoalim, Israel Discount Bank Ltd and the Bank of Tokyo-Mitsubishi UFJ Ltd are also owed money on the facility. Transmar owes \$359.9 million on the credit facility, plus about \$4.7 million in interest.

The collateral secured by the loan has heavily deteriorated as a result of Transmar's struggles, Schwartz said, leaving the lenders undersecured. They eventually took control of Transmar's cash and inventory. A negotiated collateral release agreement in December established a pathway for the debtor's bankruptcy filing.

Transmar listed assets and liabilities between \$100 million and \$500 million in its petition.

Tara J. Schellhorn and Rachel F. Gillen of Riker Danzig are also debtor counsel, as are Tracy L. Klestadt, Joseph C. Corneau and Christopher J. Reilly of Klestadt, Winters, Jureller, Southard & Stevens LLP.

<http://pipeline.thedeal.com/tdd/ViewArticle.dl?id=13942762>

---- **Index References** ----

Company: ABN AMRO BANK NV; BNP PARIBAS SA; Bank of TM UFJ; HERSHEY CO (THE); ISRAEL DISCOUNT BANK LTD; MACQUARIE BANK LTD; MARS LTD; NESTLE LTD; RIKER DANZIG SCHERER HYLAND AND PERRETTI LLP; GENERALE SA; TRANSMAR COMMODITY GROUP LTD

News Subject: (Bankruptcies (1BA08); Business Management (1BU42); Corporate Events (1CR05))

Industry: (Asset-Based Lending (1AS71); Banking (1BA20); Commercial Banking Services (1CO19); Credit (1CR60); Financial Services (1FI37); Loans (1LO12); Retail Banking Services (1RE38))

Language: EN

Other Indexing: (Southard & Stevens LLP) (Tara Schellhorn; Joseph Corneau; James; Rachel Gillen; Tracy Klestadt; Christopher Reilly; Joseph Schwartz) (New York metro; New York state; North America; Northeast; United States; United States - East)

Word Count: 445

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