

Transmar Blasts ABN Amro's Ch. 7 Conversion Request

By **Kyle McCarty**

Law360, New York (June 6, 2017, 6:20 PM EDT) -- Cocoa trader Transmar Commodity Group Ltd. objected Monday to lender ABN Amro's motion to convert its bankruptcy to Chapter 7, countering the bank's claim that Transmar executives defrauded it and saying the conversion would disrupt pending asset sales.

Transmar said in New York bankruptcy court filings that ABN Amro has "cherry-picked" emails found in discovery to support allegations that Transmar management made false reports to lenders about the value of collateral backing its loans. Transmar also said that converting the case to Chapter 7 would disadvantage the company's creditors, since it is working to negotiate the sale of its forward contracts.

"Conversion of this case at this juncture would do nothing more than create chaos, add additional unnecessary expense and reduce asset values, which are contrary to the interests of creditors and the estate," Transmar said.

Transmar said it expects to sell its forward book, a group of contracts with a pre-agreed price and delivery date, to stalking horse FCStone Merchant Services LLC.

In its May 23 conversion motion, ABN Amro said it had discovered emails pointing to a scheme in which Transmar managers submitted false information about the value of the assets securing its loans. The lender said the fraud led to an over \$300 million drop in collateral value that contributed to Transmar's bankruptcy.

"These emails reveal, among other things, that the debtor's management willfully and knowingly manipulated the debtor's books in order to support fictitious [reports] that the debtor then used for its borrowing requests," ABN Amro said in the May 23 motion.

Transmar said in its Monday response that even if the alleged fraud had occurred, it doesn't satisfy requirements to convert the case to Chapter 7.

The unsecured creditors committee told the court Monday that it supported Transmar's objection, saying conversion threatened the company's ability to repay creditors.

The unsecured creditors also said that moving forward with an agreement in principle reached on May 4 between the committee and ABN Amro is preferable to Chapter 7.

Counsel for ABN Amro declined to comment.

Counsel for Transmar could not be immediately reached for comment Tuesday.

ABN Amro is represented by Andrew P. DeNatale and Kenneth Pasquale of Stroock & Stroock & Lavan LLP.

Transmar is represented by Tracy Klestadt and Joseph Corneau of Klestadt Winters Jureller Southard & Stevens LLP, and Joseph Schwartz, Tara Schellhorn and Rachel Gillen of Riker Danzig Scherer

Hyland & Perretti LLP.

The unsecured creditors are represented by Scott Markowitz, Rocco Cavaliere and Michael Brownstein of Tarter Krinsky & Drogin LLP.

The case is In re: Transmar Commodity Group Ltd., case number 1:16-bk-13625, in the U.S. Bankruptcy Court for the Southern District of New York.

--Additional reporting by Cara Salvatore, Alex Wolf and William Gorta. Editing by Aaron Pelc.