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11 Attorney for Creditors,
12 Bruce Chalmers, Yong Kwon Cho,
13 and Central United Packaging, Inc.

14 UNITED STATES BANKRUPTCY COURT
15 NORTHERN DISTRICT OF CALIFORNIA
16 OAKLAND DIVISION

17 In re:

18 Pneuma International, Inc.

19 Case No. 17-42149

20 Chapter 11

21 Debtor.

22 **OBJECTION TO AMENDED CH 11**
23 **PLAN AND AMENDED DISCLOSURE**
24 **STATEMENT**

25 _____ /
26 COME NOW Creditors Bruce Chalmers, Yong Kwon Cho and Central United
27 Packaging, Inc. (hereinafter "Creditors"), by and through their attorney of record, and file this
28 Objection to the Amended Ch 11 Plan and Amended Disclosure Statement filed by Debtor on
July 16, 2018 (hereinafter "Docket #118"). Creditors are judgment creditors of the Debtor by
and through a judgment of the State of California, Alameda County Superior Court, Case No.
HG15756006 (hereinafter "Judgment" as attached to Creditors' proofs of claims). Objection is
made on the following premises both separately and collectively:

1. Creditors objected to the prior disclosure statement (Docket #101) and each of
those objections (save format and timing objections) is reiterated and incorporated herein by

1 reference.

2 2. Docket #118 and the Debtor's books and records are still replete with omissions,
3 misstatements, and contradictions that both themselves and in the context of the case they
4 obscure the information necessary for creditors to be enabled to make informed judgments about
5 the plan. The information provided is inconsistent and/or nonsensical and/or dubious and/or fails
6 to address prior issues raised. Additionally, there are unexplained revisions to the information
7 provided previously which raise questions as to veracity.

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9 3. On p. 8-14, Section III.C., Debtor lists the treatment of claims. Debtor lists
10 secured creditors C1, C2 and C3, but there is only one secured claim in this case (C1). (*See*
11 *Amended Schedule D, Docket #70*). C2 and C3 are listed as "secured by personal guarantee"
12 which is not real security and in any event is valueless as the personal guarantor (Mr. Chang) has
13 filed a Chapter 13 bankruptcy petition.

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15 4. Claims listed as 2A, 2B, 2C, and 2D appear to be accurate reflections of proofs of
16 claims filed. The remaining claims are unsupported and at odds with other information provided.
17 On p. 53 (Exhibit D, Unpaid Bills), the debtor lists vastly different amounts for pre-petition debts
18 for each of the following:

Creditor	Section III.C.	Exhibit D
Acepack (ACE)	\$72,900.00	\$54,675.000
Bailey Paper products	\$21,310.00	\$19,899.00
Law Offices of Hien Doan	\$200,000	\$50,000
Lollicup USA	\$45,496.00	\$8,179.25
Sunkea	\$57,180.90	-----
Song and Lee, LLP	\$23,936.36	\$24,915.80

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24 5. Of note, are changes from the prior disclosure statement to data for Acepak: the
25 date of one invoice from 11/19/17 (postpetition) to 8/21/17 (prepetition), and the amendment of
26 the amount of the 7/20/17 invoice to a different amount. No explanation is provided for this
27 alteration.

1 6. Of note also is the alleged \$200,000 owed to Law Offices of Hien Doan who has
2 not filed a proof of claim. During Mr. Chang’s 2004 exam, Mr. Chang had trouble identifying
3 the source of this figure and did not produce any invoices indicating how the figure was
4 calculated (see prior objection).

5 7. As to the Song and Lee, LLP law firm, they represented Debtor throughout the
6 Judgment case and have continued to do so even filing an appeal in Superior Court, post-petition.
7 It is entirely unclear under what authority they have proceeded to represent the Debtor, nor is
8 there any indication if they are being paid by the Debtor post-petition. There is no indication that
9 this Court has had the opportunity to pass on the potential conflict (being a creditor of the
10 Debtor and representing it post-petition) or reviewed an application to employ professionals.

11 8. Exhibit E (p. 69) also appears to reference the appeal, but the footnote makes a
12 reference to possible withdrawal “pending outcome of this bankruptcy” which is opaque. Nor is
13 it clear how Debtor believes the appeal is an asset of value to be listed.

14 9. On p. 3, the Debtor describes itself as a “mom-and-pop” corporation and that the
15 “mom-and-pop” have filed a Chapter 13 bankruptcy which is set for a contested confirmation
16 hearing. Debtor omits the information that the Ch. 13 has been dismissed once (and the
17 dismissal vacated), and that the Trustee continues to object to confirmation. Debtor also states
18 that the Responsible Individual has modified his pay “in order to make the business sustainable
19 after the lawsuits” and in the footnote on p. 4 reiterates that this is a “cost-cutting measure.” The
20 Chapter 13 Trustee saw it differently, stating that a downward adjustment of Mr. Chang’s
21 income during the pendency of the Chapter 11 case in order to resolve issues in the Chapter 13
22 was unacceptable because Mr. Chang is in exclusive control over the compensation paid by
23 Pneuma International, Inc. The Chapter 13 Trustee also objected on the basis that the debtors
24 had not provided her with adequate business examination documents, an issue in common with
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1 the instant case.

2 10. There is an inconsistency throughout Docket #118 concerning the financial
3 condition of the Debtor immediately prior to filing the petition. On p. 3, the Debtor states that it
4 operated at a loss in 2017 due to expenditures on attorney's fees; on p.4 it states that Debtor was
5 current on all of its obligations, save the Judgment.

6 11. As to the Judgment itself, Debtor misstates that it "won its intellectual property
7 back"—in fact it was denied all relief requested except for the ownership of one domain name
8 (See Judgment). The statement that Creditors "had been stealing Pneuma's intellectual property
9 and customer lists" is patently false and at odds with the Judgment.

10 12. On p. 5, section F is simply nonsensical. Creditors never asserted a secured claim
11 against Debtor herein. In fact, it was Debtor who first listed Credit Chalmers as secured before
12 amending the schedules. Debtor's statement that "\$483,347.62 may be realized from the
13 recovery of fraudulent, preferential or other avoidable transfers," is totally incomprehensible
14 considering that the only action was a stipulation that Creditors' claims are unsecured (and the
15 amount stated does not even amount to the total of their claims).
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19 WHEREFORE, Creditors respectfully object as detailed herein and request that the case
20 be dismissed in the best interests of the creditors.

21 Dated: July 24, 2018

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23
24 /s/ Joshua D. Brysk
25 Joshua D. Brysk
26 Attorney for Creditors,
27 Bruce Chalmers, Yong Kwon Cho and
28 Central United Packaging, Inc.

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