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**UNITED STATES BANKRUPTCY COURT**  
**NORTHERN DISTRICT OF TEXAS**  
**FORT WORTH DIVISION**

**IN RE: CELERITAS CHEMICALS, LLC**  
**Debtor**

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**CASE NO.: 16-42136**

**OBJECTIONS TO DEBTOR'S DISCLOSURE STATEMENT**

NOW INTO COURT, through undersigned counsel, comes creditor, Manidhari Gums & Chemicals ("Manidhari"), and, pursuant to Fed. R. Bankr. P. 3017, files its Objections to the Disclosure Statement<sup>1</sup> filed by Debtor, Celeritas Chemicals, LLC ("Celeritas"), for reasons more fully outlined below:

In summary, Manidhari submits that the approval of Debtor's Disclosure Statement in advance of any hearing to approve the proposed Reorganization Plan is premature, at best. As outlined below and at the hearing regarding this matter, the Debtor needs to be liquidated and not reorganized. Additionally, this matter is not in a position to be reorganized at this time, or in the near future.

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<sup>1</sup>Rec. Doc. 58.

**A. Motion to Convert to Chapter 7 Proceeding:**

Manidhari will file a Motion to Convert this matter into a Chapter 7 proceeding. Should the Court grant this motion, there is no reason to proceed forward with any matters regarding the Debtor's reorganization, including the pending Disclosure statement.

The merits and arguments raised by Manidhari in the Motion to Convert also rise to the level of objections to the Disclosure Statement and, as such, those arguments are incorporated herein by reference and adoption. As such, Manidhari will not reiterate those arguments in detail but, rather, briefly outline them below.

**1. Reorganization of Celeritas is Not Viable:**

As stated in detail in the Motion to Convert, Celeritas' potential for a viable reorganization was significantly diminished before filing for Chapter 11 protection, including a damaged business reputation and resulting loss in business.

Since the filing for Chapter 11 protection, Celeritas has had no business income nor contracted to provide any product to customers. Nor has the oil and gas fracking industry rebounded; all of which makes the reorganization of Celeritas highly unlikely.

**2. Debtor has Refused to Pursue Avoidable Transfers/Preferences:**

Celeritas has refused to pursue avoidable transfers/preferences against Mr. Pinto, Ms. Mathias, his sister, and the Stanton Law Firm under 11 U.S.C. 547.

**3. Debtor has Mismanaged the Litigation Claims:**

Celeritas and its litigation counsel have mismanaged the pending litigation by failing to actively pursue the outstanding claims and/or failing to take corrective actions.

As will be discussed in detail at the hearing regarding this disclosure plan, Celeritas' argument regarding the finality of the Smith Oil judgment and resulting impact on the Euler Hermes case is questionable.

Beyond the final judgment issue, Celeritas has not taken any steps or taken the proper steps to collect on the other outstanding judgments. Rather, Celeritas has failed to properly manage its litigation counsel; all of which has and will result in unnecessary legal fees being incurred.

**B. The Disclosure Statement Needs Amendment:**

The Disclosure Statement was filed on September 26, 2016. In the five months since this filing a number of issues have arisen which need to be updated and should require an amendment to the statement.

For example, the last monthly report filed by the Debtor was on January 4, 2017 for November 2016.<sup>2</sup> In order to evaluate the adequacy of the various representations made in the Disclosure Statement, Debtor needs to file the monthly reports for December 2016, January 2017 and February 2017. Without these reports, the Disclosure Statement is questionable.

**C. The Disclosure Statement Improperly Attempts to Discharge Fraud Based Claims:**

The Disclosure Plan seeks to discharge the fraud and fraud based claims, including alter ego and TUFTA, of Manidhari against Celeritas; all of which is precluded by 11 U.S.C. 523.

Additionally, Celeritas has alleged that the bankruptcy estate owns these fraud based claims. While Manidhari disputes these ownership claims, if these claims are found to be the property of the

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<sup>2</sup>Rec. Doc. 90.

bankruptcy estate, they cannot be discharged. 11 U.S.C. 527.

**D. The Disclosure Statement Does Not Properly Address Full Asset Recovery:**

The Disclosure Statement does not fully address Celeritas', as Debtor in Possessions, obligation to pursue the recovery of all assets or potential assets of the bankruptcy estate. 11 U.S.C. 1107.

In particular, Celeritas' Disclosure Statement does not address the recovery against Mr. Pinto, as the personal guarantor of the JP Morgan Chase loan/line of credit, including but not limited to the lifting of the stay in that litigation so that the bank can pursue the guarantor. Since the value of this guarantee is the amount of JP Morgan Chase claim<sup>3</sup> in the amount of \$879,861.88, together with interest, this constitutes an asset of the estate which should be pursued.

Celeritas' Disclosure Statement also does not address its pursuit of its claimed ownership of the alter ego and fraudulent transfer claims made by Manidhari. As the Court is well aware, Celeritas has claimed the bankruptcy estate owns the claims asserted by Manidhari. While Manidhari has contested this ownership claim, should Celeritas succeed on its claim, the Disclosure Statement does not reflect any meaningful pursuit of these claims. Rather, the Disclosure Statement simply states that these claims are going to be released.<sup>4</sup>

If, as Celeritas has claimed, the bankruptcy estate owns these claims, then its refusal to

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<sup>3</sup>Claim 14.

<sup>4</sup>Rec. Doc. 58 at p. 32-33.

pursue these claims against the non-debtors is depriving the estate of substantial potential assets.<sup>5</sup>

Additionally, the Disclosure Statement does not address the recovery and distribution of other assets which may be addressed at the hearing, including loans, accounts receivables and other assets.<sup>6</sup>

**E. The Disclosure Statement Does Not Meet the Requirements of 11 U.S.C. 1129:**

In addition to the grounds stated above and at the hearing regarding this Disclosure Statement, the Disclosure Statement does not meet the requirements under 11 U.S.C. 1129.

In addition to the grounds set forth in the Motion to Convert, Manidhari submits that the Disclosure Statement was not submitted in good faith. As will be shown at the hearing on the Motion to Convert, the financial records of Celeritas call into serious question the validity of Celeritas' filings in this Court and whether or not this matter was filed in good faith.

**F. The Disclosure Statement Does not Fully Address the Liquidation of Various Unsecured Claims:**

The Disclosure Statement attempts to address the various unsecured litigation claims to suggest that these claims be covered by Mr. Pinto's contribution of \$200,000 to a pool to be divided amongst the various creditors. Should such a procedure be accepted and adopted, Mr. Pinto would

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<sup>5</sup>Rec. Doc. Proof of Claim 4, as amended.

<sup>6</sup>The financial records of Celeritas are the subject of a Protective Order; all of which requires that this Court recognize its application to this matter. The parties are attempting to agree to the terms of a protective order for this matter, but, as of the date of filing, the parties have not reached an agreement. Once the Court reaches a decision of the application of the current Protective Order to this matter Manidhari may subsequently introduce documents under seal to address this issue.

receive substantial and unjustified benefit. Simply put, for a contribution of \$200,000, Mr. Pinto would be able to avoid personal liability for the JP Morgan Case loan and the alter ego/TUFTA claim; all of which are well in excess of \$2,500,000.

**G. Comparison with Chapter 7 Liquidation:**

The Disclosure Statement does a comparison of its Plan to a Chapter 7 Conversion.<sup>7</sup> This comparison boils down to an argument that the appointment of a Trustee would cost the estate monies for administrative fees or other professional costs which would diminish the value of the estate.

When viewed in the light most favorable to the creditors, this argument has very little merit. While a Trustee is entitled to certain fees and costs, the argument ignores the simple fact that the avoidable preferences to Mr. Pinto, Ms. Mathias and the Stanton Law Firm alone would exceed \$700,000 which is more than enough money to pay the Trustee's fees/costs or additional fees for new counsel.

Couple these preferences with the other potential recoveries under alter ego and promissory notes and the only viable conclusion to be reached is that conversion is the better option.

**H. Summary:**

Due to the pending Motion to Convert, Manidhari respectfully submits that the approval of this Disclosure Statement is premature. Alternatively, the Disclosure Statement is defective for the grounds set forth above.

*(Signature on following page)*

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<sup>7</sup>Rec. Doc. 58 at p. 34-36.

Respectfully submitted,

/s/Paul C. Miniclier

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**Counsel for Manidhari Gums & Chemicals**

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the above and foregoing pleading has been served upon the U.S. Trustee, all counsel of record by depositing same in the United States mail, postage pre-paid and properly addressed and/or fax transmission and/or e-mail, this 15<sup>th</sup> day of March, 2017, as well as through electronic service via the Northern District of Texas' electronic filing system.

/s/ Paul C. Miniclier