TOGUT, SEGAL & SEGAL LLP
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000
Kyle J. Ortiz
Bryan M. Kotliar
Brian F. Shaughnessy

Counsel for Eletson Holdings Inc.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	Chapter 11
ELETSON HOLDINGS INC.,[1]	Case No. 23-10322 (JPM)
Debtor.	

ELETSON HOLDINGS INC.'S OBJECTION TO THE MOTION OF REED SMITH LLP TO WITHDRAW ITS "LIMITED" REPRESENTATION OF "PROVISIONAL HOLDINGS"

Eletson Holdings Inc. ("Holdings"), by and through its undersigned counsel, hereby submits this objection (the "Objection") to the *Motion of Reed Smith LLP to Withdraw its Limited Representation of Provisional Holdings* [Docket No. 1543] (the "Motion").[2] In support of this Objection, Holdings submits the accompanying Declaration of Bryan M. Kotliar, Esq. (the "Kotliar Declaration"), and respectfully states:[3]

---

[1] Prior to November 19, 2024, the Debtors in these cases were: Eletson Holdings Inc., Eletson Finance (US) LLC, and Agathonissos Finance LLC. On March 5, 2025, the Court entered a final decree and order closing the chapter 11 cases of Eletson Finance (US) LLC and Agathonissos Finance LLC. Commencing on March 5, 2025, all motions, notices, and other pleadings relating to any of the Debtors shall be filed in the chapter 11 case of Eletson Holdings Inc. The Debtor's mailing address is c/o Togut, Segal & Segal LLP, One Penn Plaza, Suite 3335, New York, New York 10119.

[2] Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Motion.

[3] Exhibits cited herein as Ex. __ are attached to the Kotliar Declaration.

PRELIMINARY STATEMENT

1. Judge Liman succinctly captured the essence of Reed Smith's conflicted and confused role in these cases when he stated:

> Reed Smith's argument that Eletson Holdings is adverse to its client is based on the implicit but mistaken premise that its clients were members of the family that formerly owned Eletson Holdings, not Eletson Holdings itself.

Docket No. 1561, Ex. A (Opinion and Order Denying Stay Motion (the "3/24 District Court Decision")), *Eletson Holdings Inc. et al., v. Levona Holdings Ltd.*, Case No. 23-cv-7331 (LJL) [Docket No. 295] at p. 28.[4]

2. As this Court and the District Court have seen time and time again, Reed Smith has steadfastly and zealously advocated for its true clients, the family that formerly owned Holdings, against the interests of its former client, Holdings. *See, e.g.*, 3/24 District Court Decision at p. 31 (referring to Reed Smith's assertions of privilege as Reed Smith confusing its client (Holdings) with Holdings' "former managers and equity shareholders . . . persons who were the temporary custodians or beneficiaries of [Holdings'] affairs.").

3. The Motion is the latest example of this. It is a transparent ploy by Reed Smith and its clients to retreat from this Court to evade service of (likely) additional motions against them for not complying with the Confirmation Order [Docket No. 1223], the January 29, 2025 Order [Docket No. 1402], the February 27, 2025

[4] As previously noted, Reed Smith has been acting for Vasilis Hadjieleftheriadis, Vassilis Kertsikoff, and Laskarina Karastamati (the "Former Principals")—Holdings' former officers, directors and principal beneficial owners of Holdings through their family-owned investment companies, Lassia Investment Company, Glafkos Trust Company, and Family Unity Trust Company (the "Former Majority Shareholders"). Reed Smith failed to adequately disclose who it represented in the chapter 11 cases and, in fact, deliberately concealed its representation of the Former Principals, who were ***individually*** clients under Reed Smith's engagement letter. *See* Docket Nos. 1215, 1272, 1228, 1350 ¶¶ 5-14.

Order [Docket No. 1495], and the March 13, 2025 Order [Docket No. 1537] and related decisions.

4. Since the Effective Date, Reed Smith has continually made service-based (and substantive) arguments on behalf of its clients while claiming to only be acting for Reed Smith, in the hopes of being able to later argue that such clients were not served and did not appear. *See* Docket No. 1287 ¶ 10 ("To Reed Smith's knowledge, Movants have not validly served all of the respondents to the Motion"); Docket No. 1372 ¶¶ 6 & 8 (same generally); Docket No. 1393 ¶¶ 2 & 4; Docket No. 1419 at 1 ("Although the Emergency Motion expressly seeks sanctions jointly and severally against a number of entities and individuals, there is no evidence that *any* has been served properly.") (emphasis in original); Docket No. 1440 ¶¶ 4, 40, 44-48; Docket No. 1465 at p. 3. This inconsistent shell game failed when the Court ruled on March 12, 2025:

> The Court also finds that ***service upon Reed Smith is also sufficient service upon and notice to the purported provisional board and purported Provisional Holdings***.

Docket No. 1536, Ex. A (Mar. 12, 2025 Hr'g Tr.) at 62:6-8 (emphasis added).

5. Shortly after the Court made this finding, Reed Smith filed the Motion seeking to withdraw as counsel to "Provisional Holdings"—a fake entity conjured out of thin air to mask its improper representation of Holdings' former officers and directors. Ex. 1 (Dec. 23, 2024 District Court Hr'g Tr.) at 20:12-17.[5] The gamesmanship of the purported withdrawal is revealed in the Motion itself, where

[5] To be abundantly clear, use of the term "Provisional Holdings" is not an admission that some fictional alternative to Eletson Holdings Inc. exists. "Provisional Holdings" is simply shorthand for the collection of individuals that call themselves the Provisional Board of Holdings in violation of multiple orders of this Court. Nevertheless, what remains is an enterprise—a coordinated group of individuals, including former insiders, owners, and counsel—acting under the "Provisional Holdings" name to assert positions adverse to Holdings, including attempts to obstruct its Plan.

Reed Smith "***expressly reserves all of its client's rights to continue its representation*** as set out in its two letters and/or ***as or as requested by the client*** in a manner consistent with Reed Smith's professional obligations and/or consistent with any orders of this Court, the District Court, or any other Court with jurisdiction over Reed Smith." Mot. ¶ 6 (emphasis added). In other words, this withdrawal is a sham. For example, on March 24, 2025—after filing the Motion—Reed Smith filed an appeal of the Court's March 13, 2025 Order [Docket No. 1558] on behalf of Provisional Holdings after explicitly and repeatedly claiming not to represent them in connection with the underlying motion. *See* Docket No. 1508 (objection filed on behalf of only "Reed Smith LLP"); *see also* Docket No. 1536, Ex. A (Mar. 12, 2025 Hr'g Tr.) at 38:21-25 ("Well, what we have said in connection with this motion is that we are representing only Reed Smith . . . [W]e are not representing any interest, any entity other than Reed Smith.").

6. Reed Smith has the audacity to seek withdrawal and simultaneously tell this Court that it will continue to represent Provisional Holdings in other, directly related matters, such as appeals of this Court's orders in the District Court and appeals of this Court's and the District Court's orders in the Second Circuit. Reed Smith's continued representation of Provisional Holdings in the appeals highlights the absurdity of their "limited appearance" arguments. Reed Smith cannot both relinquish its role in this Court and continue pressing appeals that originate from it. This is not a withdrawal; it is forum shopping.

7. Reed Smith's continued representation of Provisional Holdings even if the Court grants the Motion demonstrates that the withdrawal is strategic and part of an ongoing effort by Reed Smith and its clients to utilize the Federal courts for things they want (*e.g.*, to pursue their chapter 11 plan or pursue their appeals) but to evade those same courts when ruling against them. That was the obvious purpose of

their the-Plan-needs-foreign-recognition argument to evade their loss at the confirmation trial. This is more of the same.

8. Consequently, the Motion should be denied until replacement counsel is identified. Prior to any withdrawal, Reed Smith should also be required to disclose who has been paying its fees (including the source of such funds) and any agreements or arrangements regarding its fees given Reed Smith's (false) argument that it represents the true Holdings.

BACKGROUND

9. The Effective Date of the Plan occurred on November 19, 2024. *See* Docket No. 1258. On the Effective Date, (a) pursuant to sections 2.5(a) and 10.6 of the Plan, Reed Smith's retention by Holdings was automatically terminated, and (b) pursuant to section 5.10(c) of the Plan, all then-existing board members (provisional or otherwise) were "deemed to have resigned or shall otherwise cease to be a director or manager of [Holdings] on the Effective Date." Plan §§ 2.5(a), 5.10(c), 10.6. This Court and the District Court have held this numerous times. *See, e.g.*, Ex. 1 (Dec. 23, 2024 District Court Hr'g Tr.) at 31:10-19; Docket No. 1402, Ex. A (Jan. 24, 2025 Hr'g Tr.) at 23:17-25; 26:5-11; Docket No. 1448, Ex. A (Feb. 14, 2025 District Court Hr'g Tr.) at 89:6-90:8; 95:8-22; 96:17-97:22; Docket No. 1468, Ex. A (Feb. 20, 2025 Hr'g Tr.) at 97:14-98:13; Docket No. 1536, Ex. A (Mar. 12, 2025 Hr'g Tr.) at 57:1-14; 3/24 District Court Decision at pp. 3-4 and 28.

10. Despite this, Holdings' former directors, who refer to themselves as the "Provisional Board" for "Provisional Holdings"—many of which also served on Holdings' board during its chapter 11 cases—continue to hold themselves out as the board of Holdings to pursue their express purpose of creating "obstacle[s]" to implementing the Plan. *See* Docket No. 1290, Ex. A at pp. 42 and 46 of 205. Reed Smith

claims that it was retained by this purported Provisional Board just two days after the Effective Date for the purpose of taking actions that necessarily impede implementation of the Plan. *See* Docket No. 1288 ¶ 41 (stating that, following Reed Smith's discussions on November 21, 2024 with "Liberian Counsel," Reed Smith was "informed that the Provisional Board . . . had designated Reed Smith to represent Holdings and directed Reed Smith to refuse all requests contained in the Spears Letters.[6] We were also directed to object to or pursue other legal remedies disputing the authority of Togut or any other counsel that was not appointed by the Provisional Board, and to file any document required to support the Appeal . . . .").

11. In other words, Reed Smith explicitly agreed, after it was terminated by its client, Holdings, to represent a new client, the so-called "Provisional Holdings," to act adverse to the interests of its former client, Holdings. Reed Smith does not dispute these facts. *See* Docket No. 1536, Ex. A (Mar. 12, 2025 Hr'g Tr.) at 38:25:39-2 ("Your Honor . . . Mr. Ortiz said that we were fired from representing the debtors. That is correct. And when we took on another representation, and that is correct.").

12. Following this new engagement, Reed Smith has sporadically appeared on behalf of Provisional Holdings only when doing so serves its objectives, including efforts to avoid service. For example, Reed Smith opposed the Sanctions Motion for itself [Docket No. 1287] (filed on behalf of "Reed Smith LLP") and, on the same day, filed a joinder on behalf of Provisional Holdings to the Former Majority

[6] "Spears Letters" refers to letters dated November 19, 2024, where Holdings sought to facilitate working with Reed Smith who at the time continued to serve as counsel to certain of Holdings' subsidiaries and affiliates. *See* Exs. 2-5. Refusing the requests in those letters, at the direction of their new client Provisional Holdings against the instructions of their former client, Holdings, is just another one of many examples of Reed Smith's violations of its ethical duties to its former client.

Shareholders' objection to Holdings' motion (the "Foreign Rep Motion") to appoint Adam Spears as its foreign representative [Docket No. 1293] (filed as "Counsel to Provisional Holdings").[7]

13. In the Motion, Reed Smith attempts to justify such improper gamesmanship by arguing that certain of its prior filings constituted a "limited-scope" representation notice under Local Civil Rule 1.4(c). *See* Mot. ¶ 4 ("Reed Smith submitted a letter to the Court confirming the limited nature of its representation of Provisional Eletson Holdings, based on a retention of Reed Smith after a Greek Court appointed a provisional board of Holdings, as permitted by Local Rule 1.4(c) [Docket No. 1407]."). In that letter [Docket No. 1407] (the "February 4 Letter") and as reiterated in the Motion, Reed Smith argues that its "role" has been "limited to the following, with the addition of the Provisional Holdings representation just discussed" to four matters:

> (i) responding to all motions and applications in which Reed Smith itself has been named as a party; (ii) any appeal from this Court's January 29, 2025 Order [Dkt. No. 1402]; (iii) the appeal to the Second Circuit from Judge Liman's dismissal of Provisional Holdings' appeal from the Bankruptcy Court; and (iv) briefing and argument regarding Goulston & Storrs PC's *Motion to Compel Reed Smith LLP to Produce The Eletson Client File* in the District Court [*see* Dkt. No. 1407].

Mot. ¶ 4.[8]

14. Notwithstanding these statements, Reed Smith has consistently advocated for its true clients in its pleadings, at hearings, and in numerous letters far

[7] As discussed below, neither of these actions fall within Reed Smith's purported "limited-scope" engagement.

[8] Reed Smith's statement that "[n]o party objected to the limited engagement" (Mot. ¶ 4) is ludicrous. Holdings has been opposing Reed Smith's purported representation of Holdings, Provisional Holdings, and other Company entities for months. *See, e.g.*, Docket No. 1268 ¶¶ 50-51; Docket No. 1314; Ex. 6 (Dec. 20, 2024 Hr'g Tr.) at 29:11-22; Docket No. 1350 ¶¶ 30-32; Docket No. 1360; Docket No. 1394; Ex. 7 (Jan. 29, 2025 Hr'g Tr.) at 55:2-13; Docket No. 1409; Docket No. 1416 ¶¶ 14-26; Docket No. 1466; Docket No. 1522 ¶¶ 15-32.

beyond this scope. *See, e.g., supra* ¶ 4; Docket Nos. 1293 (joinder objecting to Foreign Rep Motion), 1313 (letter purporting to defend Holdings' rights in Liberia), 1354 (letter arguing Liberian recognition action and arrest proceeding in Texas against one of the four SMEs violates the Court's foreign representative order), 1410 (letter transmitting declaration of John Markianos-Daniolos regarding status of Greek proceedings) & 1426 (letter asserting service of sanctions motion on Holdings' subsidiaries' former counsel was improper); *see also* Ex. 8 (Mar. 3, 2025 Hr'g Tr.) at 32:2-7 (arguing for Preferred Nominees ownership of Eletson Gas); Ex. 9 (Mar. 25, 2025 Hr'g Tr.) at 22:24-23:16 (same). This limited scope is also inconsistent with Reed Smith's claim that it still represents Holdings. *See e.g.*, Docket No. 1262 (Statement of Issues filed on November 21, 2024 by Reed Smith on behalf of Holdings); Docket No. 1448, Ex. A (Feb. 14, 2025 District Court Hr'g Tr.) at 50:17-19; 51:1-10 (Reed Smith arguing that it still represents Holdings); Ex. 10 (March 25, 2025 Letter from L. Solomon to Second Circuit) *In re Eletson Holdings Inc.*, Case No. 25-445 (2d. Cir.) [Docket No. 36].[9]

15. Even under Reed Smith's fiction of a "limited-scope" representation, nothing prevents it from undertaking to represent Provisional Holdings ***in this Court*** or elsewhere even after their "withdrawal." *See* Declaration of Louis M. Solomon in Support of the Motion [Docket No. 1544] at ¶ 4 ("Reed Smith ***intends to continue to represent Provisional Holdings*** . . . ***as requested by the client*** in a manner consistent with Reed Smith's professional obligations and/or consistent with any

[9] At the February 14, 2024 hearing in the District Court, Judge Liman questioned Reed Smith's attempts to use Local Civil Rule 1.4 to "make certain arguments but not subject yourself to jurisdiction more generally." Docket No. 1448, Ex. A (Feb. 14, 2025 District Court Hr'g Tr.) at 51:14-16.

orders of this Court, the District Court, or any other Court with jurisdiction over Reed Smith.") (emphasis added).

16. Finally, Reed Smith's representation of Provisional Holdings raises serious questions about the source of payment of their fees and expenses, especially since (a) Holdings did not maintain any bank accounts prior to the Effective Date (*see* Docket No. 1206 at p. 14 (stating that "[t]he Debtors do not have any ongoing business operations, employees or open bank accounts")), (b) Holdings required debtor-in-possession financing in its chapter 11 cases (the "DIP Financing") to pay professional fees, which DIP Financing was near fully drawn as of the Effective Date (*see* Docket No. 1227 at p. 3 (stating that as of November 6, 2024 "[t]here is only approximately $616,000 remaining under the DIP Credit Agreement")), and (c) prior to obtaining DIP Financing, Holdings paid professional fees, including Reed Smith's, through dividends from Holdings' four SME subsidiaries (*see* Docket No. 921, Ex. B ¶ 7). Similarly, Reed Smith previously received millions of dollars in fees and expenses from Holdings' subsidiaries, like Eletson Corp. *See* Docket No. 385 ¶¶ 3-6 (disclosing Eletson Corp.'s payments to Reed Smith of $1,130,848.87 and $2,683,751.31 for unpaid fees arising from the Involuntary Proceedings and Arbitration). The value of Holdings' subsidiaries, which vested in Holdings pursuant to Section 5.2(c) of the Plan and paragraph 7 of the Confirmation Order, belong to Holdings and its new owners. *See* Docket No. 1520 (March 6, 2025 Decision Denying Stay) at p. 21 ("To date, Reorganized Eletson Holdings Inc. has not received the 'benefit of the bargain' of paying $53.5 million to pay off Eletson Holdings Inc.'s pre-existing debts in exchange for 'ownership and control of Holdings.'") (citations omitted).

OBJECTION

17. Local Rule 2090-1(e) of the Southern District of New York Local Bankruptcy Rules (the "Local Bankruptcy Rules") requires withdrawing attorneys to be replaced "only by order of the Court for cause shown." Local Bankr. Rule 2090-1(e). Courts apply Local Civil Rule 1.4 to interpret Local Bankruptcy Rule 2090-1(e). *See Secs. Inv. Prot. Corp. v. Bernard L. Madoff Inv. Secs. LLC*, 657 B.R. 382, 387 (Bankr. S.D.N.Y. 2024) (explaining that the Local Bankruptcy Rule "is an adaptation of S.D.N.Y. Local Civil Rule 1.4") (citations omitted). Moving counsel must make a showing by "affidavit or otherwise of satisfactory reasons for withdrawal or displacement and the posture of the case, including its position, if any, on the calendar." Local Civil Rule 1.4.

18. The Court has broad discretion on motions to withdraw as counsel of record. *See In re Albert*, 277 B.R. 38, 47 (Bankr. S.D.N.Y. 2002). In assessing such motions, courts in this District consider "both the reasons for withdrawal and the impact of the withdrawal on the timing of the proceeding." *City of Almaty v. Sater*, Case No. 19-CV-2645 (JGK), 2024 WL 1484051, at *1 (S.D.N.Y. Apr. 1, 2024) (citation omitted). Part of this determination includes the question of whether "the prosecution of the suit is [likely to be] disrupted by the withdrawal of counsel." *In re Albert*, 277 B.R. at 50 (quoting *Brown v. Nat'l Survival Games, Inc.*, Case No. 91–CV–221, 1994 WL 660533, at *3 (N.D.N.Y. Nov. 18, 1994)). This is particularly important because Provisional Holdings purports to be an entity and must be represented by counsel. *See Secs. Inv. Prot. Corp.*, 657 B.R. at 392 ("A corporation cannot appear pro se and 'may appear in the federal courts only through licensed counsel.'") (quoting *Grace v. Bank Leumi Trust Co.*, 443 F.3d 180, 192 (2d Cir. 2006)).

19. Courts deny withdrawal where counsel fails to demonstrate that withdrawal would not disrupt the prosecution of the suit. *See Alladin v. Paramount*

Mgmt., LLC, Case No. 12 CIV. 4309 (JMF), 2013 WL 12618657, at *1 (S.D.N.Y. Oct. 16, 2013) ("[Counsel] not only neglects to address [the disruption of prosecution of the suit] prong of the test, but he also provides no explanation for his failure to seek relief sooner – a consideration that cuts strongly against him."). In denying motions to withdraw, "[c]ourts have also considered the fact that withdrawal would leave the opposing party with an intractable litigant who resides overseas and have already shown significant difficulties in communicating.'" *Secs. Inv. Prot. Corp.*, 657 B.R. at 392 (internal citations and quotations omitted).

20. Reed Smith has not met its burden of demonstrating that its withdrawal at this time, prior to identifying substitution counsel, would not disrupt prosecution/ defenses of its outstanding matters in this Court. All Provisional Holdings has done is attempt to frustrate and delay implementation of the Plan, as is its mandate and as this Court has already found in multiple decisions and sanctions orders.[10] The Court should not countenance their ability to do that further through their counsel's attempted withdrawal without first conditioning such withdrawal on identifying substitute counsel and confirmation that no delays will arise as a result. *See, e.g., Secs. Inv. Prot. Corp.*, 657 B.R. at 392 ("The Court has discretion to condition leave to withdraw mitigating the prejudice or disruption that withdrawal would otherwise cause."); *Oscar de la Renta Ltd. v. Strelitz Ltd.*, Case No. 92 Civ. 3907 (CES), 1993 WL 205150, at *1 (S.D.N.Y. June 7, 1993) ("[c]ounsel may withdraw if the defendant obtains new counsel to respond to plaintiff's motion.").

[10] Mr. Hadjieleftheriadis submitted a letter to the Court nearly a month ago requesting a two-week delay to the hearing on the last sanctions motion to find counsel—which has still not been identified. *See* Ex. 11 (email from Mr. Hadjieleftheriadis to Chambers on March 4, 2025). Reed Smith was copied on this email.

21. Reed Smith seeks to withdraw while sanctions orders are pending and judgments are forthcoming. *Mario Valente Collezioni, Ltd. v. Semeraro*, Case No. 02 Civ. 196 (SHS), 2004 WL 1057790, at *1 ("[T]his Court is unwilling to relieve counsel without ensuring that defendants are represented during the procedures for entry of a judgment.") (citations omitted). And the Motion will leave Provisional Holdings (which Reed Smith sometimes argues is the actual Debtor) without counsel in these cases despite having appeared and requiring counsel as a purported entity.

22. The Motion is a clear strategic attempt to avoid further sanctions on Provisional Holdings, which has repeatedly refused to implement the Plan and should be denied absent identification of replacement counsel.

THE PROPOSED ORDER

23. In any order granting the Motion, the Court should include an express reservation that all parties' rights are reserved as to Reed Smith, including any potential claims or causes of action against Reed Smith, whether arising before or after the Effective Date. Sections 5.2(c) and 5.15(a) of the Plan expressly preserved all of Holdings' "Retained Causes of Action," which is defined broadly as "certain Causes of Action of the Debtors or the Estates that are not released or waived pursuant to this Plan or a Final Order of the Bankruptcy Court." *See* Plan §§ 1.128, 5.2(c) & 5.15(a). Neither the Plan nor any orders of the Bankruptcy Court released or waived any claims against Reed Smith prior to the Effective Date. Holdings may also have claims and causes of action against Reed Smith on account of its conduct arising after the Effective Date.

24. Furthermore, the order should make clear that Reed Smith's withdrawal shall not be construed as relieving any of its obligations or liabilities arising from its representation.

25. The order should also prohibit Reed Smith from using any client confidential information of Holdings or its affiliates and subsidiaries in any other matter or sharing such information with any other clients. This is particularly important given that Reed Smith, in contravention of the Confirmation Order's prohibition on taking any action absent written consent, continues to purport to represent clients adverse to Holdings, such as Provisional Holdings and subsidiary Eletson Gas LLC ("Eletson Gas"). For example, Reed Smith purports to represent Eletson Gas in an arbitration proceeding in London initiated by one of the financiers of Eletson Gas's vessels where Holdings' former owners and insiders are attempting to exercise a purchase option for certain vessels (and most likely transfer them to their "nominees"–an all-too-familiar playbook). Reed Smith should not be permitted to weaponize Holdings' confidential information against it while purporting to pursue positions adverse to it.

CONCLUSION

For the foregoing reasons, Holdings respectfully requests that the Court (a) deny the Motion until Provisional Holdings identifies substitution counsel *and* gets it up to speed, (b) condition Reed Smith's withdrawal on the terms set forth above, and (c) grant such other and further relief as may be just and proper.

DATED: March 27, 2025
New York, New York

TOGUT, SEGAL & SEGAL LLP
By:

/s/ Kyle J. Ortiz
KYLE J. ORTIZ
BRYAN M. KOTLIAR
BRIAN F. SHAUGHNESSY
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000

Counsel for Eletson Holdings Inc.