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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**NOTICE OF HEARING OF ELETSON HOLDINGS INC.’S MOTION
FOR ENTRY OF AN ORDER COMPELLING REED SMITH TO
IMPLEMENT THE PLAN AND IMPOSING SANCTIONS**

PLEASE TAKE NOTICE that, on April 16, 2025, Eletson Holdings Inc. filed the *Motion for Entry of an Order Compelling Reed Smith to Implement the Plan and Imposing Sanctions* (the “Motion”).

PLEASE TAKE FURTHER NOTICE that, the Court has scheduled a hearing on the Motion (the “Hearing”) for **April 30, 2025 at 10:00 A.M. (Prevailing Eastern Time)** before the Honorable John P. Mastando III, United States Bankruptcy Judge for the Southern District of New York, in the United States Bankruptcy Court for

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.



the Southern District of New York (the “Court”), in Courtroom 501, located at One Bowling Green, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE that, the Hearing shall be held via Zoom for Government. Parties wishing to appear at the Hearing, whether making a “live” or “listen only” appearance before the Court, must make an electronic appearance utilizing the Electronic Appearance portal located at the Court’s website at: <https://ecf.nysb.uscourts.gov/cgi-bin/nysbAppearances.pl>. Appearances must be entered no later than **April 29, 2025, at 4:00 p.m. (Prevailing Eastern Time)** (the “**Appearance Deadline**”). After the Appearance Deadline has passed, parties who have made their electronic appearance through the Court’s website to appear via Zoom for Government will receive an invitation from the Court with a Zoom link that will allow them to attend the Hearing. Requests to receive a Zoom link should not be emailed to the Court, and the Court will not respond to late requests that are submitted on the day of the hearing. Further information on the use of Zoom for Government can be found at the Court’s website at <https://www.nysb.uscourts.gov/zoom-videohearing-guide>.

PLEASE TAKE FURTHER NOTICE that, responses, if any, to the Motion must be made in writing, stating in detail the reasons therefor, and must be filed with the Clerk of the Bankruptcy Court, so as to be actually received by the Honorable Judge Mastando III, with electronic copies emailed to Chambers at:

JPM.chambers@nysb.uscourts.gov; and upon: (i) Togut, Segal & Segal LLP, *counsel for Eletson Holdings Inc.*, One Penn Plaza, Suite 3335, New York, New York 10119, Attn: Kyle J. Ortiz, Esq. (kortiz@teamtogut.com); and Bryan M. Kotliar, Esq. (bkotliar@teamtogut.com); and (ii) the Office of the United States Trustee for Region 2, Attn: Daniel Rudewicz, Esq. (Daniel.Rudewicz@usdoj.gov) One Bowling Green, Room

534, New York, New York 10004-1408, no later than **April 23, 2025 at 4:00 P.M.**
(Prevailing Eastern Time) (the “Response Deadline”).

PLEASE TAKE FURTHER NOTICE that, the Motion, as well as all other case related filings can be viewed and/or obtained by (i) accessing the Court’s Website for a fee, or (ii) by contacting the Office of the Clerk of the United States Bankruptcy Court, Southern District of New York. Please note that a PACER password is required to access documents on the Court’s Website.

DATED: April 16, 2025
New York, New York

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By:

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**ELETSON HOLDINGS INC.'S MOTION FOR
ENTRY OF AN ORDER COMPELLING REED SMITH
TO IMPLEMENT THE PLAN AND IMPOSING SANCTIONS**

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Eletson Holdings Inc. ("Holdings") hereby submits this motion (the "Motion"), pursuant to sections 105, 1141, and 1142 of title 11 of the United States Code (the "Bankruptcy Code"), Rule 9020 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), Rule 2090-1(e) of the Local Bankruptcy Rules for the Southern District of New York (the "Local Bankruptcy Rules"), and Rules 1.6 and 1.9 of the New York Rules of Professional Conduct (the "New York Rules"), for entry of an order, substantially in the form attached hereto as **Exhibit A** (the "Proposed Order"), (a) compelling Reed Smith LLP ("Reed Smith") to comply with Holdings' chapter 11 plan [Docket No. 1132, Ex. 1] (the "Plan"), the Confirmation Order [Docket No. 1223], and the Consummation Order [Docket No. 1402] (and related decisions) by ceasing (i) all of its purported representations of Holdings and its affiliates and subsidiaries (collectively, the "Company"), including, for the avoidance of doubt, Eletson Corporation ("Eletson Corp."), EMC Investment Corp. ("EMC Investment"), Eletson Gas LLC ("Eletson Gas"), and EMC Gas Corp. ("GasCo"), and (ii) any representation(s) of persons or entities adverse to the Company, including Provisional Holdings¹ and (b) imposing sanctions to coerce Reed Smith's compliance with the foregoing.²

In support of this Motion, Holdings submits the accompanying Declaration of Bryan M. Kotliar, Esq. (the "Kotliar Declaration"), and respectfully states:³

¹ A non-exhaustive list of Reed Smith's improper representations are set forth on **Appendix 1** to the Proposed Order.

² Consistent with the relief requested in the Withdrawal Objection (defined below), prior to withdrawal in this case, Reed Smith should be required to (i) identify substitution counsel for purported "Provisional Holdings" and (ii) disclose who or what has been paying its fees (including the source of such funds) and any agreements or arrangements regarding its fees.

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

PRELIMINARY STATEMENT⁴

1. The Plan and Confirmation Order provided for (i) the termination of Reed Smith as Holdings' counsel and (ii) the automatic resignation of Holdings' former directors ("provisional" or otherwise) on the Effective Date of the Plan. No party, including Reed Smith or Holdings' former shareholders sought a stay of the Confirmation Order to prevent the occurrence of the Effective Date. The former shareholders did not even appeal the Confirmation Order. The Effective Date then occurred on November 19, 2024.

2. Consequently, the Confirmation Order is binding on Reed Smith and Holdings' former owners and directors. The Confirmation Order requires such parties to act in good faith to implement and consummate the Plan and enjoins them from interfering with the Plan.

3. Despite this, Holdings' former directors and shareholders continue to claim that they are Holdings' rightful directors and owners. And, after Reed Smith was terminated automatically by operation of the Plan, Reed Smith agreed to an entirely new engagement by these imposters, to aid these individuals in their efforts to obstruct implementation of the Plan.

4. Judge Liman 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.

⁴ Capitalized terms used in this Preliminary Statement have the meanings ascribed to such terms below.

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 28. This conflicted role has continued with Reed Smith purporting to continue to represent the Company in various proceedings, despite the Company’s termination of Reed Smith and the engagement of new counsel.

5. All of Reed Smith’s ongoing purported representations violate the Plan, the Bankruptcy Code, the Confirmation Order (that applies to Reed Smith as a “Related Party”), and the Consummation Order (that applies to Reed Smith as an “Ordered Party”). Reed Smith is already required to “cooperate in good faith to implement and consummate the Plan” (*see* Confirmation Order ¶ 5(i)), “comply with the Confirmation Order and Plan to assist in effectuating, implementing, and consummating the terms thereof” (*see* Consummation Order ¶ 1), and “take all steps reasonably necessary as requested by Holdings to unconditionally support the effectuation, implementation, and consummation of the Plan” (*see id.* ¶ 2). Reed Smith’s failure to withdraw following the Company’s termination of it violates all of these obligations.

6. Reed Smith’s conduct also violates its fundamental ethical obligations—including the duty to withdraw from all representations following termination by its clients (*see* New York Rule 1.6(a)), to refrain from representing new clients adverse to its former client (Holdings) (*see* New York Rule 1.9(a)), and to not use confidential information obtained during the course of its representation of a former client (Holdings) to the disadvantage of that former client (*see* New York Rule 1.9(c)). Reed Smith, as Debtors’ counsel, had a fiduciary duty to Holdings and its creditors. Reed Smith’s subsequent representations adverse to Holdings violate those duties, as

does its improper use of Holdings' confidential information adverse to its former client (and its subsidiaries and affiliates).

7. Reed Smith's failure to withdraw despite being terminated, particularly by raising issues of capacity and control that this Court and the District Court have repeatedly rejected, demonstrates that Reed Smith is pursuing its true clients' objectives at the expense of Holdings.

8. This Court has already found that it has jurisdiction over Reed Smith and that it can order and compel it—and where necessary, impose sanctions to coerce its compliance—to effectuate the Plan. Thus, the Court should enter the Proposed Order compelling Reed Smith to withdraw from its purported ongoing representations of the Company, as well as any other clients adverse to the Company, and impose sanctions until Reed Smith does so.⁵

JURISDICTION AND VENUE

9. The United States Bankruptcy Court for the Southern District of New York (this "Court") has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference M-431*, dated January 31, 2012 (Preska, C.J.) (the "Amended Standing Order"). Pursuant to Bankruptcy Rule 7008, Holdings confirms its consent to the Court's exercise of jurisdiction to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

⁵ To date, Reed Smith has wrongfully refused to turnover Holdings' file to its former clients, despite it being an asset of the estate. To the extent that Reed Smith does not cooperate with the Company in this (or any other) regard, the Company reserves the right to seek further court order(s).

10. Venue in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

11. Pursuant to Section 11.1 of the Plan and Paragraph WW of the Confirmation Order, the Court retains exclusive jurisdiction over all matters arising out of, and related to, the chapter 11 cases, including the matters set forth in Article XI of the Plan and section 1142 of the Bankruptcy Code. In particular, the Court retains jurisdiction to “enter such orders as may be necessary or appropriate to implement or consummate the provisions of this Plan” and to “issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with consummation, implementation, or enforcement of this Plan or the Confirmation Order.” *See* Plan §§ 11.1(d) & 11.1(h); *see also* Confirmation Order at WW (“The Court may, and upon the Effective Date, shall retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases, including the matters set forth in Article XI [of] the Plan and section 1142 of the Bankruptcy Code.”).

BACKGROUND

I. Reed Smith’s Extensive Historical Relationship with the Company and its Former Insiders and Owners

12. Reed Smith has a decades-long relationship with the Company. Reed Smith admitted this when it sought retention by the Debtors during the chapter 11 cases, stating that it had “represented Eletson Corp. . . . for more than thirty years in connection with various shipping related transactions and litigations.” Docket No. 235, Ex. B (the “Baker Declaration”) ¶ 15.

13. In its retention disclosures in the chapter 11 cases, Reed Smith stated that it represented certain of Holdings’ affiliates and subsidiaries. *See, e.g.*, Baker

Decl. ¶¶ 16, 20. Subsequent filings demonstrate that Reed Smith had other engagements with the Company and its insiders. For example, after the Court compelled Reed Smith to produce their engagement letters, it was revealed that Reed Smith also represented the Debtors' former principals, Lascarina Karastamati, Vassilis Kertsikoff, and Vassilis Hadjieleftheriadis (the "Former Principals"). *See* Docket No. 1272, Ex. A (Reed Smith Engagement Letter) at 1; *see also* Docket No. 1064, Ex. 3 (Reed Smith Letter to Judge Mastando dated July 27, 2022) ("[W]e represent Eletson Holdings, Inc., Eletson Corporation, and other related parties, including the manager and the Eletson Directors of Eletson Gas LLC.").

14. Reed Smith not only failed to adequately disclose who it represented in the chapter 11 cases, it deliberately concealed its representation of the Former Principals. *See* Docket Nos. 1215, 1272, 1228, 1350 ¶¶ 5-14. Since that time, Reed Smith's actions further demonstrate that it is acting for the Former Principals and adverse to, and not in the best interests of, the Company, as the District Court recently recognized. *See* 3/24 District Court Decision at 28 (stating that Reed Smith's argument "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."); *see also* 3/24 District Court Decision at 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 temporary custodians or beneficiaries of [Holdings'] affairs.").

II. Reed Smith's Improper Representation of "Provisional Holdings" and "Eletson (Greece)"

15. The Effective Date of the Plan occurred on November 19, 2024. *See* Docket No. 1258. Among other things, on the Effective Date:

- Reed Smith’s retention by Holdings was automatically terminated (*see* Plan §§ 2.5(a) & 10.6);
- all then-existing board members of each Debtor, including Holdings, provisional or otherwise, were “deemed to have resigned or shall otherwise cease to be a director or manager of [Holdings] on the Effective Date” (*see id.* § 5.10(c));
- all outstanding equity interests in Holdings were “cancelled, and the obligations of the Debtors thereunder or in any way related thereto [were] fully released, terminated, extinguished, and discharged, in each case, without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule, or any requirement of further action, vote, or other approval or authorization by any Person” (*see id.* § 5.4); *see also id.* § 3.3(i) (“On the Effective Date, each Allowed Existing Equity Interest shall be discharged, cancelled, released, and extinguished without any distributions to Holders.”); and
- “all property in each Estate, *including all Retained Causes of Action*, and any property acquired by any of the Debtors, *including interests held by the Debtors in their respective non-Debtor direct and indirect subsidiaries and Affiliates*, . . . vest[ed] in Reorganized Holdings, free and clear of all Liens, Claims, charges, or other encumbrances . . .” (*id.* § 5.2(c)) (emphasis added); *see also* Confirmation Order ¶ 7 (substantially same).⁶

Nothing in the Plan, the Confirmation Order, or any other related document or order contemplated or suggested that any alternative to Holdings (or its true owners and directors established under the Plan), including any sort of “zombie” entity would continue to exist following the Effective Date.

16. Despite this, Holdings’ former directors, who refer to themselves as the “Provisional Board” for “Provisional Holdings”—many of whom also served on Holdings’ board during its chapter 11 cases—continue to hold themselves out as the

⁶ This Court and the District Court have confirmed these facts numerous times. *See, e.g.*, Ex. 1 (Dec. 23, 2024 District Ct. Hr’g Tr.) at 31:10-19; Docket No. 1402, Ex. A (Jan. 24, 2025 Hr’g Tr.) at 23:17-24:13; 26:5-11; Docket No. 1448, Ex. B (Feb. 14, 2025 District Ct. 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 3-4 & 28.

board of Holdings to pursue their express purpose of creating “obstacle[s]” to implementing the Plan.⁷ See Docket No. 1290, Ex. A at 42 and 46 of 205. Reed Smith admits that it was retained by this purported Provisional Board just two days after the Effective Date to assist in that very purpose. 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.⁸ 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 . . .”).

17. 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—and cannot—dispute this. 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.”).

18. Following this new engagement, Reed Smith has sporadically appeared on behalf of Provisional Holdings only when doing so serves its true clients’ interests. For example, Reed Smith opposed the Sanctions Motion for itself, Docket

⁷ To be abundantly clear, the use of the term “Provisional Holdings” is not an admission that some fictional alternative to Holdings, 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 the Plan.

⁸ “Spears Letters” refers to the November 19 Letters (as defined below).

No. 1287 at 37 (filed on behalf of “Reed Smith LLP”), and, on the same day, filed a joinder on behalf of Provisional Holdings to the Former Majority Shareholders’ objection to Holdings’ motion (the “Foreign Rep Motion”) to appoint Adam Spears as its foreign representative, Docket No. 1293 at 2 (filed as “Counsel for Provisional Holdings”).

19. On March 18, 2025, Reed Smith filed a motion to withdraw its purported “limited representation” of Provisional Holdings [Docket No. 1543] (the “Withdrawal Motion”). As set forth in Holdings’ objection [Docket No. 1566] (the “Withdrawal Objection”), the Withdrawal Motion was 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 Order [Docket No. 1495], and the March 13, 2025 Order [Docket No. 1537] and related decisions; indeed the Withdrawal Motion was filed shortly after this Court ruled that service upon Reed Smith is sufficient service upon and notice to the purported Provisional Board and purported Provisional Holdings. *See* Withdrawal Obj. ¶ 4.

20. Furthermore, the gamesmanship of the purported withdrawal was revealed in the Withdrawal Motion itself, where Reed Smith reserved the right to continue to represent Provisional Holdings even if the Court granted the Withdrawal Motion. *See* Withdrawal Mot. ¶ 6 (“Reed Smith . . . *expressly reserves all of its client’s rights to continue its representation* as set out in its two letters and/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.”) (emphasis added); *see also* Docket No. 1595 (“If Provisional Holdings succeeds on its appeals . . . Reed Smith would be prepared to

reenter as counsel, if that was the client's wishes."). In other words, this "withdrawal" was a sham. At the hearing on April 3, 2025, the Court took the matter under advisement. *See* Ex. 2 (Apr. 3, 2025 Hr'g Tr.) at 31:20-24.

21. Reed Smith purports to continue representing Provisional Holdings in the District Court and the Second Circuit to further its self-described mandate of frustrating implementation of the Plan. For example, Reed Smith filed an appeal of this Court's Foreign Oppositions Order [Docket No. 1537] on behalf of Provisional Holdings [Docket No. 1558] (the "Foreign Oppositions Order Appeal"), after repeatedly claiming not to represent them in connection with the underlying motion. *See* Docket No. 1508 at 18 (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.").⁹ After LISCR updated Holdings' AOR to be consistent with the governance changes that took place pursuant to the Plan and Confirmation Order, Reed Smith re-styled its representation of "Provisional Holdings" as "Eletson (Greece)." *See* Ex. 3 (Reed Smith's Opp. to Petitioner-Appellee's Mot. to Dismiss in 2d Cir.) at 10 of 30.

22. At the same time, Reed Smith purports to continue representing *Holdings* despite numerous rulings by this Court and the District Court to the contrary.

⁹ Reed Smith has also consistently advocated for its true clients in pleadings, at hearings, and in numerous letters despite disclaiming to represent Provisional Holdings in these matters. *See, e.g.*, Docket Nos. 1354 (letter arguing Liberian recognition action and arrest proceeding in Texas against one of Holdings' 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) & 1594 (continuing to argue that Texas vessel arrest proceedings are improper); *see also* Ex. 4 (Mar. 3, 2025 Hr'g Tr.) at 32:2-7 (arguing for Preferred Nominees ownership in Eletson Gas); Ex. 5 (Mar. 25, 2025 Hr'g Tr.) at 22:24-23:16 (same).

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. B (Feb. 14, 2025 District Ct. Hr’g Tr.) at 50:17-19, 51:1-10 (Reed Smith arguing that it still represent Holdings); Ex. 6 (Mar. 25, 2025 Letter from L. Solomon to Second Circuit) (“On behalf of Appellant Eletson Holdings, Inc. . . .”).

23. All of the matters outside this Court in which Reed Smith would like to continue representing Holdings (whether in the name of Holdings, “Provisional Holdings,” or “Eletson (Greece)”) are related to the Plan and Confirmation Order and are directly adverse to Holdings. The Plan did not provide for the possibility of a continuing existence of some alternative to Holdings or some alternative managers of Holdings. It provided for a change in ownership and management. The ability to determine whether to pursue appeals also vested with Holdings. Holdings lost no rights, but the people with the authority to make decisions concerning those rights changed. *See* 3/24 District Court Decision at 31 (referring to Holdings’ prior management and owners as “temporary custodians or beneficiaries of its affairs” and recognizing Holdings’ new managers’ and owners’ right to make decisions regarding its property).

III. Reed Smith’s Improper Representation of Holdings’ Subsidiaries

24. At the same time that Reed Smith claims it represents “Provisional Holdings” and/or “Eletson (Greece),” it also improperly continues purporting to represent various other Eletson entities, despite being terminated by those entities following management changes implemented after the Effective Date and being replaced by alternative counsel.

(1) The Company's Management Changes After the Effective Date

25. As this Court and the District Court have held multiple times, the members of Holdings' board, post Effective Date, are now Adam Spears, Leonard J. Hoskinson, and Timothy Matthews.¹⁰

26. Following the Effective Date, Holdings executed an Omnibus Written Consent (the "Omnibus Consent" or "OC"), in its capacity as the sole or controlling shareholder of dozens of subsidiaries, including Eletson Corp. and EMC Investment. *See* Plan § 5.2(c); Confirmation Order ¶ 7. Among other things, the OC removes and revokes the appointment of all pre-existing directors and officers of all Holdings subsidiaries (*see* Ex. 7 § 2) and (b) prohibits all of Holdings' subsidiaries from taking any of the listed actions, directly or indirectly, which are set forth under "Prohibited Corporate Actions," including, among other things, "mak[ing] any decisions related to any dispute, litigation, arbitration, or settlement, whether such matter is ongoing or is brought in the future" (*see id.* § 1).

27. Also on November 19, 2024, Holdings, as the sole shareholder of Eletson Corp., executed an Action by Written Consent for Eletson Corp. (the "Eletson Corp. SC"), which (a) removed Eletson Corp's prior directors (*see* Ex. 8 § 1), (b) adopted the amended by-laws and changes the number of members of the board of Eletson Corp. (the "Eletson Corp. Board") to one (*see id.* § 2), (c) appointed Leonard J. Hoskinson as director of Eletson Corp. (*see id.* § 3), and (d) authorized the officers to make any filings on behalf of Eletson Corp. (*see id.* § 4).

¹⁰ *See* Ex. 1 (Dec. 23, 2024 District Ct. Hr'g Tr.) at 31 (holding that Holdings' new management (*i.e.*, the new board of Holdings and Adam Spears as CEO) has the authority to act on behalf of Holdings, including the ability to appoint new counsel, and Holdings' former counsel, Reed Smith, no longer represents the company); Docket No. 1402, Ex. A, (Jan. 24 Hr'g Tr., 24:14-15) ("The new members of the board of directors were Adam Spears, Leonard Hoskinson, and Timothy Matthews."); Docket No. 1448, Ex. B (Feb. 14, 2025 SDNY Hr'g Tr.) at 95-96 (quoted in the accompanying text).

28. In addition, on November 19, 2024, the Eletson Corp. Board executed an Action by Unanimous Written Consent (the “Eletson Corp. UWC”), which (a) removed Eletson Corp.’s existing officers and directors and appoints Leonard J. Hoskinson as CEO, President and Secretary (*see* Ex. 9 § 1), (b) authorized the new officers and directors of Eletson Corp. with “Management Powers” (as defined in the Eletson Corp. UWC) (*see id.* § 2), and (c) ratified and approved all prior acts done on behalf of Eletson Corp. (*see id.* § 5).

29. On December 17, 2024, Holdings, as the sole shareholder of EMC Investment, executed an Action by Written Consent of the Sole Stockholder of EMC Investment (the “EMC Investment SC”). *See* Ex. 10. The EMC Investment SC appointed Leonard J. Hoskinson as the sole director of EMC Investment’s board of directors (the “EMC Investment Board”). *See id.* § 1. On the same date, Leonard J. Hoskinson, as the sole member of the EMC Investment Board, executed an Action by Unanimous Consent of the EMC Investment Board (the “EMC Investment Unanimous Consent”). *See* Ex. 11. Pursuant to the EMC Investment Unanimous Consent, Leonard J. Hoskinson was appointed as the President, Vice-President, Secretary, and Treasurer of EMC Investment. *See id.* § 1.

30. On March 13, 2025, LISCR updated Holdings’ address of record (“AOR”) to Adam Spears and on March 14, 2025, Holdings obtained a new certificate of incumbency reflecting its new owners and directors. Ex. 12.¹¹ Similarly, on March 19,

¹¹ Holdings updated its AOR through its own efforts with Liberian counsel without involvement from the existing AOR, the purported Provisional Board, the former shareholders, or Mr. Hadjieleftheriadis—who were compelled to update the AOR and held in contempt and ordered to pay sanctions for their failure to do so and for opposing Liberian proceedings in an attempt to frustrate Holdings updating its AOR. *See* Docket No. 1495 ¶¶ J, K, M, 1-2; *see also* Docket No. 1537 ¶¶ A-B, 1-3. Even after Holdings updated its AOR, certain of these parties filed a new action in Liberia challenging the change in Holdings’ AOR, which the Liberian court subsequently denied. *See* Docket No. 1555, Ex. 4.

2025, LISCR updated Eletson Corp.'s AOR to Adam Spears and on the same day, Eletson Corp. obtained a new certificate of incumbency reflecting its new directors. Ex. 13. On March 31, 2025, LISCR updated the AOR of EMC Investment as directed by Holdings and, on that same date, LISCR issued a certificate of election and incumbency confirming EMC Investment's duly constituted board as reflected in the EMC Investment SC and the EMC Investment Unanimous Consent. *See* Ex. 14. Further, as of March 31, 2025, EMC Investment has re-domiciled out of Liberia to the Marshall Islands—it is no longer a Liberian entity and has ceased to be registered in Liberia. *See* Ex. 15.

31. As to Eletson Gas, on November 29, 2024, Holdings, as the holder of the Common Units of Eletson Gas., executed an Action by Written Consent of the Common Unit Holder of Eletson Gas (the "Eletson Gas SC"), which removed the two previous directors on the board of Eletson Gas (the "Eletson Gas Board") appointed by virtue of the Common Units, Laskarina Karastamati and Vassilis Kertsikoff, and appointed Leonard J. Hoskinson as a director in their place. *See* Ex. 16 § 1.¹² Also on November 29, 2024, the Eletson Gas Board executed an Action by Unanimous Written Consent (the "Eletson Gas UWC"), which (a) removed all pre-existing officers of Eletson Gas and appointed Leonard J. Hoskinson as CEO (*see* Ex. 17 § 1), (b) prohibited all of Eletson Gas's subsidiaries from taking any of the listed actions, directly or indirectly, which are set forth under "Prohibited Corporate Actions," including, among other things, "mak[ing] any decisions related to any dispute, litigation, arbitration, or

¹² Section 1 of the Eletson Gas SC reflects the true composition of the Eletson Gas Board consisting of (a) Holdings' Common Unit appointee, Leonard J. Hoskinson, and (b) Levona's prior appointees on account of the outstanding preferred units in Eletson Gas (the "Gas Preferred Units"), Mark Lichtenstein, Eliyahu Hassett, Joshua Fentiman, and Adam Spears. *See* Docket No. 1367 ¶ 30.

settlement, whether such matter is ongoing or is brought in the future” (*see id.* § 2), and (c) removed or revoked the appointment of all pre-existing directors and officers of all Eletson Gas’s subsidiaries (*see id.* § 3).

32. With respect to GasCo, a subsidiary of Eletson Gas, on March 11, 2025, Eletson Gas appointed Leonard J. Hoskinson as Chief Executive Officer and Mark Lichtenstein as Secretary of GasCo. *See* Ex. 18. The Eletson Gas UWC’s restriction on Eletson Gas’s subsidiaries taking any of the actions listed therein applies to GasCo. *See* Ex. 9 § 2.

(2) Reed Smith Refuses to Withdraw Following its Termination as Counsel

33. On November 19, 2024, Holdings sent an instruction letter to each Reed Smith office requesting, among other things, that Reed Smith preserve all client files, identify all engagement personnel, client codes, and all open and ongoing matters, and provide an accounting for all outstanding fees. Exs. 19-22 (the “November 19 Letters”). On November 21, 2024, Reed Smith’s general counsel responded that Reed Smith was “advised by [its] client Eletson Corporation that there are substantial questions as to whether you [Adam Spears] have the authority and capacity to appoint or engage counsel for Holdings or to give them any instructions” and that “there is a Greek court order that specifically reposes that authority in a provisional board of Holdings, of which, we are informed, you are not a member.” Ex. 23.¹³ Of course, these arguments have been rejected *multiple times* by this Court and the District Court (*supra* ¶ 15, n.6), which Holdings reiterated to Reed Smith on January 30, 2025. Exs. 25-28 (the “January 30 Emails”). The January 30 Emails also informed Reed Smith, again, of

¹³ On December 4, 2024, Reed Smith’s London office sent a similar letter to Holdings disputing Adam Spears’ authority for Holdings and his and Holdings’ authority for Holdings’ affiliates and subsidiaries. Ex. 24.

its obligations as a “Related Party” under the Confirmation Order and an “Ordered Party” under the Consummation Order to cooperate in good faith to implement the Plan. *See id.* To date, Reed Smith has not responded to the January 30 Emails.

34. On November 21, 2024, Holdings sent each Reed Smith office a letter terminating all of Reed Smith’s engagements with the Company (including all Holdings subsidiaries) for all matters as of November 20, 2024 (the “Termination Date”) because of a letter that Reed Smith filed with the District Court purportedly on behalf of Eletson Corp. advancing positions against the Company’s interests, which was not authorized by the Company. Ex. 29-32 (the “November 21 Termination Letters”).¹⁴ Following the Effective Date, Holdings retained Togut, Segal & Segal LLP (the “Togut Firm”) and Goulston & Storrs PC (“Goulston”) as its counsel. *See* Exs. 34-35.

35. On December 4, 2024, Leonard Hoskinson, the CEO of Eletson Gas (and Eletson Corp.) sent Reed Smith an email formally terminating Reed Smith’s engagement with Eletson Gas. Ex. 36 (the “December 4 Termination E-Mail” and, together with the November 21 Termination Letters, the “Termination Notices”). Other than its correspondence noted above, Reed Smith has not responded to the Termination Notices.

IV. Summary of Reed Smith’s Improper Representations

36. A non-exhaustive list of Reed Smith’s ongoing and improper representations is attached as **Appendix 1** to the Proposed Order and a summary description is set forth below for the Court’s convenience. In each of the proceedings

¹⁴ In that filing, Reed Smith (a) questioned Holdings’ termination of Reed Smith, (b) argued against the enforceability of the Confirmation Order in the District Court, and (c) asserted that Holdings did not appoint Togut, Segal & Segal LLP as Holdings’ counsel in the District Court because such action was not authorized by the purported Provisional Board. *See* Ex. 33.

where Reed Smith purports to represent the Company, the Company has already retained replacement counsel.

37. Holdings / “Provisional Holdings” / “Eletson (Greece).” As noted above, Reed Smith continues to purport to represent Holdings in this Court, the District Court, and the Second Circuit *after the Effective Date*, and the purportedly so-called “Provisional Holdings” or “Eletson (Greece).” *See supra* ¶¶ 16, 18, 21–22.

38. Eletson Corp. Reed Smith purports to continue representing Eletson Corp. in connection with the Arbitration and related District Court confirmation proceedings even though its engagement by Eletson Corp. ended on the Termination Date and the District Court subsequently entered an order displacing it as counsel. *See Ex. 37* (District Ct. Opinion and Order dated Mar. 24, 2025). Following the Effective Date, Eletson Corp. retained the Togut Firm and Goulston. *See Exs. 35, 39.* Reed Smith also purports to continue representing Eletson Corp. in the London Arbitration Proceedings (defined below). *See infra* ¶ 40.

39. Eletson Gas. Reed Smith purports to continue representing Eletson Gas and its subsidiaries (such as GasCo) even though its engagement by Eletson Gas and relevant subsidiaries ended on the Termination Date and Eletson Gas has replaced Reed Smith with alternative counsel. For example, Reed Smith purports to represent Eletson Gas in an arbitration confirmation proceeding in London concerning 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). *See Docket No. 1367.*

40. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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41. [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

42. [REDACTED]

[REDACTED]

[REDACTED]

IV. Reed Smith's Serious Payment Issues

43. Reed Smith has never disclosed the source of funds used to pay its relevant fees and expenses since the Effective Date, or any related payment arrangements into which it has entered with the individuals/entities falsely claiming to still control the Company.

44. Reed Smith's ongoing (improper) representations raise 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 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 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 fees, 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).

45. 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 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). This is also particularly concerning because the Company’s new management and owners have been frustrated in their attempts to obtain control over the Company’s bank accounts as a result of the obstructive tactics of Reed Smith’s clients.

46. In response to the Court’s questions at the April 3, 2025 hearing on the Withdrawal Motion, Reed Smith failed to identify the source of any payments received for its work in representing Provisional Holdings (*see* Ex. 2 (Apr. 3, 2025 Hr’g Tr.) at 28:5-29:10) and provided ambiguous and opaque answers that further compounds this issue. *See id.* at 28:17-22 (stating “I think our client has been careful not to use assets of the estate” while asserting there is a dispute about the definition of the estate).

RELIEF REQUESTED

47. By this Motion, Holdings respectfully requests that the Court enter the Proposed Order, substantially in the form attached hereto as **Exhibit A**, (a) compelling Reed Smith to comply with the Plan, the Confirmation Order, and the Consummation Order (and related decisions) by ceasing (i) all of its purported representations of the Company, including, for the avoidance of doubt, Eletson Corp., EMC Investment, Eletson Gas, and GasCo, and (ii) any representation(s) of persons or entities adverse to the Company, including Provisional Holdings,¹⁵ and (b) imposing sanctions to coerce Reed Smith’s compliance with the foregoing.

¹⁵ A non-exhaustive list Reed Smith’s improper representations are set forth on **Appendix 1** to the Proposed Order.

BASIS FOR RELIEF REQUESTED

**I. The Court Has the Authority to Compel Reed Smith's
Withdrawal and to Impose Sanctions to Effectuate the Plan**

48. Even though all of Reed Smith's engagements by the Company have been terminated, Reed Smith has refused to withdraw outside of this Court, so it can advance positions of the former officers, directors, and shareholders of Holdings. Ironically, Reed Smith admits, pursuant to the Plan, it was terminated by Holdings on the Effective Date yet purports to continue to represent the very subsidiaries and affiliates whose interests vested in Holdings on the Effective Date. Reed Smith cannot pick and choose which parts of the Plan apply.

49. Paragraph 5(i) of the Confirmation Order provides that "[t]he Debtors and the Petitioning Creditors and each of their respective Related Parties are hereby directed to cooperate in good faith to implement and consummate the Plan." Confirmation Order ¶ 5(i). "Related Parties" is defined in Section 1.124 of the Plan to include, among others, Reed Smith as the Debtors' and the Debtors' affiliates and subsidiaries current and former "attorneys." See Plan § 1.124. In addition, paragraph 1 of the Consummation Order reiterates that the Debtors and their Related Parties, including the Ordered Parties—defined specifically to include Reed Smith—are required to comply with the Confirmation Order and Plan to assist in effectuating, implementing, and consummating the terms thereof" and "to take all steps reasonably necessary as requested by Holdings to unconditionally support the effectuation, implementation and consummation of the Plan." Consummation Order at Recitals & ¶ 1.

50. As of the date of this Motion, Reed Smith continues to violate the Plan, the Confirmation Order, the Consummation Decision, and the Consummation

Order by purporting to represent Holdings (and Provisional Holdings), Eletson Corp. and Eletson Gas and representing interests adverse to the Company.

51. As set forth in numerous decisions, this Court has the ability to compel compliance with the Plan, Confirmation Order, Consummation Order, and other orders of this Court, including by finding contempt and imposing coercive sanctions. *See* Docket No. 1402, Ex. A (Jan. 24, 2025 Hr’g Tr.) at 29:10-16; 30:1-6; *see also* Consummation Order ¶¶ 1, 4; Docket No. 1468 (Feb. 20, 2025 Hr’g Tr.) at 107:13-18; Foreign Opposition Order ¶ 3. And the Court has already noted that Reed Smith is before the Court and can be subject to orders to compel and, where necessary, sanctions. *See* Docket No. 1468 (Feb. 20, 2025 Hr’g Tr.) at 33:5-8, 105:10-21, 107:13-21.

52. Reed Smith’s refusal to withdraw from all related engagements adverse to the Company is frustrating Holdings’ ability to implement the Plan. Indeed, that has been their directive ever since being re-hired by the “Provisional Board.” This conduct directly undermines this Court’s orders and Holdings’ reorganization. Thus, the Court can and should exercise its authority to compel Reed Smith to cease such representations of the Company and can and should impose sanctions to coerce Reed Smith’s compliance with the foregoing.

II. Reed Smith’s Conduct Violates Its Ethical Obligations

53. Local Bankruptcy Rule 2090-1(e) provides that “[a]n attorney who has appeared as an attorney of record may withdraw or be replaced only by order of the Court for cause shown.” Local Bankr. Rule 2090-1(e). The authority of federal courts to disqualify counsel derives from their “inherent power to preserve the integrity of the adversary process” (*Hempstead Video, Inc. v. Inc. Vill. of Valley Stream*, 409 F.3d 127, 132 (2d Cir. 2005); *see also* 3/24 District Ct. Decision at 12-13), or to “forestall violations of ethical principles” (*Cresswell v. Sullivan & Cromwell*, 922 F.2d 60, 72-73 (2d Cir. 1990)).

Courts must “balance a client’s right freely to choose his counsel against the need to maintain the highest standards of the profession.” *Employers Ins. Co. of Wausau v. Munich Reinsurance America, Inc.*, 2011 WL 1873123, at *3 (S.D.N.Y. May 16, 2011); *Hempstead Video*, 409 F.3d at 132.

54. The decision to disqualify counsel is within the “sound discretion of the trial court.” *Cresswell*, 922 F.2d at 72; *see also Hull v. Celanese Corp.*, 513 F.2d 568, 571 (2d Cir. 1975). In assessing whether to disqualify counsel, courts are guided by state disciplinary rules. *See, e.g., In re WB Bridge Hotel LLC*, 656 B.R. 733, 744 (Bankr. S.D.N.Y. 2024). Here, Reed Smith is violating at least three New York Rules.

55. *First*, New York Rule 1.6(b) mandates that a lawyer withdraw from a representation if the lawyer is discharged.¹⁶ *See In re Wiener*, Case No. 18-13042 (JLG), 2019 WL 2575012, at *4 (Bankr. S.D.N.Y. June 21, 2019) (“The Debtor terminated the Firm’s services and the Firm was required to seek to withdraw as Debtor’s counsel.”).¹⁷ The Company has terminated all of Reed Smith’s engagements as of the Termination Date, yet Reed Smith purports to continue representing the Company in pursuing the interests of the Former Principals. Thus, Reed Smith has violated Rule 1.6(b).

56. *Second*, New York Rule 1.9(a) provides that a “lawyer who has formerly represented a client in a matter shall not thereafter represent another person in

¹⁶ New York Rules of Professional Conduct, N.Y. Comp. Codes R. & Regs. tit. 22, § 1200.0 “govern[] the conduct of attorneys in federal courts sitting in New York as well as New York state courts.” *See SEC v. Gibraltar Global Sec.*, No. 13 Civ. 2575 (GBD) (JCF), 2015 WL 2258173, at *2 (S.D.N.Y. May 8, 2015); *see also In re Bruno*, 327 B.R. 104, 108 (Bankr. E.D.N.Y. 2005) (“Bankruptcy courts in New York apply New York’s Code of Professional Responsibility to ethical disputes.”).

¹⁷ *See also Steele v. Bell*, 2012 WL 6641491, at *2 (Bankr. S.D.N.Y. Dec. 19, 2012) (“Rule 1.6(b)(3) of the New York Rules of Professional Conduct provides that a lawyer ‘shall’ withdraw as counsel when ‘the lawyer is discharged.’”); *Casper v. Lew Lieberbaum & Co., Inc.*, 1999 WL 335334, at *4 (S.D.N.Y. Mar. 26, 1999) (“Thus, because Movants were discharged by plaintiffs, they were required to withdraw as counsel.”); *see also Allstate Ins. Co. v. Nandi*, 258 F. Supp. 2d 309, 311 (S.D.N.Y. 2003) (ordering that movants be withdrawn as attorneys of record where the client clearly discharged the attorneys).

the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client gives informed consent, confirmed in writing." New York Rule 1.9(a). Reed Smith represents Provisional Holdings in the *same matter in which Provisional Holdings' interests are materially adverse to Holdings, Reed Smith's former client, without Holdings' consent*—as Reed Smith admits. Accordingly, Reed Smith has violated its ethical obligations under New York Rule 1.9(a).¹⁸

57. *Third*, New York Rule 1.9(c) provides that a lawyer "who has formerly represented a client in a matter . . . shall not thereafter use confidential information of the former client protected by Rule 1.6 to the disadvantage of the former client, except as these Rules would permit or require with respect to a current client or when the information has become generally known." New York Rule 1.9(c). It is indisputable that Reed Smith obtained Holdings' confidential information during its representation of Holdings in its chapter 11 cases and is now using that information adversely to Holdings on behalf of Provisional Holdings, a.k.a. the Former Principals.¹⁹

¹⁸ Rule 1.9(a) makes no mention of confidential information and, as such, courts have granted disqualification motions under Rule 1.9(a) even where counsel's subsequent representation does not involve the use of confidential information obtained from its prior client. *See Avra Surgical, Inc. v. Dualis MedTech GmbH*, 2014 WL 2198598 (S.D.N.Y. May 27, 2014) (granting disqualification motion, rejecting counsel's argument that because during prior representation former client was a co-client, no confidentiality existed, stating that "to the extent that [counsel] is arguing that the . . . requirement of confidentiality should be read into Rule 1.9(a), such an argument is not supported by the text. Rule 1.9(a) makes no mention of confidentiality."); *see also Prevezon*, 839 F.3d at 241 (reversing district court denial of disqualification motion due to movant's failure to identify relevant confidences shared with former counsel, stating that the "substantial relationship test removes the need for courts to make direct inquiry into whether confidential information was actually transmitted").

¹⁹ Reed Smith has refused to turn over Holdings' client file notwithstanding that the client file is property of the estate. Not only is Reed Smith making improper use of Holdings' confidential information, but it is also weaponizing that information against Holdings while maintaining its unfair informational advantage.

58. Together, New York Rules 1.9(a) and (c) work to protect a former client's confidences and the expectation of loyalty by a former client. *See In re I Successor Corp.*, 321 B.R. 640, 656 (Bankr. S.D.N.Y. 2005) (“[T]he substantial relationship test is meant to protect not only client confidences but also the expectation of loyalty by a prior client.”); *Wausau*, 2011 WL 1873123, at *4 (“The rule governing disqualification of an attorney based upon a former representation of an adverse client arises out of the ongoing duty to preserve client confidences, even after the attorney-client relationship has ended.”) (citing *Nyquist*, 590 F.2d at 1246). As former bankruptcy counsel to Holdings and given the broad range of responsibilities a bankruptcy case entails,²⁰ Reed Smith's exposure to Holdings was so extensive that its current representation of any parties adverse to Holdings like Provisional Holdings—which is managed by some of the same individuals that formerly managed Holdings during the bankruptcy²¹—is a manifest breach of Reed Smith's duties of loyalty and confidentiality to its former client. *See In re WB Bridge Hotel*, 656 B.R. at 756 (“Allowing a law firm representing a Chapter 11 debtor to later represent individuals who managed the debtor creates an

²⁰ A debtor in possession owes a fiduciary duty to the estate and its creditors, and the powers and obligations of a debtor are wide-ranging and involve many aspects of the debtor's business and financial affairs. *See In re Innkeepers USA Trust*, 442 B.R. 227, 235 (Bankr. S.D.N.Y. 2010) (“[I]t is ‘Bankruptcy 101’ that a debtor and its board of directors owe fiduciary duties to the debtor's creditors to maximize the value of the estate[.]”); *In re Klaynberg*, 643 B.R. 309, 317 (Bankr. S.D.N.Y. 2022) (“[A] debtor in possession owes fiduciary duties to the bankruptcy estate and must among other things, protect . . . and conserve property in [its] possession for the benefit of creditors and refrain[] from acting in a manner which could damage the estate, or hinder a successful reorganization of the business.”).

Professionals to a debtor in possession are similarly held to owe a fiduciary duty to the estate. *See In re WB Bridge Hotel*, 656 B.R. at 750 (“Courts have held that, as part of this fiduciary duty, a lawyer must make inquires and take action to [educate] and remind the client of the client's own duties in the bankruptcy case.”); *In re Food Management Group, LLC*, 380 B.R. 677, 708 (Bankr. S.D.N.Y. 2008) (“[A]n attorney for the debtor in possession has fiduciary obligations to the estate stemming from his fiduciary obligations to the debtor in possession and his responsibilities as an officer of the court.”).

²¹ Four members of the purported Provisional Board of Holdings were also Holdings' directors during the chapter 11 cases—Vassilis Hadjieleftheriadis, Konstantinos Hadjieleftheriadis, Ioannis Zilakos, and Emmanuel Andreoulakis. *See* Docket No. 1402, Ex. A (Jan. 24, 2025 Hr'g Tr.) at 22:9-14, 23:3-7.

incentive for a firm to ‘play fast and loose with its clients or turn a blind eye to potential conflicts.’”) (quoting *In re Wingspread Corp.*, 152 B.R. 861, 864 (Bankr. S.D.N.Y. 1993)); cf. *U.S. Football League v. National Football League*, 605 F. Supp. 1448, 1459 (S.D.N.Y. 1985) (disqualifying counsel in its representation of defendant in antitrust suit brought by competitor where counsel formerly represented competitor on broad range of general legal work touching on issues relevant to subsequent antitrust suit). This is particularly true where, as here, the current representation deals with *identical* issues that were raised in the chapter 11 case regarding confirmability of the Plan. See *Avra Surgical*, 2014 WL 2198598, at *4 (disqualifying counsel from representing client in contract dispute involving same contract counsel negotiated for former client).

59. For these reasons, bankruptcy courts have granted motions to displace a debtor’s former counsel from representing persons adverse to the debtor. See *Adelphia Commc’ns. Corp.*, No. 02-41729REG, 2005 WL 425498, at *1 (S.D.N.Y. Feb. 16, 2005) (affirming bankruptcy court’s disqualification of former internal lawyer for debtor from participating in or representing former directors of debtor in criminal action precipitating bankruptcy); *In re WB Bridge*, 656 B.R. at 757 (disqualifying former debtor bankruptcy counsel from representing former managers of debtor, finding that “disqualification is a necessary and desirable remedy to enforce the lawyer’s duty of absolute fidelity and to guard against the danger of inadvertent use of confidential information.”); *In re Blinder, Robinson & Co., Inc.*, 123 B.R. 900, 912–13 (Bankr. D. Colo. 1991) (disqualifying former in-house counsel for debtor from representing debtor’s parent and substantial creditor in bankruptcy court and “all related proceedings” and rejecting former counsel’s argument that court is without authority to issue a “blanket disqualification”).

60. Thus, there are numerous bases for this Court to exercise its inherent powers to preclude Reed Smith from purporting to represent any persons or entities adverse to the Company. Allowing Reed Smith to continue on its current path of helping its true clients to undermine the Plan and Holdings' interests would significantly undermine the "important interests that underlie the attorney client privilege [which are] eroded if counsel is permitted to proceed with a case knowing the protected confidences of the opposing client." *Wausau*, 2011 WL 1873123, at *4.

61. Accordingly, this Court should compel Reed Smith to withdraw from all proceedings in which it is representing client(s) adversely to the Company and impose sanctions on Reed Smith until all such withdrawals are complete.

RESERVATION OF RIGHTS

62. Holdings reserves all rights, including the right to seek additional relief, including damages or sanctions, against any parties, including Reed Smith, for any conduct, including conduct that occurred prior to or after the Effective Date, or for any other purposes.

NOTICE

63. Notice of this Motion will be given to the following parties or their counsel: (a) Reed Smith, (b) the U.S. Trustee, and (c) any other party that has requested notice pursuant to Bankruptcy Rule 2002 (the "Notice Parties"). Holdings submits that, in light of the nature of the relief requested, no other or further notice need be provided.

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CONCLUSION

For the foregoing reasons, Holdings respectfully requests that the Court enter the Proposed Order, substantially in the form attached hereto as **Exhibit A**, and grant such other and further relief as may be just and proper.

DATED: April 16, 2025
New York, New York

TOGUT, SEGAL & SEGAL LLP
By:

/s/ Bryan M. Kotliar _____

KYLE J. ORTIZ
BRYAN M. KOTLIAR
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(212) 594-5000

Counsel for Eletson Holdings Inc.

EXHIBIT "A"

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**ORDER COMPELLING REED SMITH TO HELP
IMPLEMENT THE PLAN AND IMPOSING SANCTIONS**

Upon the motion (the "Motion")² of Eletson Holdings Inc. ("Holdings"), for entry of an order (this "Order") (a) compelling Reed Smith LLP ("Reed Smith") to comply with the Plan, the Confirmation Order, and the Consummation Order (and related decisions) by ceasing (i) all of its purported representations of Holdings and its affiliates and subsidiaries (collectively, the "Company"), including, for the avoidance of doubt, Eletson Corp., EMC Investment, Eletson Gas, and GasCo, and (ii) any representation(s) of persons or entities adverse to the Company, including Provisional Holdings, and (b) imposing sanctions to coerce Reed Smith's compliance with the foregoing, all as set forth more fully in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order, 11 U.S.C. §§ 105 and 1142, and the Court's inherent jurisdiction to interpret and enforce its own orders (including

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 herein but not otherwise defined herein shall have the meaning ascribed to such terms in the Motion.

the Confirmation Order ordering that the Plan be implemented and the Consummation Order enforcing the Confirmation Order); and consideration of the Motion and the relief requested therein being a core proceeding under 28 U.S.C. § 157(b); and venue being proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided, and no other or further notice need be provided; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and all parties in interest; and the Court having reviewed the Motion and the Kotliar Declaration filed in support thereof, and heard the statements of counsel at a hearing on the Motion, if any (the "Hearing"); and the Court having determined that the legal and factual bases set forth in the and at the record of the Hearing establish just cause for the relief granted herein; and the Court having determined that the relief requested is in the best interests of Holdings, the creditors, and all parties in interest; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY FOUND AND DETERMINED THAT:³

A. The Company has terminated Reed Smith's representation of all Company entities as set forth in the Motion. As set forth in the Motion and **Appendix 1** to this Order, the Company has retained replacement counsel for Reed Smith.

B. Reed Smith is in contempt of Court for ongoing violations of the Confirmation Order and the Consummation Order for failing to withdraw as counsel to the Company following the Company's termination thereof and for representing Provisional Holdings adverse to its former client, Holdings. Reed Smith's conduct

³ The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Federal Rule 52, as made applicable herein by Bankruptcy Rules 7052 and 9014. To the extent that any finding of fact shall be determined to be a conclusion of law, it shall be deemed so, and vice versa.

violated its ethical obligations to the Company, including, without limitation, New York Rules 1.6(a), 1.9(a), and 1.9(c).

C. Reed Smith is therefore subject to sanctions.

ACCORDINGLY, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is GRANTED as set forth herein.

2. Reed Smith is authorized, required, directed, and ordered to implement the Plan and comply with the Confirmation Order and Consummation Order by withdrawing from representing or purporting to represent (a) any Company entities, including, for the avoidance of doubt, Eletson Corp., EMC Investment, Eletson Gas, and GasCo, and (b) any persons or entities adverse to the Company, including Provisional Holdings and including, without limitation, the representations listed in **Appendix 1** attached hereto. By no later than three (3) business days following entry of this Order (the "Withdrawal Compliance Period"), an attorney from Reed Smith shall file a declaration on the docket confirming such withdrawal and identifying substitute counsel for its representation of purported Provisional Holdings. If, following the expiration of the Withdrawal Compliance Period, Reed Smith fails to comply with its obligations in this paragraph, the Court hereby imposes sanctions of \$25,000 per day until Reed Smith does so.

3. Reed Smith is authorized, required, directed, and ordered to provide to counsel for Holdings by email (kortiz@teamtogut.com and bkotliar@teamtogut.com) by no later than ten (10) business days following entry of this Order, an accounting of all outstanding fees and expenses (including invoices) and all payments received by Reed Smith for the prior two years (including, where available, payor and wire information, including payor bank details (such as account number(s)) for representing any

Company entity and any clients adverse to the Company, including, without limitation, Provisional Holdings.

4. Reed Smith is enjoined from representing or purporting to represent (a) any Company entities, including, for the avoidance of doubt, Eletson Corp., EMC Investment, Eletson Gas, and GasCo, and (b) any persons or entities adverse to the Company, including Provisional Holdings, without the express prior written consent of Adam Spears or Leonard J. Hoskinson (or their respective designee(s)), as applicable.

5. Reed Smith shall not disclose any non-public information it obtained from Holdings or any of its subsidiaries or affiliates to (a) any Company entities, or (b) any other persons or entities adverse to the Company, including Provisional Holdings and each of their respective employees, representatives, attorneys, accountants or agents, without the express prior written consent of Adam Spears or Leonard J. Hoskinson (or their respective designee(s)), as applicable, or as otherwise ordered or authorized by this Court.

6. All documents, communications, and other records held by Reed Smith relating to its representations of the Company (including, for the avoidance of doubt, any Client Files⁴), shall be preserved, shall not be destroyed, shall remain within the applicable jurisdictions in which they currently reside, and shall not be transferred to any persons or entities other than Holdings or its designated representatives or counsel.

7. Holdings' rights are expressly reserved, including, without limitation, to seek additional coercive and compensatory monetary sanctions in to-be-determined

⁴ The term "Client Files," includes, without limitation, (a) the entire client file maintained by Reed Smith in any matter wherein it represented a Company entity (the "Matter"), (b) all communications between the applicable Company entity and/or any agents thereof, including Reed Smith, and any third parties relating to the Matter, and (c) unredacted time sheets through the date of Reed Smith's withdrawal, including internal work progress accounting time entries, relating to the Matter.

amounts, including, without limitation, to pay for Holdings' fees and expenses in connection with the Motion, and all of the Company's efforts to terminate Reed Smith's engagements (including Reed Smith's oppositions thereto).

8. All parties' rights are reserved as to Reed Smith, including, without limitation, any potential claims or causes of action against Reed Smith arising from Reed Smith's failure to comply with the Bankruptcy Code, the Plan, the Confirmation Order, the Consummation Order, and any other orders of this (or any other) Court.

9. By no later than three (3) business days following the entry of this Order, Holdings shall serve a copy of this Order, by first class mail and e-mail, upon (a) each Reed Smith office known to have ever represented the Company and (b) Reed Smith's general counsel.

10. The terms and conditions of this Order shall be effective immediately and enforceable upon its entry.

11. The Company is authorized to take all such actions as are necessary or appropriate to implement the terms of this Order.

12. This Court shall retain exclusive jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

DATED: New York, New York
_____, 2025

JOHN P. MASTANDO III
UNITED STATES BANKRUPTCY JUDGE

Appendix 1

	(Purported) Client(s)	Adverse Parties	Court/ Tribunal	Case Number	Filing Date	Type of Procedure	Replacement Counsel (if applicable)
1.	Purported Provisional Holdings	N/A	Bankr. S.D.N.Y.	23-bk-10322 (JPM)	3/7/23	Chapter 11 Reorganization	N/A
2.	Eletson Holdings, Inc. and Eletson Corp. (as Petitioners)	Levona Holdings Ltd. (as Respondent)	S.D.N.Y.	23-cv-7331 (LJL)	8/18/23	Confirmation of Arbitration Award	Togut Segal & Segal; Goulston & Storrs
3.	Eletson Holdings Inc., Eletson Finance (US) LLC and Agathonissos Finance LLC (as Appellants)	Petitioning Creditors (as Appellees)	S.D.N.Y.	24-cv-8672 (LJL)	11/14/24	Appeal of Confirmation Order [Dkt. No. 1132]	Togut Segal & Segal; Goulston & Storrs
4.	Eletson Holdings, Inc., Eleston Finance (US) LLC and Agathonissos Finance LLC (as purported Appellants)	Petitioning Creditors (as Appellees)	Second Circuit	25-176 (2d Cir.)	1/17/25	Appeal of Stipulation Dismissing Appeal [24-cv-8672, Dkt. Nos. 19, 20]	Togut Segal & Segal; Goulston & Storrs
5.	Provisional Eletson Holdings Inc. (as Appellants)	Reorganized Holdings, Inc. (as Appellees)	S.D.N.Y.	25-cv-1312 (LJL)	2/13/25	Appeal by Provisional Holdings and Reed Smith of Bankruptcy Court's Consummation Order [Dkt. No. 1402]	N/A
6.	Eletson Holdings, Inc.; Eletson Corp. (as Petitioners);	Reorganized Holdings and Levona	Second Circuit	25-445 (2d Cir.)	2/25/25	Appeal of District Court's Order to Turnover Client File and Displacing Reed	Solely as to Eletson Holdings Inc. and

	(Purported) Client(s)	Adverse Parties	Court/ Tribunal	Case Number	Filing Date	Type of Procedure	Replacement Counsel (if applicable)
	Reed Smith LLP (as Appellant)	Holdings Ltd. (as Appellees)				Smith [24-cv-7331, Dkt. No. 269]	Eletson Corp.: Togut Segal & Segal; Goulston & Storrs
7.	Provisional Board of Eletson Holdings Inc.	Reorganized Holdings, Inc. (as Appellees)	S.D.N.Y.	25-cv-1685 (LJL)	2/27/25	Appeal by Former Majority Shareholders of Bankruptcy Court's Consummation Order [Dkt. No. 1402]	N/A
8.	Provisional Eletson Holdings Inc. (as Appellants)	Reorganized Holdings Inc. (as Appellees)	S.D.N.Y.	25-cv-2824 (LJL)	4/4/25	Appeal by Provisional Eletson Holdings Inc. of Bankruptcy Court's Foreign Oppositions Order [Dkt. No. 1537]	N/A
9.	Provisional Eletson Holdings Inc.	Reorganized Holdings, Inc. (as Appellees)	S.D.N.Y.	25-cv-2895 (LJL)	4/8/25	Appeal by Daniolos Law Firm of Bankruptcy Court's Foreign Oppositions Order [Dkt. No. 1537]	N/A
10.	Provisional Board of Eletson Holdings Inc.	Reorganized Eletson Holdings, Inc. (as Appellees)	S.D.N.Y.	25-cv-2897 (LJL)	4/8/25	Appeal by Former Majority Shareholders of Bankruptcy Court's Foreign Oppositions	N/A

	(Purported) Client(s)	Adverse Parties	Court/ Tribunal	Case Number	Filing Date	Type of Procedure	Replacement Counsel (if applicable)
						Order [Dkt. No. 1537]	
11.	Eletson Gas LLC	Levona Holdings Ltd.	High Court of Justice, Bus. & Ppty Courts of England & Wales	CL-2024-000681	12/16/24	Arbitration award enforcement proceeding	N/A