UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF LOUISIANA

In re:	**CASE NO. 15-12437**
EAGLE, INC.	**SECTION "B"**
Debtor.	**CHAPTER 11**

UNITED STATES TRUSTEE'S
OBJECTION TO DEBTOR'S AMENDED DISCLOSURE STATEMENT

NOW INTO COURT comes Henry G. Hobbs, Jr., Acting United States Trustee for Region 5 (hereinafter "UST"), by and through undersigned counsel, and objects to the Disclosure Statement filed in the above-styled and numbered case, as follows:

JURISDICTION

1. The Court has jurisdiction over this matter under 28 U.S.C. §§1334 and 157. This is a core proceeding under 28 U.S.C. §157(b)(2).

FACTS

2. Eagle, Inc. (hereinafter "Debtor") filed a voluntary petition for relief under Chapter 11 of Title 11, United States Code, on September 22, 2015.

3. No Chapter 11 Trustee has been appointed in the case, and the Debtor remains in possession and control of its property as a debtor-in-possession pursuant to 11 U.S.C. §§1107 and 1108.

4. On September 13, 2016, the Debtor filed his Disclosure Statement and Plan of Reorganization. [Docket Entry No. 286, 287], and on October 13, 2016 filed an Amended Disclosure (hereinafter "Disclosure"). [Docket Entry No. 341].

ANALYSIS

5. Section 1125(b) of the Bankruptcy Code states that:

> An acceptance or rejection of a plan may not be solicited after the commencement of the case under this title from a holder of a claim or interest with respect to such claim or interest, unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing *adequate information*.

11 U.S.C. § 1125(b) (emphasis added).

6. "Adequate information" is defined in 11 U.S.C. §1125(a)(1) to mean information of a kind, and in sufficient detail, that would enable a hypothetical reasonable investor to make an informed judgment about the plan. Such information is important because creditors rely on the debtor's disclosure statement to form their ideas about what sort of distribution or other assets they will receive, and also what risks they will likely face. *In re Radco Properties, Inc.*, 402 B.R. 666, 682 (Bankr. E.D.N.C. 2009) (citations omitted).

7. Here, the Disclosure does not meet the statutory requirement of adequate information. Instead, the Disclosure contains numerous blanks, and is merely a "placeholder", meant to satisfy the requirement that a Plan and Disclosure be filed, without actually providing sufficient details about the operations of the debtor going forward.

Specifically, the Disclosure Statement:

1. Exhibit "2" Projected Financial Information is blank, and states it is [to be provided]";

2. The Disclosure refers to the "Asbestos PI Trust" and the "Asbestos PI Trustee", yet provides no information regarding the mechanics of the trust, nor the identity or any information regarding the trustee. The Asbestos PI Trust is not attached to the Disclosure. No details about the selection or compensation of the Asbestos PI Trustee are

provided.

3. The contributions to the Asbestos PI Trust include: 100% of the Reorganized Eagle Equity Interests; the balance of the Eagle QSF Escrow Account (after payment of claims), future settlements and estate causes of action. It is unclear how Eagle will make any cash contributions, and there is insufficient discussion of the actual value of the contributions. Eagle lacks any going concern value, since it is not an operating entity, and it lacks any future income from operations.

a. Eagle's only cash assets include money held in the QSF from past settlements, currently $1,331,684.13. At present, Eagle has $580,050.23 in unpaid attorney's fees, and projects it will have $1.56 million in professional fees of Debtor, EPIQ, and Mr. Tellini. [Disclosure pg. 5]. There will be no cash assets available to contribute to payment of anyone other than professionals, and not sufficient cash to pay the professionals.

b. Eagle's cause of actions consists of the recently filed action to recover transfers from its former owners, transfers that occurred in 2005 and 2006, over ten years ago. Not only does the Disclosure not state how litigation costs will be funded in the administratively insolvent case, the case may be beyond the prescriptive period, and its value is dubious.

c. In the year since filing, there have been no new settlements with insurers. If there have been settlements, they should be disclosed and the value of those settlements disclosed.

d. No information is given of the value of "Reorganized Eagle Equity Interests."

4. It is unclear why the Disclosure includes Class 1 Priority Claims and Class 2 Secured Claims, since there are none. If claims in these classes exist, they should be disclosed, including the dollar amount in the class. The Disclosure should more adequately discuss the two existing classes of unsecured creditors: the Asbestos Claims and General Unsecured Class. Unsecured claims have an estimated allowed amount of $1,220,112.29, which consists of TWO creditors:

a. Morgan Lewis and Bockius ($597,586.79), former counsel for Eagle

b. Global Risk Capital Advisors LLC ($622,525), the entity which, on information and belief, has in the past and will in the future, receive 10% of the value of any insurance settlements, and a monthly retainer of $25,000.

The Disclosure should contain a complete disclosure of the past and future involvement of Morgan Lewis and Global Risk in this case, including payment to be received in the future on existing agreements with the Debtor, and their future role, if any, in the case.

In addition, the Disclosure should list causes of action which may exist against Morgan Lewis and Global Risk, including the $400,000 payment made to Global Risk just prior to filing, and whether this cause of action will be pursued.

5. The Eagle Asbestos PI Claims has an estimated amount of “N/A” and it’s Initial Payment Percentage is “to be determined.” Little to no information is given in the Disclosure regarding this class.

6. The Disclosure also includes as an Impaired Class “Equity Interests”. It gives no description of who may own those interests, whether it is Eagle Acquisition Inc. or other shareholders, including Mr. Tellini, or the estimated amount of those interests, or how a

class of equity could be considered to be an impaired voting class. It fails to disclose causes of action that may exist against its shareholders, or whether those actions will be pursued.

7. The Disclosure states on page 33 that a manager of the Reorganized Debtor will be appointed on the Effective Date. It fails to disclose who will appoint the manager, and the salary to be received.

8. The Disclosure fails to provide sufficient information regarding the Debtor post confirmation, except to refer in part to documents which either do not presently exist or have not been included with the Disclosure, including the Asbestos PI Trust Agreement and related documents.

9. In short, the Disclosure is woefully inadequate, fails to meet the basic requisite of providing adequate information, and should be denied. The Disclosure in its present form is merely a place holder, meant to buy additional time in a case which is now or soon will be administratively insolvent.

WHEREFORE, the United States Trustee respectfully requests that the Court deny approval of the Disclosure Statement. The United States Trustee additionally requests all other and further relief as the Court deems appropriate.

Respectfully submitted,
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Acting United States Trustee
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