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When carrier NPR/Navieras and 24 sister companies in the Holt Group filed for Chapter 11 bankruptcy protection last year, the carrier's Dominican Republic agent, E.T. Heinsen, was owed \$3 million.

Heinsen continued to represent Navieras, and vice president Ewald T. Heinsen said the carrier kept fairly current with payments to his company and even repaid about half of what it owed before filing for Chapter 11. Many other Holt Group vendors also continued to supply goods and services to keep Navieras and its sister companies afloat.

Now Heinsen and other companies that continued to supply goods and services after Holt's Chapter 11 filing in March 2001, could face an unpleasant surprise. Holt's unsecured creditors say the Philadelphia-based maritime services conglomerate paid its critical vendors "millions of dollars that should have been retained for other creditors. The unsecured-creditors committee plans to seek repayment of some of the more than \$20 million it says was improperly spent.

The unsecured creditors' petition isn't the only problem facing the beleaguered Holt companies. The trustee overseeing the Holt case has asked the bankruptcy court in Wilmington, Del., to order all but two of the companies liquidated because they are administratively insolvent."

Trustee Donald F. Walton said the Holt companies have admitted being unable to pay expenses as they come due, and that Chapter 7 liquidation offers the best way for creditors to recover at least some of their money. A hearing is scheduled for July 22.

Walton said the Holt companies have piled up at least \$35 million to \$37 million in debts to suppliers since the Chapter 11 filing. He said only \$11 million

is available for repayment, and that much of that is speculative. The trustee also said liquidation would drastically reduce the number of professionals billing the bankrupt companies for professional services. He said the Holt companies appear to have taken actions which served to increase, unnecessarily, the administrative expenses of the estate."

The unsecured-creditors committee, which represents not only trade creditors such as E.T. Heinsen, but holders of \$140 million in high-interest junk bonds issued to finance Holt's 1997 purchase of Navieras, contends that more than \$20 million was improperly paid out to trade creditors.

Unsecured creditors contend that when U.S. Bankruptcy Court Judge Mary F. Walrath approved payments to critical vendors days after the Holt companies filed for Chapter 11, the companies estimated that \$4.2 million would be needed to pay critical vendors for pending claims. Actual payments have exceeded \$26 million, the unsecured creditors say.

"I think this case is a travesty," said Michael Fisco, attorney for the unsecured-creditors' committee. "I don't know who is responsible for it as of yet, because no one will give me an answer."

Fisco said the payments to critical vendors have drained Holt's assets and interfered with efforts to reorganize or liquidate the Holt companies, most of which have few or no ongoing operations. Holt's largest company, Navieras, was sold to rival Sea Star Lines this year for \$32 million.

The unsecured creditors say they plan to ask for repayment of excess money paid to vendors and other creditors. They shouldn't have gotten paid in the first instance," Fisco said. "It may be a rude awakening, but welcome to the club."

Fisco and Thomas D. Hays III, a turnaround specialist from the Narberth, Pa.-based firm of

NachmanHaysBrownstein who has acted as Holt's chief executive officer since March, said they still hope the creditors, the Holt companies and bankers who lent the companies \$62 million can devise a reorganization plan.

Fisco said that under a liquidation, claims by creditors who did business with Holt after the Chapter 11 filing would be paid and unsecured creditors — who are last on the repayment list would get some money. It is unclear what will happen in Chapter 7," he said.

But Hays said he doesn't believe secured creditors, holders of industrial revenue bonds, the major bank lending group or the junk bond holders who financed the Navieras acquisition will be made whole.

Unsecured creditors were incensed when they learned that the Holt companies drastically exceeded their estimate of payments to critical vendors. The unsecured creditors told the court the Holt companies made the payments when Thomas Holt Sr., the companies' sole shareholder, was in charge before Hays was brought in.

Professionals dealing with the case have been frustrated in efforts to get reliable information about the condition of the bankrupt Holt companies. The family owned companies provided stevedoring, warehousing, trucking and related services, but are largely inactive today.

Creditors also complained about what they said were improperly disclosed transactions between the Holt companies that are in Chapter 11 and other family owned companies that aren't. The Holt family says they were properly disclosed.

While the companies involved in the bankruptcy were owned by patriarch Thomas Holt Sr., the unsecured creditors say his sons also own or control 21 companies, some of which did business with the bankrupt companies.

Holt-affiliated companies are operating major marine terminals, including the Packer Avenue Marine Terminal in Philadelphia and the Gloucester Marine Terminal in Philadelphia.

The unsecured creditors told the court that their effort to recover funds already paid to vendors is an extreme

remedy" but that the debtor's lack of candor and abuse of the critical vendor has been at the expense of other creditor constituencies in these cases."

Leo Holt, a spokesman for the Holt family, said the \$26 million in payments were made under terms of agreements, all of which in form or substance were approved by the bankruptcy court and were done properly and in accord to normally accepted practices and the creditors' committee participated."

He added, I think everyone would agree the case went on far, far longer than anyone anticipated, so that what was budgeted originally for a case that should have been quite cut and dried and deals made, dragged on for a long time, which is why everyone finds himself in this position."

While the trustee seeks liquidation and the unsecured creditors seek repayment of money paid to vendors, another group of creditors is seeking a court-ordered auction of one of the Holt Group's principal remaining assets, the Gloucester Marine Terminal in Gloucester City, N.J., across the Delaware River from Philadelphia.

Holders of industrial development bonds want the terminal, which handles imported fruit and other goods, sold to help pay \$110 million in bond debt. If somebody comes in with a cash offer that is greater than \$110 million, then the bondholders will get paid out in full," said Paul Ricotta, an attorney with the Boston firm of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, which represents the bondholders.

If the bondholders decide to allow a third party to buy the terminal for less than \$110 million, they will divide the money among themselves, and drop further claims against the bankrupt companies. If the bondholders don't like the price any third party is offering for the terminal, they want to take control of the terminal.

The terminal now is leased by a company that is owned by the Holt family members but that is not in the Chapter 11 case. That raises the possibility that the bondholders might continue to lease the property to the Holts. Ricotta said that in deciding on an operator, the bondholders will be looking for the best financial return from the property."