

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	
	§	Chapter 11
	§	
RHODIUM ENCORE LLC, <i>et al.</i> ,	§	Case No. 24-90448 (ARP)
	§	
Debtors.	§	(Jointly Administered)
	§	

**SAFE AHG AND UCC JOINT EMERGENCY REQUEST FOR STATUS CONFERENCE
CONCERNING JUNE 23, 2025 MEDIATION RELATED TO CLAIMS AGAINST THE
DEBTORS' INSIDERS**

The Ad Hoc Group of SAFE Parties (the “**SAFE AHG**”)¹ and the Official Committee of Unsecured Creditors (the “**UCC**”) files their *Joint Emergency Request for Status Conference Concerning June 23, 2025 Mediation Related to Claims Against the Debtors’ Insiders* (the “**Status Conference Request**”) in the above-captioned chapter 11 cases (the “**Chapter 11 Cases**”) of Rhodium Encore LLC and its affiliated debtors and debtors in possession (collectively, the “**Debtors**”).² In support of this Status Conference Request, the SAFE AHG and UCC respectfully represent as follows:

REQUEST

1. Despite advising the Court that the Debtors’ amended plan and disclosure statement would be filed on Monday, June 16, 2025, the Debtors elected to wait until late in the evening on June 18, 2025, to file their Amended Joint Chapter 11 Plan of Liquidation of Rhodium Encore LLC and Its Affiliated Debtors (the “**New Plan**”) and its associated Amended Disclosure

¹ As defined in *Second Supplemental Verified Statement of Ad Hoc Group of SAFE Parties Pursuant to Bankruptcy Rule 2019* [Docket No. 1264].

² Capitalized terms used but not defined herein shall have the meanings given to them in the Amended Plan.



Statement for Amended Joint Chapter 11 Plan of Liquidation of Rhodium Encore LLC and Its Affiliated Debtors (the “**New Disclosure Statement**”). [Docket Nos. 1297 & 1298]

2. Buried on page 50, the Amended Disclosure Statement discloses – for the first time – that the Special Committee and the Founders intend just two business days from today to mediate the estates’ claims against the Founders. While the Debtors’ D&O carriers (“**Carriers**”) apparently will be in attendance, the Founders and the Special Committee intend to exclude the actual beneficiaries of the estate claims – including creditors and other stakeholders – from their meetings aimed at settling those claims. As discussed below, the SAFE AHG and UCC believe the approach proposed in the New Disclosure Statement is inappropriate.

3. Moreover, as this Court is aware, the Special Committee refused to produce its correspondence with the Carriers in response to SAFE AHG requests. To that end, as part of this Court’s May 21, 2025 oral ruling regarding the Emergency Motion of the SAFE AHG to Compel Production of Documents by Imperium and the Debtors [Docket No. 1080], the Special Committee was directed to produce all non-settlement documents and communications exchanged with the Debtors’ directors and officers’ liability insurance carriers concerning alleged misconduct of the Debtors’ insiders, Chase Blackmon, Cameron Blackmon, Nathan Nichols and Nicholas Cerasuolo. Despite this, the SAFE AHG still has not received position statements, reservations of rights letters, or coverage letters or opinions from each of the Carriers in response to the notices of claim made with respect to such misconduct, including the coverage letters or opinions from the Carriers in response to the claim notice made attaching the SAFE AHG demand letters dated December 26, 2024 and January 10, 2025 (the “**Missing D&O Materials**”).

4. Immediately upon learning of the proposed D&O Mediation, the SAFE AHG contacted counsel to the Special Committee demanding the immediate production of the Missing

D&O Materials and the adjournment of the D&O Mediation to allow the SAFE AHG and UCC to meet with the Special Committee and discuss the contours and timing of any such D&O Mediation. As of this filing, the Special Committee has not agreed to produce the Missing D&O Documents and/or to adjourn the D&O Mediation.

5. The SAFE AHG and UCC submit that the Special Committee and the Debtors should be directed to adjourn indefinitely the D&O Mediation and not proceed until they first obtain further Court authorization, or the written consent of the UCC and SAFE AHG. Notably, there have been two prior mediations in these cases. Both proceeded with the consent and participation of key stakeholders, including the UCC and SAFE AHG, and pursuant to a mediation order duly and openly filed on the docket, and entered by this Court. In contrast, in connection with its continuing bid to provide releases for insiders, the Debtors have elected to proceed to mediation only with the insiders themselves and the Carriers, without seeking or obtaining a Court mediation order, with effectively no notice to stakeholders, and without creditor involvement.

6. The Debtors' clandestine approach to the D&O Mediation – in contrast to the prior two mediations – is deeply troubling to the UCC and SAFE AHG. Notably, the claims against the insiders are enormously valuable, potentially measured in the hundreds of millions of dollars, and the D&O insurance itself has limits of at least \$20 million. The fate of these key estate assets should not be determined at a meeting two business days after it first was disclosed, to which the insider defendants are invited, but the estate claim beneficiaries are not, and before the Special Committee even has completed its Court-ordered production of insurance related documents to the SAFE AHG. The UCC and SAFE AHG respectfully ask the Court at the status conference

tomorrow to ensure that the mediation is cancelled and not rescheduled without consent of either the Court or the estates' creditors and other stakeholders.³

RESERVATION OF RIGHTS

7. This Status Conference Request is submitted without prejudice to, and with a full reservation of, the UCC's and SAFE AHG's rights, claims, defenses and remedies, including the right to amend, modify or supplement this Status Conference Request to raise additional objections and to object to and introduce evidence at any hearing relating to the D&O Mediation, and without in any way limiting any other rights of the UCC and SAFE AHG, as may be appropriate.

CONCLUSION

For the foregoing reasons, the UCC and SAFE AHG respectfully request that the Court (i) set a status conference on the matters described herein on June 20, 2025 at 11:00 a.m. (CT); and (ii) grant such other relief as may be just and proper.

[Remainder of page left intentionally blank]

³ The New Disclosure Statement was filed late last night. The disclosure concerning the insurance mediation was buried on page 50. As soon today as it was discovered by counsel, the SAFE AHG, copying the UCC, emailed the Special Committee to ask it to agree to the relief now sought. *See* Exhibit A. The SAFE AHG received no response.

Dated: June 19, 2025

Respectfully Submitted,

AKIN GUMP STRAUSS HAUER & FELD LLP

/s/ Sarah Link Schultz

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*Counsel to the Official Committee of Unsecured
Creditors*

Certificate of Service

I hereby certify that on June 19, 2025, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Sarah Link Schultz
Sarah Link Schultz

EXHIBIT A

Yang, Karen

From: Schultz, Sarah A.
Sent: Thursday, June 19, 2025 2:50 PM
To: Trace Schmeltz; Charlotte Underwood
Cc: Hurley, Mitchell; Azman, Darren; Williams, Grayson; Chuck R. Gibbs - McDermott Will & Emery LLP, McDermott Will & Emery LLP (crgibbs@mwe.com); Allard, Nathaniel; Evans, Joseph; Scott, Elizabeth D.
Subject: Rhodium

Counsel

We are in receipt of your Amended Disclosure Statement for Amended Joint Chapter 11 Plan of Liquidation of Rhodium Encore LLC and its Affiliated Debtors (the "New Disclosure Statement"), filed late last night.

As an initial matter, we note that Debtors and the Special Committee have failed to produce to the SAFE AHG all documents and communications exchanged with the Debtors' directors and officers' liability insurance carriers (the "Carriers") concerning alleged misconduct of the Debtors' insiders, Chase Blackmon, Cameron Blackmon, Nathan Nichols, and Nicholas Cerasuolo, including as required by the Court's May 21 oral ruling on the Emergency Motion of the SAFE AHG to Compel Production by Imperium Parties and Debtors [ECF No. 1080]. In particular, the SAFE AHG has not received position statements, reservations of rights letters, or coverage letters or opinions from each of the Carriers in response to the notices of claim made with respect to such misconduct, including the coverage letters or opinions from the Carriers in response to the claim notice made attaching the SAFE AHG demand letters dated December 26, 2024 and January 10, 2025 (the "Missing D&O Materials"). Nearly a month has passed since the hearing. These materials should have already been produced as promised and, in all cases, should be produced immediately.

Further, your New Disclosure Statement discloses for the first time, without any previous notice to the SAFE AHG or the Unsecured Creditors' Committee ("UCC"), copied here, that on June 23, 2025 the Special Committee "and the Founders" – meaning the potential estate claim defendants – intend to mediate a potential settlement of estate claims with the D&O carriers in attendance. We object to proceeding as you propose, at a mediation two business days after its existence was disclosed to creditors, without their participation, and without any discussion concerning the claims and proposed approach to settlement. As discussed above, you also have failed to produce documents exchanged with carriers that are of obvious relevance to any mediation in which they are involved. As you know, unilateral control of these claims by the Debtors imperils their value under the "insured v. insured" exemption (an exemption which itself has a carve out for claims asserted by creditors) and is reckless and inconsistent with the Special Committee's fiduciary duties. Please confirm that will immediately produce all insurance related correspondence and other information without further delay, and that the proposed mediation will be adjourned so that we, you, and the UCC can discuss whether and when such a mediation should proceed. If you do not so confirm, we intend to raise these issues with the Court without delay.

Nothing herein constitutes a waiver of any of the SAFE AHG's rights, remedies, claims or defenses.

Sarah

Sarah Link Schultz

Akin

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