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

In re:	)	Chapter 11
	)	
ALEON METALS, LLC *et al.*,[1]	)	Case No. 25-90305 (CML)
	)	
	)	
Debtors.	)	(Jointly Administered)
	)	

UNITED STATES TRUSTEE'S OBJECTION TO THE JOINT MOTION OF THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR ENTRY OF AN ORDER (I) DISMISSING CERTAIN OF THE DEBTORS' CHAPTER 11 CASES; (II) APPROVING PROCEDURES FOR DISMISSAL OF THE REMAINING CHAPTER 11 CASE; (III) SETTING ADMINISTRATIVE CLAIMS BAR DATE AND OBJECTION DEADLINE; (IV) ESTABLISHING PROCEDURES FOR THE ALLOWANCE AND PAYMENT OF PROFESSIONAL FEES; (V) REJECTING EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (VI) AUTHORIZING THE DISTRIBUTION OF THE DEBTORS' REMAINING ASSETS; (VII) AUTHORIZING THE ABANDONMENT OF THE DEBTORS' BOOKS AND RECORDS; (VIII) DISSOLVING THE DEBTORS; AND (IX) GRANTING RELATED RELIEF

This objection is in reference to the Joint Motion filed at ECF No. 268.

TO THE HONORABLE CHRISTOPHER M. LOPEZ,
UNITED STATES BANKRUPTCY JUDGE:

Kevin M. Epstein, the United States trustee for Region 7, which includes the Southern and Western District of Texas (the "U.S. Trustee"), in furtherance of the duties and responsibilities set forth in 28 U.S.C. §§ 586(a)(3) and (5), hereby files his objection to *the Joint Motion Of The Debtors And The Official Committee Of Unsecured Creditors For Entry Of An Order (I) Dismissing Certain Of The Debtors' Chapter 11 Cases; (II) Approving Procedures For Dismissal Of The Remaining Chapter 11 Case; (III) Setting Administrative Claims Bar Date And Objection*

[1] The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Aleon Metals, LLC (1610); Aleon Renewable Metals, LLC (9215); and Gladieux Metals Recycling, LLC (6057). The location of the Debtors' service address is: P.O. Box 2290, 302 Midway Road, Freeport, TX 77542.

Deadline; (IV) Establishing Procedures For The Allowance And Payment Of Professional Fees; (V) Rejecting Executory Contracts And Unexpired Leases; (VI) Authorizing The Distribution Of The Debtors' Remaining Assets; (VII) Authorizing The Abandonment Of The Debtors' Books And Records; (VIII) Dissolving The Debtors; And (IX) Granting Related Relief (the "Joint Structured Dismissal Motion") (ECF No. 268). In support of his objection to the Joint Structured Dismissal Motion, the U.S. Trustee respectfully represents the following:

PRELIMINARY STATEMENT

1. The Debtors and Official Committee of Unsecured Creditors (collectively, the "Movants") impermissibly seek to confirm a plan through a motion to dismiss. The Joint Structured Dismissal Motion provides for the establishment of a GUC Trust[2] to make distributions to general unsecured creditors following the completion of a claims allowance process and further contemplates that the GUC Trust will retain and prosecute estate causes of action for the benefit of unsecured creditors. In substance, the Joint Structured Dismissal is indistinguishable from a liquidating plan, and as the adage goes, if it walks like a duck and quacks like a duck, it is a duck. The Joint Structured Dismissal Motion is a disguised plan. Simply put, Movants want the benefit of plan confirmation with none of the attendant obligations and creditor protections.

2. The Bankruptcy Code does not permit parties to obtain plan relief through a dismissal order and specifically requires that plan relief be achieved through the plan confirmation process, with creditor voting, disclosure, notice, and compliance with Section 1129. The Movants cannot circumvent those statutory requirements by simply embedding plan provisions into a dismissal order. Here, the proposed procedures would create a GUC Trust, transfer estate funds,

[2] Capitalized terms are defined below.

Chapter 5 causes of action, commercial tort claims, and insurance policies to that trust, and empower a post-dismissal trustee to prosecute, administer, and distribute those assets outside the confines of a confirmed plan. These provisions go well beyond the limited purpose and authority of Section 349, which is to restore parties to their prepetition positions, and thus they exceed the scope of relief permissible in connection with dismissal.

3. If the debtors and creditors committee want to move forward with this concept, the proper vehicle is to file a liquidating plan and not a dismissal motion that replicates plan treatment without plan confirmation safeguards. That plan can be straightforward—briefly describing the sale, identifying that approximately $1.1 million (along with certain causes of actions) remain, explaining how those assets will be distributed to unsecured creditors, and comparing that treatment to what would occur in a Chapter 7 liquidation. The plan need not cost hundreds of thousands of dollars. In the alternative, conversion to Chapter 7 would also be proper, where an independent trustee can ensure transparency, accountability, and an orderly liquidation process, likely for less than the $400,000 in professional fees that have been set aside for the claims process. Therefore, if the Movants do not withdraw the Joint Structured Dismissal Motion, the Court should convert the case to Chapter 7.

BACKGROUND

A. General Case Background

4. Aleon Metals, LLC and certain of its affiliates (collectively, the "Debtors") commenced voluntary cases under Chapter 11 of the Bankruptcy Code on August 17, 2025.

5. On August 28, 2025, the U.S. Trustee appointed the Official Committee of Unsecured Creditors ("Committee") pursuant to his authority under 11 U.S.C. § 1102. ECF No. 97.

B. Sale of Substantially All of the Assets

6. The Debtors conducted a marketing and sale process for substantially all of their assets pursuant to the approved bid procedures. *See Bid Procedures*, ECF No. 79. On October 1, 2025, the Debtors cancelled the scheduled auction and designated the stalking horse bidder, AM BidCo Operations LLC (the "Purchaser"), as the successful bidder. The Court approved the sale on October 8, 2025, and the transaction closed on October 21, 2025. Under the terms of the sale, the Purchaser credit bid for substantially all of the Debtors' assets and agreed to provide $1.1 million in funding to facilitate the wind down of the Debtors' estates. *See* Sale Order, ¶55.

7. Despite the Debtors and Committee's efforts to maximize value and pursue confirmation of a Chapter 11 plan at the outset of these cases, the Debtors now argue that "there is no longer a business to reorganize, and thus there is no reason to pursue a plan of reorganization or liquidation, nor are funds available to do so." *See* Joint Structured Dismissal Motion at 27.

8. As result of the sale, the Debtors' remaining assets available for distribution total approximately $1.1 million. Pursuant to the Sale Order and the asset purchase agreement ("APA") the cash consideration includes (a) $440,000 to be earmarked for distribution to unsecured creditors excluding deficiency claims; (b) $250,000 to fund a trust to be established for the benefit of allowed general unsecured claims, including deficiency claims; (c) $67,500 for the Committee professionals for allowed fees incurred post-closing; and (d) $342,500 for the Debtors' professionals for allowed fees incurred post-closing. *See Sale Order*, ¶ 55. In addition, the cash consideration shall cover all allowed Section 503(b) claims, allowed professional fees through the closing, 2025 pro-rated property taxes, and outstanding U.S. Trustee fees. *Id*.

C. The Joint Structured Dismissal Motion

9. The Movants suggest that they cannot pursue confirmation of a Chapter 11 plan because the Debtors have ceased operations and lack sufficient funds to propose or consummate a plan of reorganization or liquidation. *See* Joint Structured Dismissal Motion, ¶ 27. Rather than propose a plan or convert these cases to Chapter 7, the Movants seek a "structured dismissal" that embeds plan-like provisions.

10. Specifically, the proposed dismissal procedures contain the following plan-like features:

a. Establishment of a GUC Trust and authorizing the Committee to designate a trustee to administer the wind-down;

b. Providing for the continued administration of the Debtors' estates in a manner similar to a liquidating plan, including, but not limited to, authority to pursue estate claims, wind down of the Debtors' entities under applicable state law, and distribute remaining assets to creditors.

c. Authorizing the Committee to pursue estate causes of action, an authority that exists only in the context of a confirmed plan or pending Chapter 11 case, not in connection with a dismissal;

d. Scheduling a final hearing for professional fee claims prior to dismissal;

e. Distributing $1.1 million, which constitutes the remaining assets of the estate;

f. Establishing various reserves;

g. Establishing a claims allowance and reconciliation process;

h. Providing for the abandonment, destruction, or disposal of all of the Debtors' books and records in accordance with applicable law; and

i. Providing for the retention of jurisdiction by the Court to hear and determine all matters relating to the dismissal of the Debtors' cases.

11. Movants set aside $410,000 for the professionals to accomplish these tasks: $342,500 for the Debtors' professionals for allowed fees incurred post-closing and $67,500 for the Committee professionals for allowed fees incurred post-closing. *See* Sale Order at 55.

Movants also request the dismissal of all Debtors' cases except Gladieux Metals Recycling LCC (Case No. 25-90307), which would be dismissed upon filing a certification attesting to the completion of the conditions for dismissal.

ARGUMENT

A. The Bankruptcy Code Does Not Permit Plan-Like Relief Through a Dismissal Order

12. A fundamental purpose of the bankruptcy laws is to bring about an equitable distribution of the bankrupt's estate. *Begier v. Internal Revenue Service*, 496 U.S. 53, 58 (1990). As the U.S. Supreme Court has stated, the Bankruptcy Code envisions three pathways for the conclusion of a Chapter 11 case: (i) plan confirmation, (ii) conversion to a Chapter 7 case, and (iii) a straight dismissal of the case prior to entry of a discharge and restoration of most pre-petition property rights:

> It is important to keep in mind that Chapter 11 foresees three possible outcomes. The first is a bankruptcy-court-confirmed plan. Such a plan may keep the business operating but, at the same time, help creditors by providing for payments, perhaps over time. *See* §§1123, 1129, 1141. The second possible outcome is conversion of the case to a Chapter 7 proceeding for liquidation of the business and a distribution of its remaining assets. §§1112(a). That conversion in effect confesses an inability to fund a plan. The third possible outcome is dismissal of the Chapter 11 case. §1112(b). A dismissal typically "revests the property of the estate in the entity in which such property was vested immediately before the commencement of the case"-in other words, it aims to return to the prepetition financial status quo. §349(b)(3).

Czyzewski v. Jevic Holding Corp., 137 S. Ct. 973, 979 (2017); *see also* 11 U.S.C. §§ 349, 1112(b) and 1129.

13. A debtor proceeding under Chapter 11 may obtain plan-related relief only by complying with the statutory requirements of Section 1129 of the Bankruptcy Code for confirmation of a plan. These requirements are not mere formalities; they exist precisely because

Chapter 11 grants debtors extraordinary power to shed obligations and reorganize. The procedural and substantive safeguards are counterweight, ensuring that creditors and equity holders are protected while debtors wield that authority. Among these important protections is the right of creditors to vote to accept or reject a proposed plan, as well as the prohibition against soliciting such votes prior to the court's approval of a written disclosure statement containing "adequate information." 11 U.S.C. § 1125(b). "Adequate information" is defined as information of a kind and in sufficient detail "that would enable . . . a hypothetical investor of the relevant class to make an informed judgment about the plan." 11 U.S.C. § 1125(a). In short, Chapter 11's confirmation process is designed to ensure fairness, transparency, and accountability through numerous statutory safeguards, including the required contents of a plan (§ 1123), the right to vote on a plan (§ 1126), and the good faith and fairness requirements for confirmation (§ 1129).

14. The Movants may not depart from the processes set forth in the Bankruptcy Code—plan confirmation under Chapter 11 or conversion and liquidation under Chapter 7—simply because they may find them inconvenient. Departing from these statutory frameworks deprives creditors and parties in interest of vital protections and procedural safeguards. When creditors oppose a plan, they may simply return a ballot rejecting the plan. And while the Committee generally represents the interests of unsecured creditors, it may not circumvent the protections afforded to its individual constituents. Because the relief sought would circumvent the requirements of the Bankruptcy Code, including the rights of creditors to vote on a proposed plan, it should be denied.[3]

B. Impermissible Plan Provisions in the Dismissal Procedures

[3] While the motion would be insufficient even if it included all the information needed for a disclosure statement, this motion also falls short of providing what would be considered adequate information for a disclosure statement. For example, the most basic information for creditors is an understanding of the percentage distribution they will receive, but the motion does not state, even within a range, what percentage return creditors will receive from the $440,000 distribution.

15. The Joint Structured Dismissal Motion should be denied because it incorporates plan-like provisions that exceed the authority and scope permitted under Sections 1129 and 349 of the Bankruptcy Code.

16. *GUC Trust*. No provision in the Bankruptcy Code permits the Movants to establish the GUC Trust or empowers the Committee to designate and appoint a trustee through an order dismissing these cases. The purpose of a dismissal is to put the parties back in the position they were before the filing of the bankruptcy case. Instead, the proposed order of dismissal would remove all creditors' pre-petition rights. The establishment of a trust outside of a confirmed plan fundamentally alters the nature of the case and exceeds the limited relief contemplated under Section 349, which is intended to restore the debtors and parties to their pre-petition positions. The creation of post-confirmation entities may be appropriate only within the framework of a confirmed Chapter 11 plan, where creditor voting, disclosure, and court oversight ensure fairness. Here, it is improper to use a dismissal order to create a trust to oversee actions and recoveries which constitute property of the estate and to grant a post-dismissal trustee authority that could be conferred under a confirmed Chapter 11 plan.

17. *Distributions Outside of a Confirmed Plan or Chapter 7 Liquidation*. Rule 3021 of the Federal Rules of Bankruptcy Procedure provides: "*after confirmation* and when a stay under Rule 3020(e) expires, payments under the plan must be distributed to creditors whose claims have been allowed…" *See* Fed R. Bank. P. 3021(emphasis added). The plain language of Rule 3021 presumes that distributions to creditors occur only after plan confirmation. *See In re Swallen's Inc*. 269 B.R. 634 (B.A.P. 6th Cir 2001). In *Swallen*, the Sixth Circuit Bankruptcy Appellate Panel reversed a bankruptcy court decision granting the debtor's motion to dismiss the case and to distribute its remaining funds according to the priorities established in 11 U.S.C.

§ 507. The appellate panel reasoned that "[o]rdering a full distribution in a Chapter 11 without first having a confirmed plan *...violates the conceptual predicate of Chapter 11." Id*. at 635-37 (emphasis added). This is because "[t]he Bankruptcy Code does not permit a distribution to unsecured creditors in a Chapter 11 proceeding except under and pursuant to a plan of reorganization that has been properly presented and approved." *Official Comm. of Equity Sec. Holders v. Mabey*, 832 F.2d 299, 302 (4th Cir.1987).

18. Here, the proposed dismissal procedures authorize the distribution of at least $440,000 in cash consideration to unsecured creditors outside of a confirmed Chapter 11 plan or under the supervision of a Chapter 7 trustee. The dismissal procedures further provide that "the GUC Trustee shall mail the Distribution Notice to all the Debtors' creditors…Parties shall have fourteen (14) days to file an objection to the proposed distributions…" This process constitutes an abbreviated and insufficient substitute for the robust procedural safeguards required under the Bankruptcy Code.

19. In a Chapter 7 case, an independent trustee must file with the Court a detailed final report accounting for all assets liquidated, claims resolved, and distributions proposed, a process critical for transparency and accountability that is wholly evaded by Movants' proposal. Likewise, in a Chapter 11 case, distributions may only occur under a confirmed plan, after full disclosure, notice, and creditor voting. By contrast, the Movants' proposed procedures establish a truncated, extra-statutory process that excludes the protections embedded in both Chapters 7 and 11. The absence of procedural safeguards in the proposed dismissal procedures underscores that operating outside the framework of the Bankruptcy Code deprives creditors of the transparency, due process, and oversight that Chapters 7 and 11 are designed to ensure.

20. Authorizing the GUC Trust to Pursue Estate Causes of Action. Movants seek to authorize the GUC Trust to "oversee the administration of claims against the Debtors' estates and investigate (and, if appropriate, prosecute) commercial tort claims and certain avoidance actions belonging to the estates." *See* Joint Structured Dismissal Motion, ¶ 14. This relief is impermissible. Once a bankruptcy case is dismissed, the bankruptcy estate ceases to exist, and with it, the statutory authority to pursue avoidance actions. 11 U.S.C. § 349(b). The debtor-in-possession's or trustee's avoidance powers exist solely for the benefit of the estate and are extinguished upon dismissal. The Movants cite no authority supporting either (1) the conferral of standing on a post-dismissal trustee to prosecute such estate claims, or (2) the continued existence of estate causes of action outside of bankruptcy cases.[4]

21. Claims Allowance and Reconciliation Process: Movants request that the Court establish a timeline for objections to priority and general unsecured claims. *See* Joint Structured Dismissal Motion, ¶ 53. Implementing a claims allowance and reconciliation process through a dismissal order is improper and contravenes Section 349, the purpose of which is to restore creditors to their prepetition positions. "[D]ismissal['s] basic purpose…is to undo the bankruptcy case, as far as practicable, and to restore all property rights to the position in which they were found at the commencement of the case." *See Jevic* 137 at 984, quoting H.R. Rep. No. 95-595, p. 338 (1977). "Section 349(b), we concede, also says that a bankruptcy judge may, 'for cause, orde[r] otherwise.'" *See id.* Although the Court can alter the presumptive effect of Section 349(b) for "cause," the "power to override" the requirements of Section 349(b) "is used sparingly." 3 Collier on Bankruptcy, ¶ 349.03[2] (16th ed. 2025).

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[4] Further, unlike a disclosure statement, the Joint Structured Dismissal Motion does not include a liquidation analysis, which would have to estimate the value of the avoidance actions and disclose that the avoidance actions will disappear upon dismissal but would be available following a confirmed plan or conversion to Chapter 7.

22. Here, the Movants have not demonstrated cause to deviate from Section 349's plain purpose, nor have they shown that the deviations they propose fall within the three permissible alterations of Section 349(b).[5] Creditors should not be compelled to participate in a claims allowance process when the statute contemplates that, upon dismissal, they are restored to their prepetition positions, without adjudication of their claims against the Debtors.

C. Upon finding of "Cause," Dismissal or Conversion to Chapter 7 are the Appropriate Remedies

23. Pursuant to Section 1112(b)(1), the Court may convert or dismiss a Chapter 11 case "if the movant establishes cause." 11 U.S.C. § 1112(b)(1). Once cause is found, the Bankruptcy Code mandates that the Court "shall" convert this Chapter 11 case to Chapter 7, or dismiss, whichever is in the best interests of creditors and the estate. *Id*. Here, the Movants concede that "cause" exists to terminate these Chapter 11 cases, and the U.S. Trustee does not dispute that cause has been shown.

24. Thus, if the Movants intend to go forward with their Motion, Section 1112(b) provides only two options upon a finding of cause (either conversion or dismissal) and contains no provision permitting either outcome "with strings attached," as the Movants propose here. The Movants may not depart from these statutory options. Other than their limited funding and apparent desire to avoid the Chapter 11 plan confirmation process, the Movants offer no explanation why these cases should not simply be converted to Chapter 7 to permit an independent

[5] The only effects that may be altered are the three specifically mentioned in Section 349(b)(1). Under the statutory interpretation principle of *Expressio Unius est Exclusio Alt*erius, express inclusion of specific items is presumed to be a deliberate choice by Congress to exclude anything not on the list. Section 349(b) does not say "including," meaning that its list is exhaustive and not inclusive, unlike some other Code provisions such as Section 1112(b)(4) ("For purposes of this subsection, the term 'cause' includes. . . ."). Moreover, Section 349, like Section 105, is not free ranging authority to amend the Code by court order based on equity or other non-statutory considerations. *See generally Law v. Siegel*, 571 U.S. 415 (2014) ("whatever equitable powers remain in the bankruptcy courts must and can only be exercised within the confines of the Bankruptcy Code."). Thus, even if Movants established cause to alter Section 349's strictures, which the U.S. Trustee disputes, they still would not be entitled to the relief they seek.

Chapter 7 trustee to liquidate remaining assets and make distributions to creditors in a process that ensures transparency and accountability.

25. In these cases, the Movants seek Court approval to conclude the administration of the estates without affording creditors the procedural protections mandated by the Bankruptcy Code. The relief requested through the Joint Structured Dismissal Motion is not grounded in any statutory authority and disregards the limits Congress imposed on the scope of relief that may accompany case dismissal. Although the U.S. Trustee objects to the specific relief requested in the Joint Structured Dismissal Motion and its plan-like features, he does not oppose relief under Section 1112(b) as expressly authorized by the Bankruptcy Code. Given that the Debtors have assets to administer, if the Movants proceed with the Motion, the case should be converted to Chapter 7.

WHEREFORE, the United States Trustee respectfully requests that the Court sustain the foregoing Objection and grant such other and further relief as the Court may deem just and proper.

Dated: November 10, 2025,

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic means on all PACER participants on November 10, 2025.

/s/ Ha M. Nguyen
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