IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

In re:	§	
	§	**Case No.** 25-40583-11
VISION2SYSTEMS LLC	§	
	§	**Chapter 11**
Debtor.	§	

DECLARATION OF PAUL BALDWIN IN SUPPORT OF DEBTOR'S CHAPTER 11 PETITION AND REQUESTS FOR FIRST DAY RELIEF

I, Paul Baldwin, pursuant to 28 U.S.C. § 1746, hereby declare that the following is true to the best of my knowledge, information, and belief:

1. I am the Manager of Vision2Systems LLC ("**Vision2Systems**" or "**Debtor**").

2. I am familiar with the day-to-day operations, business, and financial affairs of the Debtor.

3. I submit this declaration (the "**Declaration**") to assist the Court and other parties in interest in understanding the circumstances that compelled the commencement of this Chapter 11 bankruptcy case (the "**Chapter 11 Case**") and in support of the (i) Debtor's voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "**Bankruptcy Code**") filed on the date hereof (the "**Petition Date**") and (ii) the relief, in the form of motions and applications, that the Debtor has requested of the Court (the "**First Day Pleadings**").

4. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my discussions with other employees and representatives of the Debtor, my review of relevant documents, or my opinion based upon my experience and knowledge of the Debtor's operations and financial condition. If I were called to testify, I would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtor.

5. This Declaration is intended to provide a summary overview of the Debtor's business and this Chapter 11 Case. Section I provides a description of the Debtor's business, history, and organizational structure, prepetition indebtedness, and the circumstances giving rise to the commencement of this Chapter 11 Case. Section II summarizes the First Day Pleadings and the relief they seek, which the Debtor believes are crucial to its successful reorganization.

I. THE DEBTOR[1]

A. The Debtor's Corporate Structure

6. The Debtor is a Texas limited liability company formed in 2012. Paul Baldwin ("**Baldwin**") has served as a Manager of the Debtor since its formation in 2012.

B. The Debtor's Business

7. The Debtor was created, in connection with Saddleback Valley Community Church ("**Saddleback**"), to assist churches to enable a ministry-first approach to stewardship and generosity and to acquire, own, hold, license, operate, market, manage, sell or otherwise develop intellectual property, including, without limitation, computer technology for use by non-profit organizations and churches for the specific use of offering online giving services to their supporters. Working with partner churches, the Debtor developed a product, Vision2, that provided churches with a comprehensive giving and people management solution that provided simplified reporting on a congregation's giving. The Vision2 software supports web, text, and mobile giving by donors, plus effortless scanning of checks, envelopes, and more, for single or multi-campus churches. Vision2 seamlessly integrated with its customer church's websites and allowed the churches to engage givers with a media-rich giving experience. More specifically, rather than focus on Old Testament dictates to tithe to the church, the Debtor's product helped churches elevate and

[1] The recitals contained herein are solely for informational purposes and are not meant to be admissions as to the validity, perfection, or priority of any of the lenders' loans or liens. Each of the recitals contained herein are expressly qualified by the terms and provisions of each of the documents, and the subsequent acts taken (or not taken) by the applicable prepetition lender.

highlight the ministries that were being funded by their congregations and then provide feedback on how campaigns and projects were being funded.

C. The Debtor's Prepetition Operations

8. Using the Vision2 software, churches would open accounts in Vision2, allowing their members to make donations via a digital platform.

9. The payment facilitation aspect of the Debtor's product was based upon the Debtor utilizing credit card transactions, ACH debits (to "pull" from the church member's accounts for their contribution), ACH Back Office Conversion transactions for individual checks that could be truncated, and ICL transactions for checks that could not be truncated. Funds were transmitted to church customers via ACH "push" transactions or Wire Transfers.

10. Red River Systems, a third-party systems integrator, was charged with the original construction of all of the banking integration with the Debtor's initial banking institution, Wells Fargo, for Card, ACH and ICL processing. Red River Systems was responsible for the design of how transactions were transmitted, confirmed, and returned.

D. Key Events Leading To Debtor's Chapter 11 Filing

11. To allow the Debtor to facilitate payments and transfers more quickly to their customer churches, the Debtor utilized a "margin account" that allowed it to get immediate credit (prior to the ACH, ICL, or Credit Card transactions clearing) for the payments made by the church's members. While utilization of the margin account had the advantage or providing more immediate funds, the Debtor would later learn that the margin account would cover-up situations where transactions were reversed and money initially transferred to the Debtor's account, was subsequently withdrawn from its account in the clearance process. To complicate matters, there were a number of instances where Wells Fargo failed to send the required error files in a format

requested and expected so there was no clear communication that the withdrawal had occurred or the reason for the reversal and withdrawal.

12. In August 2022, Wells Fargo informed the Debtor that they were getting out of the processing business, and that the Debtor would have to change to another processor. Over the next twelve months, the Debtor began reworking its software and integrations with a new processor. In October 2023, shortly after the transition to its new processor, the Debtor encountered a two-week period where, due to the new integrations, it could not facilitate ICL transactions. As a result of the inability to facilitate ICL transactions (i.e., accept and remit check payments made by the Church's members) during that two-week period, several churches left the Debtor's platform and began handling processing their own transactions without the Debtor's product. It was during this period, for the first time, the Debtor began to recognize cash-flow shortfalls in settling transactions with its customer churches. The cash flow concerns lead to longer delays in settling transactions with customer churches, which in-turn lead to additional churches leaving the platform and further exasperation of the cash flow problems.

13. It was during this time, through investigation and review of bank data files, the Debtor learned that for years it had essentially been over-settling transactions to many of its member churches. Due to the margin account, the Debtor would receive the funds from ACH, ICL and Credit Card transaction immediately, and then immediately push the funds to the customer churches. However, when transaction pulled by the Debtor were later reversed because of any number of error codes, and the funds withdrawn from the Debtor's account, the funds had already been settled and transferred to the customer churches. The Debtor's incredibly rapid growth and profits covered-up the issue for years, until churches began leaving in October 2023. By this time though, the Debtor had been over-settling and transferring to 100s of churches for close to a decade.

14. Further complicating the problem, the Debtor has since learned that, while most of the Debtor's credit card processors would deposit the *gross* amount of the credit card transactions (*i.e.,* the amount charged to the church member) and later charge the fees for the transaction to the Debtor, the High Value American Express Program was likely depositing the *net* amount of the credit card transactions (*i.e.*, the amount charge to the church member minus the fees for the transaction). Because the majority of the Debtor's credit card processors settled gross, the Debtor would withhold the fees from the settlement to its member churches. However, because the fees had already been withheld by American Express on those transactions, the Debtor's withholding of those amounts from church's settlement led to further complications in the accounting.

15. The Debtor continues to reconcile its accounts to identify overpayments made to churches which may be recovered for the benefit of the bankruptcy estate and its creditors and to determine the correct amounts owed to various churches. The Debtor seeks to perform this reconciliation in the public arena of the bankruptcy court to resolve current litigation, to avoid future litigation, and to determine the rights of all creditors in a single forum. Additionally, the Debtor seeks to provide a central forum and mechanism for the disposition of requested data.

E. The Prepetition Lawsuits

16. As of the Petition Date, there were at least four main lawsuits pending against the Debtor and the Non-Debtor Affiliates.

> *i.* *Saddleback Valley Community Church v. Vision2Systems, LLC, et. al.*, Case No. 3:24-cv-02700, pending in the United States District Court for the Northern District of Texas.

17. On or about October 28, 2024, Saddleback sued the Debtor and each of the Non-Debtor Affiliates in the United States District Court for the Northern District of Texas, initiating Case No. 3:24-cv-02700 (the "**Saddleback Litigation**"). Saddleback is one of the Debtor's oldest customers and also one of the Debtor's largest customers. In its lawsuit, Saddleback alleges *inter*

alia that the Debtor and each of the Non-Debtor Affiliates breached the contract to Saddleback (though the Non-Debtor Affiliates are not parties to the contract, that the Debtor and Non-Debtor Affiliates breached their fiduciary duties to Saddleback, that the Debtor and Non-Debtor Affiliates (no distinction made between them) committed fraud and fraud in inducement, and that "there is a unity between Vision2 and one or both of the individual Defendants that the separateness of the corporation has ceased, and the corporate veil should be pierced to find the individual Defendants personally liable for the acts of Vision2."[2]

ii. *The Crossing Church v. Vision2Systems, LLC, et. al*, Cause No. DC-24-18092, pending in the 116th Judicial District Court for Dallas County, Texas.

18. On October 14, 2024, The Crossing Church ("**Crossing Church**") sued the Debtor and each of the Non-Debtor Affiliates in the 116th District Court for Dallas County, Texas, initiating Cause No. DC-24-18092 (the "**Crossing Church Litigation**"). The Crossing Church alleges *inter alia* breach of contract, breach of fiduciary duty, negligence and gross negligence, money had and received and unjust enrichment. Two weeks after the petition was filed, Northridge Church filed its Original Petition in Intervention and Application for Injunction, and requesting a prejudgment garnishment. In its Original Petition in Intervention, Northridge Church also named each of the Non-Debtor Affiliates as parties.

iii. *Resurrection Metropolitan Community Church v. Vision2Systems, LLC, et. al*, Cause No. 2024-69700, pending in the 234th District Court for Harris County, Texas.

19. On October 8, 2024, Resurrection Metropolitan Community Church ("**Resurrection Church**") sued the Debtors and both of the Non-Debtor Affiliates in the 234th District Court for Harris County, Texas, initiating Cause No. 2024-69700 (the "**Resurrection Church Litigation**"). Resurrection Church alleges claims for *inter alia*: breach of contract against

[2] *See* Original Complaint at ¶ 92.

all of the Defendants (even though the Non-Debtor Affiliates are not parties to the contract), suit for an accounting, unjust enrichment, quantum meruit, fraud and fraudulent inducement, DTPA violations, and conspiracy.

> *iv.* *Christian Fellowship Church v. Vision2Systems, LLC, et. al*, Cause No. DC-25-00011, pending in the 68th District Court of Dallas County, Texas.

20. On or about January 2, 2025, Christian Fellowship Church (“**Christian Fellowship Church**”) filed its Verified Original Petition, Application for Temporary Restraining Order, Application for Temporary Injunction and Application for Permanent Injunction in the 68th District Court for Dallas County, Texas, initiating Case No. DC-25-00011 (the “**Christian Fellowship Church Litigation**”). Christian Fellowship Church alleges claims against the Debtor and each of the Non-Debtor Affiliates for *inter alia*: breach of contract, breach of fiduciary duty, negligence/gross negligence, money had and receiver and unjust enrichment, fraud and fraud in the inducement, civil conversion, Texas Theft Liability Act, Texas DTPA, and Conspiracy against each of the defendants named therein, including the Debtor and both of the Non-Debtor Affiliates.

II. SUMMARY OF FIRST DAY PLEADINGS

A. Employee Benefits Motion

21. The Debtor’s *Emergency Motion for an Order Authorizing the Debtor to Maintain Existing Benefits for Former Employees* (the “**Employee Benefits Motion**”) seeks entry of an order (i) authorizing, but not requiring, the Debtor to (i) maintain and continue to honor its 401(k) plan for its employees as it was prior on the Petition Date. While the Debtor no longer has employees and is no longer operating, the Debtor is obligated to maintain the 401(k) plan into which past employees contributed funds until such plan may be terminated pursuant to the Internal Revenue Code and the Employee Retirement Income Security Act of 1974 (“**ERISA**”).

B. Lease Rejection Motion

22. Through the Lease Rejection Motion, the Debtor seeks to reject the nonresidential real property lease with GPIWE, LP for the premises located at 603 Munger Avenue, Suite 375, Dallas, Texas 75202 (the "**Premises**") and authority to abandon *de minimis* furniture, equipment, and other personal property.

23. The Debtor has determined that the cost of this Lease exceeds the benefits of either assuming or assigning the Lease.

24. Prior to the Petition Date, the Debtor notified the Landlord in writing of its unequivocal and irrevocable decision to surrender the premises and property and turn over keys, key codes, and security codes, and thus, providing the Landlord with the opportunity to mitigate any rejection damages arising from the rejection of the Lease. The Debtor vacated the Premises in October 2024.

25. I do not believe there is any valuable property remaining in the Premises for the Lease sought to be rejected by this motion. The property to be abandoned consists of desks and furniture, which have been removed from the leased premises by the landlord.

26. I believe the property is of inconsequential value to the estate, or that the cost of recovering and storing such property outweighs any potential benefit of retaining such property. I believe that that rejecting the Lease, effective as of the Petition Date, is in the best interests of the Debtor, its estate, and its creditors.

C. Notice Procedures Motion

27. The Debtor's *Emergency Motion for Entry of an Order (I) Authorizing the Debtor to (A) Serve Certain Parties Interest by Email, (B) Redact or Withhold Certain Confidential Information of Customers, and (C) Redact Certain Personally Identifiable Information of Individuals; (II) Approving the Form and Manner of Notifying Creditors of the Commencement of the Debtor's Chapter 11 Case; and (III) Granting Related Relief* (the "**Notice Procedures**

Motion") seeks to provide notice procedures for a voluminous number of parties in interest. Specifically, while the Debtor's customers consist of approximately 325 churches, hundreds of thousands of donors and church congregants may be affected by the return transactions at issue. Considering these factors and the dollar amounts at issue in this case, the Debtor seeks to provide notice of the commencement of the case to donors by email and by publication. The Debtor believes such electronic service and service by publication are in the best interest of the estate and its creditors, as it avoids noticing expenses which would otherwise exceed the value of the Debtor's assets in this case.

D. Motion for Protective Order

28. One purpose of the Debtor's bankruptcy is to provide a central forum and mechanism for the disposition of requested data, in addition to the determination of claims. The Debtor anticipates that in each of the litigation matters that were pending prior to the Petition Date, and in the resolution of the claims of each of the various churches, creditors and churches will want access to the highly sensitive and confidential data that underlies the reconciliation of the amounts owed. Rather than enter into multiple different confidentiality and non-disclosure agreements that may have inconsistent and varying terms, filed contemporaneously with its petition, the Debtor filed its *Emergency Motion for Confidentiality and Protective Order* (**"Motion for Protective Order"**) that seeks a protocol and process for customers and creditors to obtain the information necessary for them to reconcile their claims. The proposed Confidentiality and Protective Order provides categories for each type of data and levels of protection to govern all requested discovery in this case and protect sensitive data such donor information, bank account numbers, personal identifying information, and other types of sensitive information.

29. I believe the relief requested in the First Day Pleadings is in the best interests of the Debtor's estate, its creditors, and all other parties in interest.

Executed on February 18, 2025.

Paul Baldwin