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COUNSEL FOR DEBTOR AND DEBTOR-IN-POSSESSION

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

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

DEBTOR'S OBJECTION TO THE UNITED STATES TRUSTEE'S MOTION TO CONVERT TO CHAPTER 7 UNDER 11 U.S.C. § 1112(b), OR IN THE ALTERNATIVE, FOR THE APPOINTMENT OF A CHAPTER 11 TRUSTEE UNDER 11 U.S.C. § 1104(a)

Vision2Systems, LLC, the debtor and debtor-in-possession (the "**Debtor**") in the above-captioned chapter 11 case (the "**Chapter 11 Case**") hereby files this objection (the "**Objection**") to the United States Trustee's (the "**UST**") *Motion to Convert to Chapter 7 under 11 U.S.C. § 1112(b), or in the Alternative, for the Appointment of a Chapter 11 Trustee under 11 U.S.C. § 1104(a)* (the "**Motion to Convert**") [Docket No. 87]. In support of this Objection, the Debtor respectfully states as follows:

Preliminary Statement

1. According to the UST, mere allegations in prepetition lawsuits now constitute cause to convert a chapter 11 case. Indeed, the UST admits that she did not undertake any independent

investigation of the facts alleged in the underlying lawsuits.[1] Instead, the UST posits that when creditors "mistrust" a debtor's principals, cause exists because a debtor's principals are conflicted.[2] Certainly these are not the precepts that govern decisions under sections 1112 and 1104.

2. From day one of this case, the Debtor has been transparent with its intentions for this case—(1) obtain a brief respite from multiple prepetition lawsuits alleging similar claims and involving a common nucleus of facts to allow the Debtor's principals to finish their accounting reconciliation of claims, and (2) propose a plan that equitably addresses the various claims against the Debtor and ratably distributes the Debtor's assets. The Debtor has done precisely what it said it would do at the first day hearings. It finished its reconciliation and provided it to all parties that have requested such reconciliation, including the Committee and its very capable and competent counsel. Further, in connection with its investigative functions under the Bankruptcy Code, the Committee requested documents from the Debtor, and bank and credit card statements from the insider principals. And the result? Not a single adversary proceeding. Not a single motion to appoint a trustee from the Committee or any creditor in the case that has actually taken time to review the Debtor's documents and records. Instead, the UST, who has never requested to review the reconciliation or any documents related thereto, fired off the Motion to Convert containing arguments that either belie the *actual* facts and evidence in this case, or are based upon allegations that the UST admits she could not be bothered to independently investigate.

Background

A. Vision2Systems Business

[1] *See* United States Trustee's First Response to Debtor's Request for Admissions, Requests for Production of Documents, and Interrogatories (the "**UST Discovery Responses**"), RFA No. 1. A true and correct copy of the UST Discovery Responses are attached hereto as **Exhibit A** hereto**.**

[2] *See* Motion to Convert at ¶ 59.

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

B. Key Events Leading to Chapter 11 and Prepetition Lawsuits

4. To allow the Debtor to facilitate payments and transfers more quickly to its 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 of 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

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

5. 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.

6. 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 transactions immediately, and then immediately push the funds to the customer churches. However, when transactions 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 masked 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.

7. 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.

8. As of the Petition Date, there were at least four main lawsuits pending against the Debtor.

9. Since the Petition Date (as defined below), the Debtor has completed its reconciliation of its accounts. During this reconciliation process, the Debtor has been transparent with all parties in interest. One of the driving factors in filing this Chapter 11 Case was the Debtor's performance of the reconciliation in the public arena and providing all creditors and parties in interest a central venue to obtain information about the Debtor, its operations, the reconciliation, and the claims (both against the Debtor, and in favor of the Debtor) related to the reconciliation. Throughout the pendency of this Chapter 11 Case, the Debtor has provided those creditors requesting documents and information with timely substantive responses.

C. Bankruptcy

10. On February 19, 2025 (the "**Petition Date**"**),** the Debtor filed a petition for relief under chapter 11 of the Bankruptcy Code commencing this Chapter 11 Case.

11. On March 6, 2025, the UST appointed the Official Unsecured Creditors' Committee.[3] A week later, on March 13, 2025, the UST amended the makeup of the Official Unsecured Creditors' Committee (as amended, the "**Committee**").[4] The Court subsequently entered its *Order Authorizing Employment of Munsch Hardt Kopf & Harr, P.C. as Attorneys for the Official Committee of Unsecured Creditors of Vision2Systems LLC* [Docket No. 99], approving the employment of Munsch Hardt Kopf & Harr, P.C. ("**Munsch**") as counsel for the Committee.

12. Since its employment, Munsch has engaged with counsel for the Debtor and has sought a number of documents and records from the Debtor, as well as sought bank and credit card records from the Debtor's principals.

13. The UST filed her Motion to Convert on April 11, 2025.

14. On August 11, 2025, the Debtor filed its *Plan of Liquidation* (the "**Plan**") [Docket No. 124] and *Disclosure Statement in Support of Plan of Liquidation of Vision2Systems LLC* (the "**Disclosure Statement**") [Docket No. 125].

15. The Plan generally provides for the Debtor's principals to pay up to $180,000.00 to settle any claims and causes of action against them, and such funds (along with the Debtor's remaining assets) shall be used to fund priority, administrative, secured claims, and a recovery to unsecured creditors. Insider Claims and Equity Interests will receive no distribution under the Plan. More specifically, the Plan further provides that each general unsecured creditor will receive its

[3] *See* Docket No. 42.
[4] *See* Docket No. 51.

pro rata share of $10,000, and to the extent they do not opt out of the releases granted in the Plan, its pro rata share of $100,000.

Argument and Authorities

A. Cause Does Not Exist to Convert this Case to Chapter 7

16. Section 1112(b) provides that "on request of a party in interest, and after notice and a hearing, the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, *for cause*." 11 U.S.C. § 1112(b) (emphasis added). Section 1112(b)(4) provides a non-exhaustive list of examples of what may constitute "cause" for conversion or dismissal. *See* 11 U.S.C. § 1112(b)(4).

17. In determining whether to convert a case under § 1112(b), courts "apply a burden shifting analysis." *In re Delta AG Grp., LLC*, 596 B.R. 186, 194 (Bankr. W.D. La. 2019). Under the burden shifting analysis, "the moving party bears the initial burden to establish 'cause' by a preponderance of the evidence." *Id.* "Once the movant proves 'cause,' the burden shifts to the debtor to establish the exceptions in § 1112(b)(2)." *Id.*; *see also In re Briggs-Cockerham, L.L.C.*, No. 10-34222-BJH-11, 2010 WL 4866874, at *3 (Bankr. N.D. Tex. Nov. 23, 2010) ("Thus, the statutory framework establishes that the initial burden to establish 'cause' lies with the [moving party], and if the [moving party] establishes 'cause,' then the burden shifts to the [non-moving party] to establish the 'unusual circumstances' exception to mandatory dismissal.").

18. The UST contends that "cause" exists under two theories: (1) there is a "substantial or continuing loss to or diminution of estate and the absence of a reasonable likelihood of rehabilitation,"[5] and (2) the Debtor filed this Chapter 11 Case in bad faith.[6]

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[5] Motion to Convert at ¶¶ 45-47.
[6] Motion to Convert at ¶¶ 48-49.

i. There is not a "substantial or continuing loss to or diminution of the estate" within the meaning of subsection (b)(4)(A).

19. A loss is said to be substantial, "[i]f the loss is sufficiently large given the financial circumstances of the debtor as to materially negatively impact the bankruptcy estate and interest of creditors." *In re Ford Steel, LLC*, 629 B.R. 871, 879 (Bankr. S.D. Tex. 2021). A continuing loss can be shown under § 1112(b)(4)(A) if the moving party demonstrates that the debtor "suffered or continues to experience a negative cash flow or declining asset values." *Id.* However, where "the debtor has no tangible assets or realizable value and no operations, there is no 'substantial' loss or diminution of the estate." *In re Gabriel Techs. Corp.*, No. BR 13-30340DM, 2013 WL 2318581, at *2 (Bankr. N.D. Cal. May 28, 2013. Essentially, in this instance, "there is nothing left to lose." *Id*.

20. Here, the Debtor has not experienced a substantial loss. Quite the opposite. Since the Petition Date, the estate has increased in value.[7] The Debtor received proceeds from the Tithe.ly contract and thus has been no loss, much less a substantial loss.

21. Although not clear, it appears the UST centers her argument on the "continuing loss" aspect of the statute. Specifically, the UST contends that "funds will dwindle as the Debtor accrues obligations for such expenses as professional fees for both Debtor's and UCC's counsel and United States Trustee quarterly fees."[8] But where, as is the case here, the debtor has ceased operations, has no employees, and no tangible assets, the "accrual of fees of professionals employed by the Debtors and the Committee" do not "amount to the type of 'continuing loss' that Congress had in mind to trigger the nearly mandatory conversion, dismissal or chapter 11 trustee options § 1112(b)(1) contemplates." *In re Gabriel Techs. Corp.*, No. BR 13-30340DM, 2013 WL

[7] *See* June Monthly Operating Report [Docket No. 126].
[8] Motion to Convert at ¶ 5.

2318581, at *2; *see also In re TMT Procurement Corp.*, 534 B.R. 912, 920 (Bankr. S.D. Tex. 2015) ("[T]he mere accrual of professional fees does not constitute a continuing loss to the estate."). The *Gabriel* court explained:

> Perhaps from an accounting perspective (profit and loss), such accruals would constitute such losses. But the accrual of liabilities are not the same as the incurring of actual out-of-pocket losses, such as the dissipation of assets that diminishes the estate. Leaving the Debtors in possession of the chapter 11 estate is not risking some ever-diminishing pool of assets.

In re Gabriel Techs. Corp., No. BR 13-30340DM, 2013 WL 2318581, at *3. Even if the accrual of professional fees could suffice to meet the "continuing loss" requirement, the court should also take into consideration exactly how long something must persist to be said to be "continuing." *Id*. In *Gabriel*, the court noted that the Debtors had already filed a plan, and the viability of said plan would be tested soon. *Id.* No matter what "the accrual of liabilities (losses) will end soon, either with a confirmed joint plan or conversion to chapter 7. . . if confirmation is denied." *Id.* So, "even if there is any continuing loss at all, it will not be continuing very long at all." *Id.*

22. Like the debtors in *Gabriel*, the Debtor is a non-operating business with few tangible assets and no employees. Most important, however, the Debtor has filed a plan that will be tested soon.[9] Thus, the UST's argument regarding "continuing loss" also fails and therefore the UST cannot meet her burden regarding the first prong of § 1112(b)(4)(A).

ii. There is not an "absence of a reasonable likelihood of rehabilitation" within the meaning of subsection 1112(b)(4)(A).

23. To establish cause under § 1112(b)(4)(A), the moving party must show that there is both (a) a substantial or continuing loss to or diminution of the estate ***<u>and</u>*** (b) the absence of a reasonable likelihood of rehabilitation." *In re M.A.R. Designs & Constr., Inc.*, 653 B.R. 843, 855 (Bankr. S.D. Tex. 2023) (emphasis added); *see also In re BMI Oldco Inc.*, No. 23-90794, 2025 WL

[9] The hearing on the Debtor's Disclosure Statement is set for September 22, 2025.

1663651, at *6 (Bankr. S.D. Tex. May 20, 2025) (noting that the moving party "must establish both prongs for the Court to find that cause exists."). As discussed above, the UST cannot meet the first prong of section 1112(b)(4)(A). But even if the UST *could* meet the first prong, she certainly fails and cannot meet the second prong.

24. The UST alleges that "the Debtor has no reasonable likelihood of *reorganization* given that it stopped operating in October 2024 and has no employees. . . and [t]he Debtor is not seeking to restart its business."[10] The UST misquotes and misunderstands the statute. The second prong of Section 1112(b)(4)(A) states the "absence of a reasonable likelihood of ***rehabilitation***." 11 U.S.C. § 1112(b)(4). In fact, "[t]here is no ongoing business requirement in the Code." *In re Honx, Inc.*, No. 22-90035, 2022 WL 17984313, at *3 (Bankr. S.D. Tex. Dec. 28, 2022). "'Rehabilitation' is not synonymous with 'reorganization' . . . or else Congress would have used the word 'reorganization' in § 1112." *Id.* "'Rehabilitation,' as it is used in § 1112, is better read as encompassing a debtor's intention to use the bankruptcy process to prevent a complete and total loss of value." *Id.* As the *Honx* court noted, "sometimes, a plan of liquidation is better for all parties than attempting to salvage the business as an ongoing matter or allowing the provisions of chapter 7 or a race to the courthouse to dictate the liquidation process." *Id.* In this Chapter 11 Case, the Debtor has used bankruptcy to do exactly that—prevent both a total loss and a race to the courthouse situation with all of the churches alleging they are owed money. Invoking the automatic stay, and bringing all of the claims into a central forum has certainly prevented a loss of value—for example, the ability to provide discovery together rather than in each individual case has preserved value as well as negotiating a form protective order.[11]

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[10] Motion to Convert at ¶ 47 (emphasis added).
[11] *See* Docket Nos. 102 and 103.

25. Further, the UST has not put forth any evidence that the Debtor cannot rehabilitate and therefore has not met her burden. Therefore, this Chapter 11 Case should not be converted to a chapter 7 case under § 1112(b)(4)(A).

iii. This Chapter 11 Case was not filed in bad faith.

26. Certainly bad faith can constitute "cause" under section 1112(b), but the Debtor's case was not filed in bad faith. "Cause" based on an alleged bad faith filing proceed under a burden-shifting framework: the movant must first establish a prima facie case that the debtor's conduct "rise[s] to the level of egregiousness necessary to conclude that the reorganization process is being perverted." *Little Creek Dev. Co. v. Commonweatlh Mortgage Corp. (In re Little Creek Dev. Co.),* 779 F.2d 1068, 1073 (5th Cir. 1986). A finding of "lack of good faith" is a fact-intensive inquiry "based on a conglomerate of factors rather than on any single datum." *Id.* at 1072. Only upon such showing does the burden shift to the debtor to prove that the filing was made in good faith. *See, e.g., In re Roman Cath. Church of Archdiocese of New Orleans*, 632 B.R. 593, 600-01 (Bankr. E.D. La. 2021) ("[T]he movant must first establish a prima facie showing of bad faith to shift the burden to the debtor to offer proof that the petition was in fact filed in good faith.").

27. The UST fails to satisfy the heavy burden of establishing cause for conversion under § 1112(b) of the Bankruptcy Code. *First,* the UST has failed to make *any* showing that the Debtor filed this Chapter 11 Case in bad faith. *Second,* under the burden-shifting framework for bad-faith conversion, even if the UST could make a prima facie showing of bad faith, the Debtor can show that the bankruptcy filing was not filed in bad faith but rather to serve a valid bankruptcy purpose.

28. The Debtor filed this Chapter 11 Case for a valid bankruptcy purpose and thus it was filed in good faith. "In determining whether to dismiss a case for lack of good faith the Court

must conduct an 'on-the-spot evaluation of the debtor's financial condition, motives, and the local financial realities.'" *In re BMI Oldco Inc.*, No. 23-90794, 2025 WL 1663651, at *3 (Bankr. S.D. Tex. May 20, 2025) (citing *See In re Red River Talc LLC*, No. 24-90505, —— B.R. ——, ——, 2025 WL 1029302, at *41 (Bankr. S.D. Tex. Mar. 31, 2025)). No one factor is dispositive, rather courts look to the totality of the circumstances. *In re BMI Oldco Inc.*, No. 23-90794, 2025 WL 1663651, at *3. "Two inquiries are particularly relevant to the question of good faith: (1) whether the petition serves a valid bankruptcy purpose, and (2) whether the petition is filed merely to obtain a tactical litigation advantage." *Id.*

29. *Valid Bankruptcy Purpose:* "[P]reserving going concerns" and "maximizing property available to satisfy creditors" are considered to be valid bankruptcy purposes. *In re Roman Cath. Church of Archdiocese of New Orleans*, 632 B.R. at 599 (citing *Bank of Am. Nat'l Tr. & Sav. Ass'n v. 203 No. LaSalle St. P'ship*, 526 U.S. 434, 453, 119 S.Ct. 1411, 143 L.Ed.2d 607 (1999)). Here, the Debtor commenced this Chapter 11 Case to maximize value to its estate, and equitably and transparently resolve claims for and against the Debtor. Bringing the prepetition litigation claims to a central forum is not a "tactical advantage," but rather a way to preserve the value of the Debtor's estate and maximize the value to each claimant. This is especially true given the existence of personal identifiable information and other sensitive information, requiring protective orders to ensure the safekeeping of such information. Negotiating and entering a protective order in each prepetition lawsuit would have quickly dissipated what little was left of the Debtor's funds. In contrast, by utilizing the bankruptcy, this Court entered a form protective order such that parties requesting any information containing sensitive data could simply use without the Debtor having to negotiate multiple different forms of order.[12] Further, the use of a central forum that provided

[12] *See* Docket Nos. 102 and 103.

access to information to *all* creditors and churches rather than multiple different jurisdictions and courts that may have had inconsistent rulings, benefitted the Debtor's estate and the creditor body as a whole.

30. *Not Filed to Obtain Litigation Advantage*: The "[r]equirement of good faith prevents abuse of the bankruptcy process by debtors whose overriding motive is to delay creditors without benefitting them in any way or to achieve reprehensible purposes." *In re Little Creek*, 779 F.2d at 1072. This Chapter 11 Case was not filed to delay creditors without providing any benefit. The Debtor filed this case to prevent the "race to the courthouse," so that *all* creditors could receive equitable treatment. Further, the goal was not to delay or stall the prepetition litigation but rather to streamline these cases and ultimately preserve the assets of the estate. It is well settled that "bankruptcy courts also supervise litigation conducted under streamlined, technical procedures." Edith H. Jones, Rough Justice in Mass Future Claims: Should Bankruptcy Courts Direct Tort Reform?, 76 Tex. L. Rev. 1695, 1702 (1998).[13] Additionally, in this Chapter 11 Case, the creditors will receive benefits unavailable outside of bankruptcy. Specifically, the settlement contained in the Plan provides funds that would not exist outside of bankruptcy or even in a chapter 7 liquidation, because the source of the settlement proceeds are exempt funds from the principals. In short, outside of bankruptcy the creditors would receive less.

B. Appointing a Chapter 11 Trustee is Not Appropriate

31. Appointing a chapter 11 trustee is not proper because (i) cause does not exist under § 1104(a)(1), and (ii) it is not in the best interest of the creditors.

[13] While not directly analogous, a good example of such a streamlined process can be seen in the various diocesan chapter 11 cases. "Some of the abuse claimants may prefer such a streamlined process—a process that provides both a less public and more expeditious resolution of their claims." Debtor's Reply to the Motion of the Official Committee of Unsecured Creditors to Dismiss Chapter 11 Case, *In re Roman Cath. Church of Archdiocese of New Orleans*.

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i. Cause does not exist to appoint a chapter 11 trustee under § 1104(a)(1)

32. Under § 1104(a)(1) of the Bankruptcy Code, the Court "shall order the appointment of a trustee" upon motion and after notice and a hearing "for cause, including fraud, dishonesty, incompetence, or gross mismanagement of the affairs of the debtor by current management, either before or after the commencement of the case." 11 U.S.C. § 1104(a)(1). Appointing a trustee "is an extraordinary remedy, and there is a strong presumption that the debtor should be permitted to remain in possession absent a showing of need for the appointment of a trustee." *Matter of Cajun Elec. Power Co-op., Inc.*, 69 F.3d 746, 749 (5th Cir. 1995), *opinion withdrawn in part on reh'g*, 74 F.3d 599 (5th Cir. 1996); *see also In re Patman Drilling Int'l, Inc.*, No. 07-34622-SGJ, 2008 WL 724086, at *6 (Bankr. N.D. Tex. Mar. 14, 2008) (characterizing the appointment of a chapter 11 trustee as a "draconian remedy."). Given the disfavor towards appointing a chapter 11 trustee, the moving party must establish the necessity for a chapter 11 trustee by clear and convincing evidence. *In re Nat'l Rifle Ass'n of Am.*, 628 B.R. 262, 283 (Bankr. N.D. Tex. 2021). For evidence to be clear and convincing, it must be "highly probable or reasonably certain." See *Travelhost v. Blanford*, 68 F.3d 958, 961 (5th Cir. 1995) (stating that clear and convincing evidence is "that weight of proof which 'produces in the mind of the trier of fact a firm belief or conviction as to the truth of the allegations sought to be established, evidence so clear, direct and weighty and convincing as to enable the fact finder to come to a clear conviction, without hesitancy, of the truth of the precise facts' of the case" (emphasis added; citations omitted)).

33. According to the UST, "cause" to appoint a chapter 11 trustee exists due to the "gross mismanagement" or "incompetence" of the Debtor. But the UST fails to adequately support such statements. Rather, the UST relies on allegations set forth in the prepetition lawsuits despite

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admitting[14] to conducting no independent fact investigations of such allegations herself—as such, this falls short of the high burden of proof required. Even if the allegations had adequate support, mismanagement alone is not sufficient. As one court noted, "[t]he language of § 1104(a)(1) of the Code represents Congressional recognition that some degree of mismanagement exists in virtually every insolvency case." *In re Ionosphere Clubs, Inc.*, 113 B.R. 164, 168 (Bankr. S.D.N.Y. 1990). Further, "[w]hile a certain amount of mismanagement of the debtor's affairs prior to the filing date may not be sufficient grounds for the appointment of a trustee, continuing mismanagement of the affairs of a debtor after the filing date is evidence of the need for the appointment of a trustee." *Id*. "The various factors used to determine whether current management is guilty of gross mismanagement and incompetence will vary depending on the facts of the individual case." *In re Sharon Steel Corp*., 86 B.R. at 458

34. Here, the UST has not made any allegations of post-petition mismanagement nor provided evidence that any mismanagement that might exist rises to the level to necessitate the appointment of a chapter 11 trustee.

ii. Appointment of a Chapter 11 Trustee is not in the best interests of the creditors or the estate.

35. Under § 1104(a)(2) of the Code, a court shall order the appointment of a trustee, upon motion, "if such appointment is in the best interest of creditors, any equity security holders, and other interest of the estate, without regard to the number of holders of securities of the debtor or the amount of assets or liabilities of the debtor." 11 U.S.C. § 1104(a)(2). Although courts often look at a variety of factors to determine whether appointment of a chapter 11 trustee is in the best interest of creditors, "[u]nder 11 U.S.C. § 1104(a)(2), the Court may utilize its broad equity powers

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[14] *See* United States Trustee's First Response to Debtor's Request for Admissions, Requests for Production of Documents, and Interrogatories (the "**UST Discovery Responses**"), RFA No. 1. A true and correct copy of the UST Discovery Responses are attached hereto as **Exhibit A** hereto.

to engage in a cost-benefit analysis in order to determine whether the appointment of a Trustee would be in the interests of creditors, equity security holders, and other interests of the estate." *In re Sharon Steel Corp.*, 86 B.R. 455, 457 (Bankr. W.D. Pa. 1988). "Consequently, the analysis becomes one of whether the cost of appointing a Trustee is outweighed by the benefits derived by the appointment." *Id.*

36. The UST argues that appointment of a chapter 11 trustee is in the best interests of the creditors because "[r]elations between the Debtor and its former customers are acrimonious."[15] But "neither loss of confidence, however reasonable, or acrimony, however bitter, necessarily results in appointment of a trustee." *In re Sundale, Ltd.*, 400 B.R. 890, 909 (Bankr. S.D. Fla. 2009). Likewise, the UST's argument that the Debtors' principals are "conflicted" because the creditors mistrust the Debtor's principals misses the mark.

37. The cost of appointing a chapter 11 trustee, especially this late in the game, when a plan and disclosure statement have already been filed, far outweighs any potential benefits. *In re Texasoil Enters.*, Inc., 296 B.R. 431, 435 (Bankr. N.D. Tex. 2003) (noting that a chapter 11 "trustee is expensive and likely to retain costly professionals."); *see also In re Sundale, Ltd.*, 400 B.R. at 912 ("The Joint Plan is filed, and will or will not be confirmed in the next three months. Introducing a trustee to the process prior to testing the confirmability of the Joint Plan does not make economic sense."). More specifically, the Plan provides unsecured creditors with a recovery. A chapter 11 trustee would provide zero recovery to unsecured creditors, and would cost the estate (by incurring fees and expenses) to do so. The cost-benefit of appointing a chapter 11 trustee is not even close.

[15] *See* Motion to Convert at ¶ 62

Conclusion

38. The Motion to Convert was filed a mere seven weeks into the case. As explained herein, the Motion to Convert is wholly without merit, and the UST cannot carry her burden, much less the heightened burden that exists in the context of a request for a chapter 11 trustee.

WHEREFORE, for the reasons explained herein, the Debtor respectfully requests the Court to deny the relief requested in the Motion to Convert and to grant the Debtor such other and further relief as the Court deem proper and just.

Dated: September 15, 2025

Respectfully submitted,

/s/ Jason P. Kathman

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**COUNSEL FOR DEBTOR
AND DEBTOR-IN-POSSESSION**

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that, on September 15, 2025, I caused to be served the foregoing objection via the Court's electronic transmission facilities upon all parties accepting such service.

/s/ Jason P. Kathman
Jason P. Kathman

EXHIBIT A

United States Department of Justice
Office of the United States Trustee
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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

In re:	§	
	§	
Vision2Systems, LLC,	§	**Case No. 25-40583-MXM-11**
	§	
Debtor.	§	

United States Trustee's First Response to Debtor's Request for Admissions, Requests for Production of Documents, and Interrogatories

The United States Trustee files this response to the Debtor's Requests for Admissions, Requests for Production of Documents, and Interrogatories.

DATED: August 15, 2025

Respectfully submitted,

LISA L. LAMBERT
UNITED STATES TRUSTEE
/s/ Erin Marie Schmidt
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Certificate of Service

I certify that I served this response on Debtor's counsel Jason Kathman and Camber Jones via email on August 15, 2025

/s/ Erin Marie Schmidt
Erin Marie Schmidt

DEFINITIONS

Unless the context of a specific request requires otherwise, the following definitions and instructions apply here with respect to the document request, requests for admission, and interrogatories:

A. "Communication" means all written or oral communications however informal and any conveyance or receipt of information, whether orally, in person, or by telephone, and includes, without limitation, all inquiries, discussions, negotiations, agreements, meetings, telephone conversations, letters, correspondence, memoranda, notes, computer generated electronic mail, telegrams, or telexes, which are in any manner evidenced by, or referred to in, a document whether prepared in anticipation of, during, or subject to such communication.

B. "Conversion Motion" means the *United States Trustee's Motion to Convert Case to Chapter 7, or in the alternative, to Appoint a Chapter 11 Trustee* [Docket No. 88].

C. "Chapter 11 Case" means the underlying case styled *In re Vision2Systems, LLC*, Case No. Case No. 25-40583-mxm11 filed in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division.

D. "Debtor" means Vision2Systems LLC, or anyone acting on the Debtor's behalf, including, but not limited to, its representatives, agents, attorneys, members, or investigators, whether hired or appointed by it, its attorneys, or its representatives (including any and all agents, employees, servants, officers, directors, attorneys, accountants, and consultants who act or have acted on their behalf), as well as any predecessors, assigns and successors-in-interest.

E. "Document" mean any written, recorded, or graphic material of any kind or description, whether sent or received or neither, including originals, non-identical copies (whether different from the original because of marginal notes or other material inserted therein or attached thereto, or otherwise), drafts (and both sides thereof), and including, but not limited to, papers, letters, memoranda, notes, telephone messages or memos, minutes, opinions, reports, contracts, agreements, correspondence, telegraphs, cables, e-mails, telex messages, text messages (SMS), multimedia messages (MMS), social media posts and messages, messages and message attachments on messaging platforms including but not limited to Telegram, Signal, Kik, WhatsApp, Facebook Messenger, and the like, reports and recordings of telephone and other conversations, or other interviews, or conferences or other meetings, photographs, negatives, Photostats, layouts, drawings, sketches, specifications, blueprints, brochures, fliers, advertisements, data sheets, data processing cards, magnetic discs, tapes and chips, usb drives, computer printouts, recordings and tapes, video recordings and tapes, purchase orders, invoices, diaries, desk calendars, appointment books, logs and things similar to any of the foregoing that are in your possessions, custody, control, agency, or known by you to exist, or that possession, custody, control, agency of your attorney.

F. "Estate" means the estate of the Debtor created under section 541 of the Bankruptcy Code.

G. "Hearing" means the hearing on the Conversion Motion set for September 22, 2025.

H. The term "Identify" as to a Document shall require an answer that shall include a statement of the following:

i. The title, heading, or caption, if any, of such Document;

ii. The identifying number(s), letter(s), or combination thereof, if any; and the significance or meaning of such number(s), letter(s), or combination thereof, if necessary to an understanding of the Document or evaluation of any claim of protection from discovery;

iii. The date appearing on such Document; and if no date appears thereon, the answer shall so state and shall give the date or approximate date on which such Document was prepared;

iv. The number of pages and the general nature or description of such Document (i.e., whether it is a letter, memorandum, minutes of a meeting, etc.) with sufficient particularity so that such Document can be precisely identified;

v. The name and capacity of the person who signed such Document or over whose name such Document was issued; and if it was not signed, the answer shall so state and shall give the name of the person(s) who prepared it;

vi. The name and capacity of the person to whom such Document was addressed, and the name and capacity of each person, other than such addressee, to whom such Document, or a copy thereof, was sent, distributed, or directed;

vii. The physical location of the Document and the identity of its custodian(s); and

viii. Whether it will be voluntarily made available to the undersigned for inspection and copying; and if not, the reasons why not.

I. The term "Identify" as to a Person shall require an answer that shall include a statement of the following:

i. The full name of the person;

ii. That person's present employer and job title, if known; if not known, the answer shall so state; and

iii. That person's present business and residence addresses and telephone numbers, if known; if not known, then his or her last known business and residence addresses and telephone numbers.

J. "Identify" as to a Communication shall require an answer to state the following:

i. The name of each person who participated in the Communication and the name of each person who was present at the time the Communication was made;

ii. By whom each such person was employed and who such person represented or purported to represent in making such Communication;

iii. The substance of the Communication; and

iv. The date when and the place where such Communication was made.

K. "Insider" or "Insiders" means insiders of the Debtor, including, but not limited to, Paul Baldwin and Carl Tierney and shall have the same meaning as used in the Bankruptcy Code, 11 U.S.C. § 101(31)(A).

L. "Person" means any individual, partnership, firm, association, joint venture, corporation, limited liability company or partnership, estate, trust, receiver, any group or combination acting as a unit or any other business, governmental or legal entity.

M. "Petition Date" means February 19, 2025.

N. "You," "Your," and "UST" means the United States Trustee and its officers, representatives, employees, agents and all other persons acting or purporting to act on its behalf.

O. The terms "all" or "each" or "any and all" mean every item known to you and every such item which can be located or discovered by reasonably diligent efforts within Your possession, custody, or control or the possession, custody, or control of Your attorneys, bailees, representatives, or others acting on Your behalf or in Your interest.

REQUESTS FOR PRODUCTION OF DOCUMENTS

INSTRUCTIONS

1. Your responses should be complete and based on all information reasonably available to you at the time the response is made. Your responses must be preceded by the request to which they apply. These requests are ongoing in nature and you are requested to make timely amendments or supplements as new information becomes available during this case.

2. Any objections to these Requests must state the legal or factual basis for the objection and indicate the extent to which you are refusing to comply with the request. Please note that objections that are not made within the time required or which are obscured by numerous, unfounded objections, are waived unless the Court excuses the waiver for good cause. In addition, you should not object that any of the Requests calls for the production of information that is privileged. Instead, you should state that the information responsive to the request has been withheld and the privileges asserted justifying withholding that information.

3. Your responses to these Requests must be served within 30 days after service of these Requests to c/o Jason P. Kathman, Spencer Fane, LLP at 5700 Granite Parkway, Suite 650, Plano, Texas 75024, and in no event later than **August 15, 2025.**

4. With respect to any objection or assertion of privilege, you are to state: (1) that production, inspection, or other requested action will be permitted as requested; (2) that the requested items are being served with the response; (3) that production, inspection, or other requested action will take place at a specified time and place (if you are objecting to the time and place of production); or (4) that no responsive items have been identified after a diligent search.

5. These Requests seek the production of electronic or magnetic data. Information that exists in electronic form is requested in its native or near-native format and should not be converted

to imaged formats. Native format requires production in the same format in which the information was customarily created, used, and stored by you, with all metadata intact. The following are examples of the native or near-native forms in which specific types of electronically-stored information ("ESI") should be produced.

Microsoft Word documents	.doc, .docx
Microsoft Excel spreadsheets	.xls, .xlsx
Microsoft PowerPoint presentations	.ppt, .pptx
Microsoft Access databases	.mdb, .accdb
WordPerfect documents	.wpd
Adobe Acrobat documents	.pdf
Images	.jpg, .jpeg, .png
Email	Messages should be produced in a form that readily supports import into standard email client programs, such as those outlined in RFC 5322 (the internet email standard). For Microsoft Exchange or Outlook, that means .pst format. Single message production formats like .msg or .eml may be furnished, if source foldering data is preserved and produced. If your workflow requires that attachments be extracted and produced separately, those attachments should be produced in their native forms with parent/child relationships to the messages and containers preserved and produced in a delimited text file.
Databases	Unless the entire contents of a database are responsive, extract responsive content to a fielded and electronically searchable format preserving metadata values, keys and filed relationships. If doing so is not feasible, please identify and supply information concerning the schemae and query language of its export capabilities, so as to facilitate crafting a query to extract and export responsive data

Information that does not exist in native electronic formats or which require redaction of privileged content should be produced as single page .tiff images with OCR text furnished and logical unitization and family relationships preserved. Production of ESI should be made using a thumb/flash drive or, preferably, an FTP client.

6. Unless otherwise specified, the date range for these Requests is October 24, 2024, through the present.

DOCUMENT REQUESTS

REQUEST NO. 1: All non-privileged Documents and Communications You have relied on for asserting that there is a continuing and substantial loss to the Debtor's Estate.

RESPONSE: See the UST's witness and exhibit list.

REQUEST NO. 2: All non-privileged Documents and Communications You have relied on for asserting that the Debtor has no reasonable likelihood of reorganization.

RESPONSE: See the UST's witness and exhibit list.

REQUEST NO. 3: All non-privileged Documents and Communications You have relied on for asserting the Debtor filed this Chapter 11 case in bad faith.

RESPONSE: See the UST's witness and exhibit list.

REQUEST NO. 4: All non-privileged Documents and Communications You have relied on for asserting that the Debtor's current management is incompetent or grossly mismanaged the Debtor.

RESPONSE: See the UST's witness and exhibit list.

REQUEST NO. 5: All non-privileged Documents and Communications You have relied on for asserting that the Debtor's current management committed fraud.

RESPONSE: See the UST's witness and exhibit list.

REQUEST NO. 6: All non-privileged Documents and Communications You have relied on for asserting that there is a conflict of interest between the Debtor and its Insiders.

RESPONSE: See the UST's witness and exhibit list.

REQUEST NO. 7: All Documents and Communications You relied on in answering any of the Interrogatories or Requests for Admission here.

RESPONSE: See the UST's witness and exhibit list.

REQUESTS FOR ADMISSION

INSTRUCTIONS

1. Each matter of which an admission is requested shall be admitted unless, within thirty days after service of this request, you serve upon Debtor a written answer or objection addressed to the matter, signed by you or your attorney. If objection is made, the reasons shall be stated.

2. The answer shall specifically admit or deny the matter or set forth in detail the reasons why you cannot truthfully admit or deny the matter. A denial shall fairly meet the substance of the requested admission, and when good faith requires that you qualify an answer or deny only part of the matter of which an admission is requested, you shall specify so much of it as is true and qualify or deny the remainder.

3. You may not give lack of information or knowledge as a reason for failure to admit or deny unless you state that you have made reasonable inquiry and that the information known or readily obtainable by you is insufficient to enable you to admit or deny the request.

4. The party responding to these requests (not its agent or attorney) must sign the answers under oath.

REQUESTS

REQUEST NO. 1: Admit that You have undertaken no independent investigation of the facts and allegations asserted in the Saddleback Suit, the Crossing Church Suit, the Resurrection Suit, and the Christian Fellowship Suit.

Admit ______X Deny __________

REQUEST NO. 2: Admit that You have no evidentiary support for Your contention in the Conversion Motion that there is a continuing and substantial loss to the Debtor's Estate.

Admit _______ Deny X_____

REQUEST NO. 3: Admit that You have no evidentiary support for Your contention in the Conversion Motion that the Debtor has no reasonable likelihood of reorganization.

Admit _______ Deny X_____

REQUEST NO. 4: Admit that You have no evidentiary support for Your contention in the Conversion Motion that the Debtor filed this Chapter 11 case in bad faith.

Admit _______ Deny X_____

REQUEST NO. 5: Admit that You have no evidentiary support for Your contention in the Conversion Motion that the Debtor's current management is incompetent or grossly mismanaged the Debtor.

Admit _______ Deny X___________________

REQUEST NO. 6: Admit that You have no evidentiary support for Your contention in the Conversion Motion that the Debtor's current management committed fraud.

Admit _______ Deny _______

The UST objects to this request because the Motion alleges that the Debtor's current management "were incompetent or grossly mismanaged the Debtor's business" or "committed fraud." Conversion Motion at ¶ 55. Section 1104(a)(1) provides that the Court may direct appointment of a chapter 11 trustee for cause, which includes "fraud, dishonesty, incompetence, **or** gross mismanagement by current management." 11 U.S.C. § 1104(a)(1)(emphasis added).

The UST admits that she does not have specific evidence that Messrs Baldwin or Tierney committed fraud. However, the Debtor has admitted in its own filings that it filed for bankruptcy because of issues arising from the settling and accounting of donations for its member churches. The Debtor itself has admitted that it did not recognize these accounting issues until October 2023, when it determined that it had "over-settl[ed] and transferr[ed] to 100s of churches for close to a decade." *Disclosure Statement,* ECF 125 at 5-6.

INTERROGATORIES

INTERROGATORY NO. 1: Identify and describe any and all investigations that the UST has conducted thus far in this Chapter 11 Case.

ANSWER: The UST, through her counsel, attended the original first day hearing, interviewed creditors who expressed an interest in serving on the unsecured creditors' committee, and presided over the § 341 meeting of creditors. The creditors interviewed include those parties identified on the UST's original and amended UCC appointments.

In addition to reviewing documents filed in the underlying bankruptcy case, the UST also reviewed pleadings and/or dockets filed in the pre-petition state and federal court litigation.

INTERROGATORY NO. 2: Identify and describe the legal theories and factual bases for Your contention in the Conversion Motion that that the management engaged in "fraud, dishonesty, incompetence, or gross mismanagement."

ANSWER: The UST's legal theories and factual bases supporting her contention that management engaged in "fraud, dishonesty, incompetence, or gross mismanagement" are set forth within her Conversion Motion.

INTERROGATORY NO. 3: Identify and describe the legal theories and factual bases for Your contention in the Conversion Motion that there is a continuing and substantial loss to the Debtor's Estate.

ANSWER: The UST's legal theories and factual bases supporting her contention that there has been continuing and substantial loss to the Debtor's estate are set forth within her Conversion Motion.

INTERROGATORY NO. 4: Identify and describe the legal theories and factual bases for Your contention in the Conversion Motion that the Debtor has no reasonable likelihood of reorganization.

ANSWER: The UST's legal theories and factual bases supporting her contention that the Debtor has no reasonable likelihood of reorganization are set forth within her Conversion Motion.

The UST admits that the Debtor filed its Plan of Liquidation on August 11, 2025 at ECF 126 but also notes that the Plan itself does not propose a reorganization of the Debtor's former business but instead the distribution of remaining assets and an additional $180,000.00 in cash from the Debtor's principals.

INTERROGATORY NO. 5: Identify and describe the legal theories and factual bases for Your contention in the Conversion Motion that the Debtor filed this Chapter 11 case in bad faith.

ANSWER: The UST's legal theories and factual bases supporting her contention that the Debtor filed this chapter 11 case in bad faith are set forth within her Conversion Motion.

INTERROGATORY NO. 6: Identify and describe the legal theories and factual bases for Your contention in the Conversion Motion that that the Debtor's current management is incompetent or grossly mismanaged the Debtor.

ANSWER:

The UST's legal theories and factual bases supporting her contention that the Debtor's current management is incomepetent or grossly mismanaged the Debtor are set forth within her Conversion Motion.

INTERROGATORY NO. 7: Identify and describe the legal theories and factual bases for Your contention in the Conversion Motion that the Debtor's current management committed fraud.

ANSWER: The UST's legal theories and factual bases supporting her contention that the Debtor's current management may have committed fraud are set forth within her Conversion Motion.

The United States Trustee admits that she does not know whether Debtor's current management committed fraud or were merely incompetent and/or grossly mismanaged the Debtor's business. However, as noted in her Motion, "the Court need only find only incompetency, gross mismanagement, or fraud to direct appointment of a chapter 11 trustee under § 1104(a)(1)." Conversion Motion at ¶ 55.

INTERROGATORY NO. 8: Identify and describe the legal theories and factual bases for Your contention in the Conversion Motion that there is a conflict of interest between the Debtor and its Insiders.

ANSWER: The UST's legal theories and factual bases supporting her contention that there is a conflict of interest between the Debtor and its insiders are set forth within her Conversion Motion.

Declaration

On this day, I state that I have read the foregoing responses and that the factual allegations stated therein are within my personal knowledge and that such Responses are true and correct to the best of my information and belief.

Lisa L. Lambert

Lisa L. Lambert, U.S. Trustee for Region 6

Aug 15, 2025

Date