



CLERK, U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS

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THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed February 20, 2026

United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:

TRICOLOR HOLDINGS, LLC, *et al.*,

Debtors.¹

Chapter 7

Case No. 25-33487 (MVL)

(Jointly Administered)

**ORDER GRANTING IN PART MOTION TO MODIFY THE AUTOMATIC
STAY TO ALLOW FOR ADVANCEMENT OF DEFENSE COSTS FROM
PROCEEDS OF THE DEBTORS' DIRECTORS AND OFFICERS LIABILITY
INSURANCE POLICIES**

Upon consideration of *Daniel Chu's Motion for Order Authorizing Use of Proceeds of Directors and Officers Liability Insurance Policies for Defense Expenses and Other Loss Amounts* [ECF No. 469] (the "Motion") filed by Daniel Chu ("Mr. Chu") and the *Trustee's Objection to*

¹ The Debtors in these Chapter 7 cases are as follows: Tricolor Holdings, LLC, TAG Intermediate Holding Company, LLC, Tricolor Auto Group, LLC, Tricolor Auto Acceptance, LLC, Tricolor Insurance Agency, LLC, Tricolor Home Loans LLC dba Tricolor Mortgage, Tricolor Real Estate Services, LLC, TAG California Holding Company, LLC, Flexi Compras Autos, LLC, TAG California Intermediate Holding Company, LLC, Tricolor California Auto Group, LLC, Tricolor California Auto Acceptance, LLC, Risk Analytics LLC, Tricolor Tax, LLC, Tricolor Financial, LLC, Tricolor Auto Receivables LLC, TAG Asset Funding, LLC, and Apoyo Financial, LLC. (collectively, "Tricolor" or the "Debtors").



Daniel Chu's Motion for Order Authorizing Use of Proceeds of Directors and Officers Liability Insurance Policies for Defense Expenses and Other Loss Amounts [ECF No. 521] (the "Trustee's Objection"), filed by the duly appointed Chapter 7 Trustee (the "Trustee"), seeking entry of an order pursuant to Sections 105(a), 362, and 541 of the Bankruptcy Code, Bankruptcy Rule 4001(d), and Local Rule 4001-1 modifying the automatic stay to allow the Insurers to advance covered "Defense Expenses" (as defined in the Debtors' Director and Officer Liability Insurance Policies (the "D&O Policies" or the "Policies"))² to or on behalf of the Insureds in accordance with the terms and conditions of the Policies, subject to procedures and restrictions allowing for the fair and equitable allocation and distribution of the Policies' proceeds to all Insureds (the "Proposed Order") [ECF No. 521-1]; and the Court having reviewed and considered all other papers and pleadings related thereto—including joinders and/or supplemental joinders to the Motion filed by (1) Mauricio Delgado [ECF No. 517 and ECF No. 616]; (2) Andy Mata [ECF No. 566]; and (3) Reed Crow [ECF No. 613], as well as Mr. Chu's Reply to the Trustee's Objection [ECF No. 573], the Notices of Revised Proposed Orders submitted by the Trustee [ECF No. 555 and ECF No. 618], *Traveler's Objection to the Trustee's Alternative Proposal and Proposed Order Authorizing the Use of Proceeds Of Directors and Officers Liability Insurance Policies* [ECF No. 617], and the Trustee's Sur-Reply in further support of the Trustee's Objection [ECF No. 620]; and this Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. § 1334, and this being a core proceeding under 28 U.S.C. § 157; and it appearing that

² The Policies consist of (i) a \$5 million primary policy issued by Travelers Casualty & Surety Company of America ("Travelers"), (ii) a \$5 million excess policy issued by Continental Casualty Company ("CNA"), and (iii) a \$5 million excess policy issued by Old Republic Professional Liability, Inc. ("Old Republic") (collectively, with Travelers and CNA, the "Insurers"; each an "Insurer").

venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided; and such notice having been adequate and appropriate under the circumstances; and after due deliberation, including following a hearing on the Motion held on January 12, 2026 [ECF No. 663], where counsel for the Trustee, Mr. Chu, Mr. Delgado, Mr. Mata, Mr. Crow, Jerome Kollar, David Goodgame, Old Republic, James Li and Travelers appeared; and in accordance with the bench ruling the Court issued on the Motion on February 4, 2026 [ECF No. 751], and for the reasons stated therein;

IT IS HEREBY ORDERED THAT:

1. The Motion is **GRANTED IN PART** as set forth herein.
2. The automatic stay imposed by 11 U.S.C. § 362 is **MODIFIED SOLELY** to permit any Insured under the Policies (including Mr. Chu and the Trustee, acting on behalf of the Debtors) to request advancement and payment of Defense Expenses under the Directors and Officers Liability Insurance Policy issued by Travelers (Policy No. 106848518) (the “Travelers Policy”),³ up to the \$5,000,000 policy limit, subject to the terms, conditions, and limitations of the Travelers Policy and the procedures set forth in this Order, and for Travelers to pay any such Defense Expenses that Travelers determines in its reasonable discretion to be owed in accordance with the terms, conditions, and limitations of the Travelers Policy and the procedures set forth in this Order.
3. For Defense Expenses incurred in calendar months after the entry of this Order, within twenty-one (21) days after the end of each such calendar month, or if the twenty-first (21st) day of such calendar month falls on a weekend, the next business day thereafter, counsel for each

³ Unless stated otherwise, capitalized terms set forth herein and defined in the D&O Policies shall have the same meaning as defined therein.

Insured who has incurred Defense Expenses during that calendar month shall submit to Travelers a written request for advancement of such Defense Expenses (an “Advancement Request”) as required by, and in accordance with, the Travelers Policy, and as set forth below.

- A. Each Advancement Request must (i) clearly identify the Claim to which the Defense Expenses relate and must certify that the request is made pursuant to, and in conformity with, the D&O Policies; and (ii) include two sets of true and complete copies of all invoices and supporting documentation reflecting the Defense Expenses for which advancement is sought (one redacted set and one unredacted set). The unredacted set of invoices shall be submitted to Travelers via the LexisNexis CounselLink® electronic billing system. No Advancement Request shall be valid or payable unless accompanied by such invoices and supporting materials. Nothing in this Order shall require disclosure of information protected by the attorney-client privilege, work-product doctrine, or similar protections (including, specifically, information the disclosure of which could reasonably compromise an ongoing criminal or regulatory investigation or proceeding). Any redactions must be narrowly tailored to the circumstances of the representation and clearly labeled, and the Insured and Travelers must retain unredacted copies.
 - B. Each Insured shall fully comply with the cooperation obligations set forth in the D&O Policies, including providing information reasonably requested by Travelers in connection with any Advancement Request.
4. Travelers shall provide counsel for the Trustee and any other Insureds who have

submitted claims to date with a Monthly Advancement Report containing:

- A. A list of each Advancement Request received during the prior month, identifying the requesting Insured and the Claim to which the request relates;
- B. The total amount of Defense Expenses requested for each such Advancement Request;
- C. The total amount of Defense Expenses approved for payment by Travelers for each Advancement Request, pending objection as provided in Paragraph 7 below, if any.
- D. The total amount of Defense Expenses paid by Travelers (*i.e.*, amounts actually paid by Travelers, but not including amounts under review, preliminarily approved but not yet disbursed or amounts to which any party has objected pursuant to Paragraph 7 below), if any, for each Advancement Request;
- E. The total amount of Defense Expenses denied, if any, for each Advancement Request;

- F. The total amount of Defense Expenses under appeal pursuant to the policies and procedures of Travelers;
 - G. The remaining available limits under the Travelers Policy after giving effect to all payments made during that month; and
 - H. Copies of the redacted copies of all invoices and supporting documentation with redactions limited to preserving applicable privileges, work-product protection, and other similar protections (including, specifically, information the disclosure of which could reasonably compromise an ongoing criminal or regulatory investigation or proceeding).
5. For Defense Expenses incurred prior to entry of this Order or during the same calendar month as the entry of this Order, counsel for each Insured shall submit all such Defense Expenses in an Advancement Request to Travelers by Monday, March 9, 2026 in accordance with Paragraph 3 above.

6. The initial Monthly Advancement Report shall be provided by Travelers by Monday, April 13, 2026, with all subsequent Monthly Advancement Reports provided by Travelers no later than the twenty-first (21st) day of the month following the subsequent submission of any Advancement Request.

7. The Trustee and any other Insured shall have seven (7) days after receipt of any Monthly Advancement Report to object in writing to any Advancement Request reported therein **by submitting** such objection to Travelers. If no objection is timely submitted, the approved amounts may be paid, subject to Travelers' approval. Travelers shall be entitled to resolve any dispute under the terms of the policy in its discretion in the first instance. Should a material dispute exist, after a good faith attempt at resolution by the objector(s), the affected Insureds and Travelers, and any other affected parties may request Court intervention by filing a request on the Court's

docket. Travelers shall not pay any disputed amounts for which Court intervention has been requested until receiving direction from the Court.

8. The Trustee, any Individual Insured, and/or any Insurer may request additional reporting, modification of these procedures, or further relief at any time.

9. The Court retains jurisdiction to adjust these procedures as appropriate to ensure the equitable allocation and preservation of the limited proceeds of the D&O Policies.

10. Except as set forth herein, nothing in this Order shall alter, amend, or modify the terms, conditions, exclusions, limitations, retentions, or rights under the D&O Policies, all of which are expressly preserved.

11. All rights of the Insurers, the Trustee, and all Insureds under the D&O Policies—including, without limitation, coverage defenses, allocation rights, advancement conditions, repayment obligations, and subrogation rights—are fully preserved. Moreover, for the sake of clarity, the ability of any Insureds to request advancements under the Travelers Policy **does not** establish that any such Insured is in fact covered under the Policy, and the authority and discretion to determine coverage remains **exclusively** with Travelers absent further Order of the Court, except as it pertains to the dispute procedure outlined above.

12. This Order and the requirements established herein pertain strictly to the \$5,000,000 policy limit of the Travelers Policy and the proceeds and coverage thereunder, and **do not** apply to the \$1,000,000 in Supplemental Personal Indemnification coverage and the \$250,000 in Interview Request coverage provided under the Travelers Policy, the proceeds of which are not property of the Debtors' estates and therefore not subject to the automatic stay imposed under 11 U.S.C. § 362.

13. The Court declines to modify the automatic stay with respect to the excess policies issued by CNA and Old Republic at this time. All rights with respect to those policies are expressly reserved, and the Court will address any subsequent arguments and/or objections related to the remaining policy proceeds at the appropriate time.

END OF ORDER

Prepared and submitted by:

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