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Counsel to the Chapter 7 Trustee

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

)	
In re:)	Chapter 7
)	
TRICOLOR HOLDINGS, LLC, <i>et al.</i> , ¹)	Case No. 25-33487 (MVL)
)	
Debtors.)	
)	

**TRUSTEE’S OBJECTION TO YVETTE ANN LEAL’S
MOTION FOR RELIEF FROM AUTOMATIC STAY
AND TO CONTINUE LITIGATION**

Anne Elizabeth Burns, solely in her capacity as the duly appointed chapter 7 bankruptcy trustee (the “Trustee”) for Tricolor Holdings, LLC and its various debtor affiliates (collectively, the “Debtors”), by and through her undersigned counsel, hereby files this objection (the

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, Tricolor Asset Funding, LLC, and Apoyo Financial, LLC.



“Objection”) to Yvette Ann Leal’s (the “Movant”) *Motion for Relief from Automatic Stay and to Continue Litigation* [Docket. No. 945] (the “Motion”) and respectfully states as follows:

PRELIMINARY STATEMENT

1. Movant seeks relief from the automatic stay to continue prosecuting prepetition personal-injury litigation against the Debtors arising from an automobile accident, on the premise that she intends to recover only from available insurance proceeds. But the Motion offers no meaningful basis for that extraordinary relief. Rather, it relies primarily on the bare assertion that insurance exists and that Movant seeks recovery only from that source, without making the required prima facie showing of cause under section 362(d)(1).

2. The Trustee opposes the requested relief. In addition to failing to satisfy Movant’s burden to demonstrate cause for lifting the automatic stay, the relief sought would impose an undue burden on the Debtors’ estates at this juncture in the Chapter 7 Cases (defined herein). In light of the allegations in the Complaint (defined herein), the Trustee would be required to devote limited estate resources to, among other things, evaluating coverage and addressing related insurance issues, coordinating with counsel and insurers, and managing the burdens associated with continued litigation. Such a burden is particularly unwarranted where Movant would suffer no meaningful prejudice from maintaining the status quo by filing a proof of claim and allowing her claim to be addressed at a later time through the chapter 7 process. Accordingly, the relief requested in the Motion should be denied.

BACKGROUND

3. On September 10, 2025 (the “Petition Date”), the Debtors commenced their chapter 7 cases (the “Chapter 7 Cases”) by filing voluntary petitions for relief under chapter 7 of the

Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “Court”).

4. On September 10, 2025, the Office of the United States Trustee for Region 6 (the “U.S. Trustee”) appointed the Trustee in the Chapter 7 Cases.

5. The Movant commenced a proceeding against the Debtors in Harris County, Texas District Court, 269th Judicial District, on July 30, 2025. Cause No. 2025-53155 styled *Yvette Ann Leal, Individually and as Next Friend and Legal Guardian of I.G. and R.G., minors v. Tricolor Auto Group, LLC; Flexi Compras Autos, LLC, d/b/a Ganas YA; and Syurius Leidis Batista Sanchez* (the “Complaint”).

6. On March 17, 2026, the Movant filed the Motion, seeking relief from the automatic stay to pursue a prepetition personal injury lawsuit.

OBJECTION

7. “The automatic stay is one of the fundamental debtor protections provided by the bankruptcy laws.” *In re Timbers of Inwood Forest Assocs., Ltd.*, 793 F.2d 1380, 1409 (5th Cir. 1986), *on reh’g*, 808 F.2d 363 (5th Cir. 1987), *aff’d sub nom. United Sav. Ass’n of Texas v. Timbers of Inwood Forest Assocs., Ltd.*, 484 U.S. 365 (1988) (quoting H.R. Rep. 95-595, 340 (1977), U.S.C.C.A.N. 1978, p. 6296). Specifically, the automatic stay protects against, among other things, (i) “the commencement or continuation ... of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case,” (ii) “any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate,” and (iii) “any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case.” 11 U.S.C. § 362(a)(1), (3), and (6).

I. The Movant Fails to Demonstrate that “Cause” Exists to Grant Relief from the Automatic Stay.

8. Section 362(d)(1) of the Bankruptcy Code provides that a court shall grant relief from the automatic stay “for cause.” However, the Bankruptcy Code does not offer guidance as to what constitutes “cause,” but rather, the reviewing court must determine whether cause exists on a case-by-basis. *See, e.g., In re Reitnauer*, 152 F.3d 341, 343 n.4 (5th Cir. 1998); *In re Mosher*, 578 B.R. 765, 772 (Bankr. S.D. Tex. 2017) (explaining that whether “cause” exists is a fact-intensive inquiry “committed to the discretion of the bankruptcy judge ... that must be determined on a case-by case basis.”).

9. While there is no set list of circumstances that a bankruptcy court is required to consider in evaluating whether section 362(d)(1) “cause” exists to lift the automatic stay, courts have often looked to the following case-specific factors: (i) whether lifting the stay will result in any great prejudice to the debtor or the bankruptcy estate, (ii) whether any hardship to a non-debtor of continuation of the stay outweighs any hardship to the debtor, and (iii) whether the creditor has a probability of prevailing on the merits of the case. *See BDA Design Group, Inc. v. Official Unsecured Creditors’ Committee*, 2013 WL 12100467, at *6 (N.D. Tex. Sept. 2, 2013).

10. As a preliminary matter, the Motion suffers from a fatal defect that requires it to be denied—the Movant has failed to make a prima facie case for the existence of cause. Critically, the movant carries the initial burden on the stay relief, and only if the movant makes a *prima facie* case does the debtor need to respond. *See In re Kowalsky*, 235 B.R. 590, 594 (Bankr. E.D. Tex. 1999) (citing *In re Sonnax Indus.*, 907 F.2d 1280, 1285 (2nd Cir. 1990)). “If a movant fails to make a prima facie showing, the court should deny the relief requested.” *Id.* (citing *In re Keene Corp.*, 171 B.R. 180, 182 (Bankr. S.D.N.Y. 1994)); *In re Project Orange Associates, LLC*, 432 B.R. 89, 103 (Bankr. S.D.N.Y. 2010) (quoting *Sonnax*, 907 F.2d at 1285). The need to demonstrate

“cause” is particularly important where the moving party is an unsecured creditor. *In re Eagle Enters., Inc.*, 265 B.R. 671, 680 (E.D. Pa. 2001) (“unsecured creditors are entitled to relief from an automatic stay only in extraordinary circumstances”); *In re Stranahan Gear Co.*, 67 B.R. 834, 838 (Bankr. E.D. Pa. 1986) (“Several factors militate strongly against the allowance of any relief in this case—or in any but the most extraordinary set of circumstances—where the moving party is an unsecured creditor.”). The Motion provides no evidence, no meaningful explanation, and no legal analysis other than making the bare assertion that the Debtors maintained liability insurance and that the Movant seeks recovery only from that insurance. Accordingly, the Motion should be denied. *In re Spencer*, 568 B.R. 278, 280 (Bankr. W.D. Mich. 2017) (“Unless the quantum of proof on the issue of cause under § 362(d)(1) reaches a certain threshold, no prima facie case is established and the debtor is not required to introduce evidence to meet and rebut the prima facie case.” (quoting *Planned Sys. Inc.*, 78 B.R. 852, 860 (Bankr. S.D. Ohio 1987))).

II. Lifting the Automatic Stay Would Unduly Burden the Trustee and Prejudice the Debtors’ Estates.

11. Stay relief is likewise not warranted because it would impose a significant burden on the Trustee and the Debtors’ estates. As the Fifth Circuit recognized in *Matter of Edgeworth*, proceeding with litigation against a debtor solely to seek recovery from an insurer is generally permissible only “as long as the costs of defense are borne by the insurer and there is no execution on judgment against the debtor personally.” 993 F.2d 51, 54 (5th Cir. 1993) (emphasis added). In *Edgeworth*, the court allowed such litigation to proceed based on the premise that the debtor had “not asserted that he will be required to pay the costs of his defense against appellants’ suit or that the insurance company denied coverage or is defending under a reservation of rights.” *Id.*

12. Unlike *Edgeworth*, granting stay relief here would expose the estates to real and immediate litigation costs. Although the Complaint arises from an automobile accident and asserts

negligence claims based on that incident, it also alleges separate direct-liability theories against the Debtors, including negligent hiring, training, and supervision. If those claims are permitted to proceed, the Trustee will be required to expend estate resources assessing how such claims are treated under the Debtors' insurance program and managing the resulting litigation demands. Moreover, even if insurance is ultimately available, the Debtors may still be required to incur attorneys' fees and related defense expenses in coordinating with insurers and defense counsel, responding to discovery, collecting and reviewing documents, identifying and preparing witnesses, and producing any corporate representative for deposition or trial. In addition, to the extent any deductible, retention, uncovered component, or excess exposure applies, those amounts would further burden estate resources. The automatic stay should not be lifted where doing so may require the Debtors' estates to fund or facilitate defense of prepetition litigation at the expense of all creditors and the orderly administration of these Chapter 7 Cases.

13. *In re iHeartMedia, Inc.* is likewise instructive. 2019 Bankr. LEXIS 1617 (Bankr. S.D. Tex. May 28, 2019). There, a plaintiff sought relief from the automatic stay to pursue recovery of insurance proceeds, but the court, distinguishing the facts from *Edgeworth*, recognized the risk that the plaintiff's lawsuit "will directly involve debtor property under the deductible" in the applicable insurance policy. *Id.* at *14. The court explained that "the controlling question is whether the litigation would place the financial burden solely on the insurer or implicate the debtor," and held that the policy there "falls within the latter category, implicating the Debtor's finances," in light of its reimbursable deductible. *Id.* at *15 (citing *Edgeworth*, 993 F.2d at 54). As in *iHeartMedia*, continuation of the Movant's litigation threatens to implicate estate resources rather than place the burden solely on an insurer. For that reason, *Edgeworth* does not support stay relief, and the Motion should be denied.

III. The Balance of Hardships Favors Enforcement of the Automatic Stay.

14. The balance of hardships weighs strongly against stay relief. Denial of the Motion would not extinguish Movant's claim or deprive her of any substantive right but would instead preserve the status quo while the Trustee administers these Chapter 7 Cases in an orderly manner. By contrast, granting relief would materially prejudice the Debtors' estates by requiring the Trustee to divert already limited time, attention, and estate resources to a single prepetition lawsuit. In addition, to the extent the Movant seeks recovery from insurance proceeds potentially available for other claimants, stay relief may prejudice those parties as well. Until a bar date is established and passes, the Trustee cannot know the universe of potential claimants or the extent to which others may assert competing rights to the same insurance proceeds. Relief from the stay is therefore prejudicial to the Trustee, potentially prejudicial to other claimants and creditors, and is premature at this juncture in the Chapter 7 Cases. For all of the foregoing reasons, and because the Movant has failed to demonstrate cause to lift the automatic stay, the Motion should be denied.

CONCLUSION

For the foregoing reasons, the Trustee respectfully requests that the Court deny the Motion, sustain the Objection, and grant the Trustee such other relief as is just and proper.

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Dated: April 6, 2026
Dallas, Texas

/s/ Charles R. Gibbs

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CERTIFICATE OF SERVICE

I do hereby certify that on April 6, 2026, a true and correct copy of the foregoing document was served via CM/ECF for the United States Bankruptcy Court for the Northern District of Texas on all parties authorized to receive electronic notice in this case, including counsel for Movant, Nirvana Hooloomann at nirvana@reyeslaw.com.

/s/ Charles R. Gibbs

Charles R. Gibbs