IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: RELIZ TECHNOLOGY GROUP HOLDINGS INC., *et al.*,[1] Debtors.	Chapter 11 Case No. 26-10371 (TMH) (Jointly Administered)
RELIZ TECHNOLOGY GROUP HOLDINGS INC., et al., Plaintiffs, v. 1548199 ALBERTA LTD. and ROBERT J. BERTRAM, Defendants.	Adv. Pro. No. 26-50224 (TMH)

CLAIMANTS' RESPONSE IN OPPOSITION TO THE
DEBTORS' MOTION FOR ENTRY OF A PRELIMINARY INJUNCTION

Defendants 1548199 Alberta Ltd. and Robert J. Bertram (collectively, "Claimants"), by and through their undersigned counsel, hereby oppose Debtors' motion for entry of a preliminary injunction (I) enjoining the prosecution of Claimants' pre-petition Illinois Action or (II) in the alternative, extending the automatic stay to the individual defendants named in the Illinois Action. Claimants ask instead that this Court (I) allow the Illinois Action to proceed against the Debtors or, alternatively, the individual defendants, and (2) to deny the Debtors' access to Claimants' assets pursuant to any cash collateral order or otherwise. In support, Claimants state as follows:

[1] The Debtors in these chapter 11 cases, along with the last four digits of their respective federal tax identification numbers, are: Reliz Technology Group Holdings Inc. (6265); Reliz Technologies LLC (1968); Reliz LTD (N/A); and Reliz CI LTD (N/A). The Debtors' service address is 401 West Ontario St., Suite 400, Chicago, IL 60654.

INTRODUCTION

The Debtors, through their officers, directors, agents and, for the moment, other unknown individuals, committed a massive fraud against the Claimants, who transferred approximately $5 million to them in reliance on representations made before and after their contracts; representations were even included in the contracts. These representations induced Claimants to invest and to keep their money invested. When the fraud was disclosed weeks later, Claimants immediately rescinded their contracts and demanded the return of their own assets, but instead the debtors unlawfully kept it.

In normal circumstances, this is known as theft, but Debtors here seek to keep Claimants' stolen property and use it to defend against their misconduct, and to leverage their theft into a reorganization that will extinguish the misconduct claims. Whether this misconduct is so extensive as to warrant a RICO action is a matter left to another day in the near future, but for now their fraud is clear.

Extending the automatic stay to non-debtor third parties is an extraordinary remedy that should be denied. Claimants instead should be permitted to proceed against any non-debtor third parties at a minimum and, for reasons of judicial economy and justice, the fraud, conversion, and constructive trust theories should be permitted in Illinois against the debtors themselves. Moreover, use by Debtors of cash collateral must be limited to protect Claimants' interest in their own property.

THE FACTS

On January 5, 2026, BlockFills accepted Claimants' application and assigned them account number B16345. Prior to, during, and after the onboarding process, Claimants had numerous conversations with BlockFills representatives who represented that any assets transferred to

BlockFills by Claimants would be segregated and maintained for collateral purposes *only*. BlockFills advised Claimants that any assets transferred would be put into their cash portfolio account and that assets would only be moved to a margin account as collateral for *each* particular trade, and *only to the extent of* the amount of the trade. These representations induced Claimants to contract with Debtors and, later, to refrain from demanding a return of their assets. The fraud was ongoing and induced both the initial investment and the maintenance of it.

On January 16, 2026, Claimants transferred 40.001 BTC and 650,050 USDC (the "Client Assets") to BlockFills. Within minutes of each transfer, BlockFills representatives confirmed receipt of the assets and then immediately swept the assets out of the deposit wallet and into a different wallet controlled by BlockFills. BlockFills immediately commingled Claimants' BTC with other assets belonging to BlockFills or other customers. Within 1.5 hours, the deposit wallet was completely empty—in violation of the parties' contracts. Yet some of the key features of cryptocurrency are the public nature of the blockchain and the ability to trace the transactions. While debtors have cited crypto cases in which tracing was unproven, none of those cases ruled that it was unproven as a matter of law; each case depended on its own facts. Tracing may take a while here, given that the debtors engaged in a bewildering and obfuscatory series of transactions, and then refused to provide supporting documentation in violation of the TRO entered in the Illinois Action, but the tracing will be conducted.

On February 5, 2026, Claimant Robert Bertram received a call from John Divine, a BlockFills representative, advising that there had been an "issue" at BlockFills and that the company had defaulted on a customer deposit. On February 6, 2026, BlockFills publicly suspended customer withdrawals. Joseph Patrick Perry and Mark Renzi admitted—both privately to Claimants and publicly during town halls—to the negative balance sheet, the commingling of

customer and firm assets, and to the use of customer funds to satisfy corporate liabilities. Immediately upon learning this, Claimants demanded the return of their assets and the rescission of their contracts. Their request was ignored.

On March 5, 2026, therefore, Claimants filed suit in the United States District Court for the Northern District of Illinois (the "Illinois Action") asserting claims including rescission, breach of contract, fraud, conversion, and the creation of a constructive trust. On March 6, 2026, the Northern District of Illinois Court granted Claimants' *ex parte* motion for a temporary restraining order, finding that Claimants demonstrated a likelihood of success on the merits of their conversion claim and that they would suffer irreparable harm absent emergency injunctive relief.

The March 6 TRO required all defendants to immediately trace Claimants' funds by identifying and accounting for all wallets, accounts, and locations where the Client Assets, or their traceable proceeds, were held. This order was ignored.

Before Claimants could ask the Court to hold Debtors and the D&Os in contempt, the Debtors filed their chapter 11 petitions. The case continued against the individual D&O defendants who were again ordered to provide tracing information. They didn't. Then on March 25, 2026, the Debtors filed the instant adversary proceeding and motion seeking to enjoin Claimants from continuing the Illinois Action against the individual defendants that had violated Judge Kennelly's order to provide the tracing information, but this Court's TRO prevented any contempt action. On March 29, 2026, in their reply in support of their cash collateral motion, Debtors had the gall to argue that Claimants never sought information "informally or formally" regarding the tracing; apparently the Illinois Action's explicit order requesting the information doesn't count. *See* Docket Document No. 108 at Footnote 3. Moreover, on April 1, 2026,

Claimants requested the information *again* in their document requests to the Debtors in preparation for the upcoming April 16 hearing.

In its bankruptcy petition, BlockFills admitted that, as of August 2025, it had a negative balance sheet of approximately $77 million and had retained a Chief Restructuring Officer. Despite this knowledge of insolvency, BlockFills continued representing that it was financially healthy and that it would segregate its customers' assets as collateral. Based on these false representations, it obtained new customers (like Claimants) and new deposits (like the Client Assets) through February 2026. Claimants' transaction documents matched debtors' pre-contract representations that their assets would be segregated and only used as collateral for their trades and, then only used to the extent of their trades.[2]

BlockFills additionally admitted that these commingled funds were being used to pay for corporate liabilities, including expenses for various arbitrations, losses for the purchase of crypto mining equipment, losses incurred in crypto mining operations and hedging activities, compensation for its Chief Restructuring Officer and attorneys, and losses in connection with unsecured loans. It admits to the commingling to forestall the tracing of Claimants' assets. It is willing to admit its fraud in order to try to use Claimants' stolen assets.

The bankruptcy petition falsely listed Claimants' assets as unsecured claims, belied by their own contract.

Debtors seek permission to use Claimants' money for these purposes and to defend against Claimants' lawsuit. It claims to desire to reorganize with the same people in charge, thus using stolen money and the bankruptcy laws to whitewash its fraud and maintain its fraudulent

[2] Debtors claimed that a fiduciary duty disclaimer negates a duty to segregate Claimants' assets. The substance of the contract controls over its form. *See Polikoff v. Levy*, 55 Ill. App. 2d 229, 234 (1st Dist. 1965). The contract also said Debtors were the agent of Claimants and the provisions for segregation of assets and maintaining them as collateral are clear.

enterprise. It wants to use insurance proceeds that were designed to defend and indemnify against negligence claims to augment its assets and defend its fraud. It bootstraps its self-created indemnity obligations owed to its officers and directors as a reason to stop Claimants' Illinois action alleging their fraud. Importantly, Debtors are attempting to use a preliminary injunction to pause the Illinois Action until they can confirm a plan that includes releases for the individual defendants.

ARGUMENT

I. Debtors' request for a preliminary injunction should be denied.

This Court is familiar with the standards the debtors must meet to obtain a preliminary injunction: (1) a likelihood of success on the merits; (2) that it will suffer irreparable harm if the injunction is denied; (3) that granting preliminary relief will not result in even greater harm to the nonmoving party; and (4) that the public interest favors such relief. *Kos Pharms., Inc. v. Andrx Corp.*, 369 F.3d 700, 708 (3d Cir. 2004); *Winter v. NRDC, Inc.*, 555 U.S. 7, 20 (2008).

In *Reilly v. City of Harrisburg*, the Third Circuit emphasized that the first two factors—likelihood of success on the merits and irreparable harm—are "gateway factors" that must be satisfied before the court proceeds to consider the remaining factors. 858 F.3d 173, 179 (3d Cir. 2017). "If these gateway factors are met, a court then considers the remaining two factors and determines in its sound discretion if all four factors, taken together, balance in favor of granting the requested preliminary relief." *Id.* A preliminary injunction is "an *extraordinary* remedy never awarded as of right." *Winter*, 555 U.S. at 24 (emphasis added). One of the goals of the preliminary injunction analysis is "to maintain the status quo, defined as the last, peaceable, noncontested status of the parties." *Opticians Ass'n of Am. v. Indep. Opticians of Am.*, 920 F.2d 187, 197 (3d Cir. 1990).

The mandatory injunction sought here "is an extraordinary remedy that is only granted sparingly by the courts." *Trinity Indus., Inc. v. Chi. Bridge & Iron Co.*, 735 F.3d 131, 139 (3d Cir. 2013). Where the relief ordered by the preliminary injunction will alter the status quo, which is the case here (because it will apparently allow use of Claimants' Client Assets pursuant to a cash collateral order or otherwise), "the party seeking the injunction must meet a higher standard of showing irreparable harm in the absence of an injunction." *Bennington Foods LLC v. St. Croix Renaissance Grp., LLP*, 528 F.3d 176, 179 (3d Cir. 2008).

A bond should be posted by the party seeking the injunction. The bond is security in the event that the preliminary determinations made during the expedited preliminary injunction hearing are shown by more extensive discovery and investigation to be wrong. The bond acts like a warranty by the party seeking the preliminary injunction that it is telling the truth. A preliminary injunction can be vacated at any time upon proper motion if changed circumstances such as new facts unearthed by investigation or discovery show that it is now improvident to maintain. *See, e.g., Nutrasweet Co. v. Vit-Mar Enterprises*, 176 F.3d 151, 153 (3d Cir. 1999).

A. There is no likelihood of success on the merits.

While the automatic stay under 11 U.S.C. § 362(a) is "one of the fundamental debtor protections provided by the bankruptcy laws," *Midlantic Nat'l Bank v. N.J. Dep't of Env't Prot.*, 474 U.S. 494, 503 (1986), it generally applies only to the debtor and does not extend to non-debtor third parties. *McCartney v. Integra Nat'l Bank North*, 106 F.3d 506, 510 (3d Cir. 1997). The Third Circuit has recognized that the automatic stay may be extended to non-debtor third parties only in "unusual circumstances." *Id.*

Courts have found "unusual circumstances" exist where: (i) the non-debtor and debtor enjoy such an identity of interests that the suit against the non-debtor is essentially a suit against

the debtor; or (ii) the third-party action will have an adverse impact on the debtor's ability to accomplish reorganization. *In re W.R. Grace & Co.*, 386 B.R. 17, 33 (Bankr. D. Del. 2008). This test is applied narrowly, and the mere possibility of indemnification obligations or distraction of officers is generally insufficient to warrant such relief. *JNA-1 Corp. v. Uni-Marts, LLC (In re Uni-Marts, LLC)*, 404 B.R. 767, 773 (Bankr. D. Del. 2009).

Debtors argue that "likelihood of success" in the bankruptcy context means the debtor's ability to successfully reorganize. But the Debtors' business model has been fundamentally compromised by their own misconduct. BlockFills admitted to operating with a negative balance sheet of approximately $77 million since at least August 2025, to commingling customer assets with firm assets in direct violation of its contractual obligations, and to using customer funds to pay corporate expenses, including litigation settlements, mining equipment purchases, and unsecured loans. These admissions undermine any claim that the Debtors can successfully reorganize while the full extent of their misconduct remains unexamined.

Debtors also assert that they have negotiated a framework for an "Exit Plan" that will allow them to "expeditiously reorganize and emerge from bankruptcy." However, a vague reference to a framework is insufficient to demonstrate likelihood of success. No evidence from anyone other than the Debtors has been offered to show that a reorganization is likely. The Debtors have not demonstrated creditor support for their newly-filed plan. Conclusory assertions of an expedited bankruptcy do not satisfy the movant's burden.

Moreover, the Illinois Action addresses claims that are personal to Claimants and distinct from other claims against the Debtors. The claims against the individual defendants (and other defendants that further investigation and discovery will reveal) target their personal conduct in knowingly perpetrating fraud against Claimants. These claims do not turn on the success or failure

of the Debtors' reorganization; they turn on whether these individuals committed or facilitated fraud. Fraud claims are not dischargeable in any event, so any reorganization will have to pay the fraud claims. Moreover, there is little doubt that any effort to obtain third party releases for the non-debtor defendants in a chapter 11 plan faces a massive uphill battle and is highly unlikely to occur.

The claims against the individuals are not derivative of claims against the Debtors. The claims target the individuals' conduct—their knowing participation in and substantial assistance of the underlying fraud. This claim requires proof of their personal knowledge and intent, elements that are distinct from any claims against the corporate Debtors. The breach of fiduciary duty claim is intended to allege personal misconduct by the individuals contrary to the duties they owed Claimants, not duties they owe to the companies.

The Debtors cite *A.H. Robins Co. v. Piccinin*, 788 F.2d 994 (4th Cir. 1986), for the proposition that the stay should be extended where the debtor is "the real party defendant." But *A.H. Robins* involved mass tort claims where the debtor was the sole manufacturer of the product causing harm and where the non-debtor defendants' liability was entirely derivative. More than half of the lawsuits listed the non-debtor as the sole defendant. *Id.* at 996. Here, the individual defendants are alleged to have personally participated in fraud.

The Debtors' reliance on *In re American Film Technologies, Inc.*, 175 B.R. 847 (Bankr. D. Del. 1994), is similarly misplaced. In that case, the court found that the directors would be entitled to indemnification and that the debtor would be subject to vicarious liability under respondeat superior for the directors' conduct. Here, the individuals' liability is based on their personal fraudulent conduct, not on a derivative theory that would make a judgment against them automatically a judgment against the Debtors.

Individuals such as the individual defendants and other officers, agents, or employees who commit fraud are not deemed to be acting in the course and scope of their duties to their company; under the Debtors' own operating agreements, D&Os that engage in misconduct or dishonesty are not entitled to indemnity. Those committing fraud should not be allowed to participate in a reorganization or use estate assets to pre-pay their legal fees.

B. There is no irreparable harm to Debtors.

Irreparable harm refers to "harm that cannot be adequately compensated by monetary damages or remedied after the fact." *Reilly*, 858 F.3d at 179. The Third Circuit has interpreted "irreparable harm" to mean a continuing harm which cannot be adequately redressed by final relief on the merits and for which money damages are inadequate. *Acierno v. New Castle Cty.*, 40 F.3d 645, 653-55 (3d Cir. 1994).The harm must be actual and imminent, not speculative or remote. *Id.*

The Debtors assert three forms of alleged irreparable harm: (1) the risk of collateral estoppel or evidentiary prejudice; (2) indemnification obligations; and (3) distraction of the individuals from restructuring efforts. These reasons don't justify a preliminary injunction.

First, the risk of collateral estoppel is speculative. Collateral estoppel requires, among other things, that the issue be actually litigated and necessarily decided. No findings have been made in the Illinois Action on any issue that would bind the Debtors. The mere possibility that a future ruling might have preclusive effect is insufficient to establish irreparable harm. Moreover, any findings against the individuals would not automatically bind the Debtors. Anyone with claims against the Debtors will have to argue their own representations, contracts, trades, and requests for rescission, if any.

Second, indemnification obligations, even if they potentially exist, do not constitute irreparable harm. The existence of indemnification obligations is common in corporate structures

and does not, standing alone, warrant extension of the automatic stay. *In re Uni-Marts*, 404 B.R. at 781. The mere possibility of indemnification is insufficient; otherwise, the stay would be extended to virtually every officer and director of a corporate debtor. Importantly, the *proceeds* of the Debtors' D&O policies may not be property of the estate. *See id.* The Debtors have not produced the policies, demonstrated that indemnification claims are certain, demonstrated that the proceeds are part of the bankruptcy estate, or shown that the amounts involved would materially impair their reorganization.

Third, the alleged distraction of the individual defendants is likewise speculative and insufficient. Litigation routinely continues during bankruptcy proceedings, and the mere burden of defending lawsuits does not constitute irreparable harm. The individuals are represented by counsel in the Illinois Action and can defend themselves without materially impacting the Debtors' restructuring. Notably, the Illinois Action involves targeted discovery related to specific claims of fraud and conversion—not the broad estate-wide discovery that might justify a stay. The individuals' participation in the litigation is a consequence of their own alleged misconduct, not a circumstance warranting equitable intervention.

C. The balance of equities strongly favors Claimants.

The balance of equities decisively favors Claimants. If the injunction is granted, Claimants—who are victims of fraud—will have to pursue their claims in this Court in an adversary proceeding.

Claimants deposited 40.001 BTC and 650,050 USDC with BlockFills for custody and collateral purposes only. BlockFills immediately commingled these assets with corporate funds, despite its contractual obligation to segregate customer funds. BlockFills then used these commingled funds to pay its own corporate expenses while concealing its insolvency from

Claimants. These are not ordinary commercial disputes - they are allegations of fraud and conversion. The speed with which the assets were commingled requires an inference of fraudulent intent, as does the continued course of fraudulent misrepresentations. A court should draw adverse inferences against a party that fails to produce relevant documents, and the inference is even stronger when the failure to produce violates a court order.

The harm to Claimants from an injunction is severe and concrete. Their assets were taken through fraud; they have been denied access to their property; and now the Debtors seek to prevent them from pursuing the those responsible in the most convenient forum before a Judge already familiar with the facts and whose order was violated. Unlike general creditors, Claimants allege that their specific, identifiable assets were fraudulently taken. They seek not general monetary recovery against the bankruptcy estate but the return of their own property through constructive trust and rescission.

D. The public interest favors denying the injunction

The public interest strongly favors allowing victims of fraud to pursue their claims. The law disfavors fraud, and courts should not use their equitable powers to insulate alleged wrongdoers from accountability.

The Debtors assert that "reorganizing serves the public interest by resolving thousands of claims in a uniform and equitable manner." This argument proves too much. Every debtor could make this claim, yet courts routinely permit litigation against non-debtor parties to proceed during bankruptcy. The public interest is not served by allowing corporate officers who allegedly participated in fraud to escape accountability merely because they filed for bankruptcy.

The public has a strong interest in preventing financial institutions from soliciting and accepting customer deposits while concealing material financial distress. BlockFills admitted that

it knew of its insolvency since August 2025, yet continued to onboard new customers and accept deposits through February 2026. Allowing Claimants to pursue their fraud claims serves the public interest by deterring such conduct and holding wrongdoers accountable.

The public interest is also served by maintaining confidence in digital asset markets and custody arrangements. BlockFills represented that customer assets would be segregated and safeguarded. Instead, it commingled customer assets with firm assets and used them to pay corporate expenses.

II. The Case in the Northern District of Illinois should proceed.

Before the Debtors initiated this adversary proceeding, Claimants separately filed a Motion for Relief from Stay seeking permission to continue prosecuting the Illinois Action. That motion sets forth detailed grounds for relief under 11 U.S.C. § 362(d)(1), including: (1) cause exists for lifting the stay given the serious fraud allegations and the need for prompt resolution; (2) the hardship to Claimants from maintenance of the stay outweighs any hardship to the Debtors; and (3) Claimants have a reasonable probability of prevailing on the merits of their conversion claim, as the Illinois court already found in granting the TRO.

Permitting the action to proceed would serve judicial economy by allowing all claims to be resolved in a single forum before a judge already familiar with the case. The Debtors themselves maintain their principal place of business in Illinois; it is the most convenient venue for the parties and key witnesses. This court will have enough to do if, in fact, a reorganization plan is going to be considered.

The arguments of the debtors against the lifting of the stay are wrong or self-defeating. If Claimants are forced to litigate an adversary proceeding in Delaware, the same issues of collateral estoppel, indemnity claims, and insurance claims will exist. Debtors' collateral estoppel arguments

are exaggerated, given that each claimant will have its own contracts, representations, transaction history, and rescission demands (if any) to litigate.

III. Any cash collateral order must safeguard Claimants' property

For the above reasons, any cash collateral order must safeguard Claimants' property. Debtors should not profit from their own wrong.

CONCLUSION

Section 105(a) does not provide the Debtors with a basis for the requested relief. The equitable powers of section 105(a) "are not without limitation" and do not "authorize the bankruptcy courts to create substantive rights that are otherwise unavailable under applicable law." *In re Combustion Eng'g, Inc.*, 391 F.3d 190, 236 (3d Cir. 2004). Section 105(a) cannot be used as "a roving commission to do equity" or "to disregard the clear language and meaning of the bankruptcy statutes and rules." *Id.*

The Debtors have not demonstrated that they are entitled to the extraordinary relief of enjoining Claimants from pursuing their legitimate fraud claims against the individuals. The individuals are not protected by the automatic stay as a matter of law. The Debtors cannot use section 105(a) to create a substantive right—protection from litigation—that Congress did not provide in section 362.

Furthermore, injunctive relief under section 105(a) requires the Debtors to satisfy the traditional four-factor test for preliminary injunctions. As demonstrated above, the Debtors have failed to satisfy this standard.

For the foregoing reasons, Defendants 1548199 Alberta Ltd. and Robert J. Bertram respectfully request that this Court deny the Debtors' Motion for Preliminary Injunction in its

entirety, grant their own motion to lift they stay, and grant such other and further relief as this Court deems just and proper.

Dated: April 9, 2026

Respectfully submitted,

/s/ Michael Busenkell .

Michael Busenkell (No. 3933)
Ronald Gellert (No. 4259)
Gellert Seitz Busenkell & Brown, LLC
1201 N. Orange Street, Suite 300
Wilmington, Delaware 19801
Telephone: 302-425-5812
E-mail: mbusenkell@gsbblaw.com
rgellert@gsbblaw.com

-and-

Patterson Law Firm, LLC
Thomas E. Patterson (admitted *pro hac vice*)
Alyssa I. Kiriakos (admitted *pro hac vice*)
200 W. Monroe Street, Suite 2025
Chicago, IL 60606
Telephone: 312-223-1699
E-mail: tpatterson@pattersonlawfirm.com
akiriakos@pattersonlawfirm.com

Counsel for Claimants

CERTIFICATE OF SERVICE

I, Michael G. Busenkell, hereby certify that, on April 9, 2026, I caused a true and correct copy of the foregoing *CLAIMANTS' RESPONSE IN OPPOSITION TO THE DEBTORS' MOTION FOR ENTRY OF A PRELIMINARY INJUNCTION* to be filed and served via CM/ECF upon those parties registered to receive such electronic notifications and upon the parties on the attached service list via overnight mail.

Dated: April 9, 2026

/s/ Michael G. Busenkell
Michael G. Busenkell (No. 3933)