UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF CONNECTICUT, NEW HAVEN DIVISION

In re: Servicom, LLC; JNET Communications, LLC; Vitel Communications, LLC

In re Servicom · No. 18-31722 (AMN); 18-31723 (AMN); 18-31724 (AMN) · Decided May 22, 2026

SUMMARY

The United States Bankruptcy Court for the District of Connecticut considers a Chapter 7 trustee’s request to approve a global settlement involving Coral Capital Solutions and other parties. The court approves the settlement but addresses a condition requiring a determination that no further damages, sanctions, penalties, attorney’s fees, or other payments will be imposed against Coral or its counsel. The court concludes that the settlement payments sufficiently resolve any further exercise of its inherent authority and enforcement powers under applicable procedural rules and statutes.

CASE DETAILS

COURT	United States Bankruptcy Court for the District of Connecticut, New Haven Division
JURISDICTION	United States Bankruptcy Court for the District of Connecticut, New Haven Division
DECIDED	May 22, 2026
DOCKET	18-31722 (AMN); 18-31723 (AMN); 18-31724 (AMN)
DISPOSITION	approved
PROCEDURAL POSTURE	The Chapter 7 trustee sought approval under Federal Rule of Bankruptcy Procedure 9019(a) of a global settlement resolving disputes involving the Debtors, Coral Capital Solutions LLC, VFI KR SPE I, LLC, and David Jefferson and Eugene Caldwell. The court also considered an oral request for a determination that it would not pursue further monetary damages, sanctions, penalties, attorney's fees, or other payments against Coral or its counsel.
STANDARD OF REVIEW	For approval of a Chapter 7 trustee's settlement, the court determines whether the trustee canvassed the relevant facts and law and reasonably exercised business judgment, and whether the settlement is fair and equitable and above the lowest point of reasonableness.

PRECEDENTIAL VALUE	Unknown; memorandum decision from the United States Bankruptcy Court for the District of Connecticut with no reported citation or stated precedential designation.

TOPICS

chapter 7 · bankruptcy · sanctions · attorney fees · commercial litigation

PRACTICE AREAS

bankruptcy · commercial litigation · civil procedure · sanctions · remedies

QUESTIONS PRESENTED

1. Whether the Chapter 7 trustee's proposed global settlement satisfied the standards for approval under Federal Rule of Bankruptcy Procedure 9019(a).
2. Whether the settlement could require the bankruptcy court to determine in advance that it would not pursue further damages, sanctions, penalties, attorney's fees, or other payments against Coral or its counsel.
3. Whether the payments and financial accommodation described in the record provided a sufficient monetary resolution of any further exercise of the court's inherent enforcement authority under Federal Rule of Bankruptcy Procedure 9011, Federal Rule of Civil Procedure 11, and 28 U.S.C. § 1927.

HOLDINGS

1. The proposed global settlement should be approved because the trustee reasonably evaluated the facts and applicable law, exercised business judgment, and negotiated an agreement that was fair and equitable and above the lowest point of reasonableness.
2. A litigant may not dictate how, when, or whether a bankruptcy court exercises its inherent authority and duty to enforce federal rules, statutes, or ethical codes of conduct; therefore, the settlement could not require the court to make the requested determination merely for Coral's benefit as a condition precedent to the settlement.
3. Based on the record and the parties' representations, Coral's $1,350,000 payment, together with its counsel's financial accommodation, was a sufficient monetary resolution of any further exercise of the court's inherent power and duty to enforce Rule 9011, Rule 11, and 28 U.S.C. § 1927.

KEY QUOTATIONS

> *"No litigant may dictate how, when, or if a court or a judicial officer exercises a court's inherent authority to enforce federal rules, statutes or ethical codes of conduct."*

FACTUAL BACKGROUND

The jointly administered Chapter 7 cases involved longstanding disputes concerning Coral Capital Solutions LLC's asserted secured claim of $3,152,850.86 arising from pre- and post-petition factoring agreements and a term loan. The trustee, Coral, VFI, and Jefferson and Caldwell engaged in extensive litigation and mediation involving claims, priorities, collateral, three adversary proceedings, and district court appeals. The proposed settlement required Coral to receive nothing on its asserted claim and instead pay $2,468,995.42 to the other mediation parties, including $1,350,000 intended to compensate them for attorney's fees.

PROCEDURAL HISTORY

The Debtors' cases began as Chapter 11 proceedings on October 19, 2018, and were converted to Chapter 7 cases in early 2019. After extensive disputes over secured claims, factoring agreements, collateral, and related adversary proceedings and appeals, the trustee negotiated a global settlement through mediation. The court approved the settlement framework and concluded that the proposed $1,350,000 payment, together with counsel's financial accommodation, provided a sufficient monetary resolution of any further exercise of the court's inherent enforcement authority under Rule 9011, Federal Rule of Civil Procedure 11, and 28 U.S.C. § 1927.

DISPOSITION

approved

CASES CITED

- In re Iridium, 285 B.R. 822 (S.D.N.Y. 2002)

OPINION

In re: Servicom, LLC; JNET Communications, LLC; Vitel Communications, LLC
PER CURIAM.
UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
NEW HAVEN DIVISION
In re: Chapter 7 SERVICOM, LLC Case No. 18-31722 (AMN)
JNET COMMUNICATIONS, LLC Case No. 18-31723 (AMN)
VITEL COMMUNICATIONS, LLC Case No. 18-31724 (AMN)
(Jointly Administered Under 18-31722) Debtors ECF Nos. 2354, 2372, 2384
MEMORANDUM OF DECISION REGARDING A REQUEST FOR A
DETERMINATION REGARDING THE NEED FOR FURTHER MONETARY DAMAGES,
AWARDS, SANCTIONS, PENALTIES, ATTORNEY’S FEES OR OTHER PAYMENTS
These jointly administered Chapter 7 cases for Servicom, LLC, JNET Communications, LLC, and Vitel Communications, LLC (together, “Debtors”) commenced as Chapter 11 cases on October 19, 2018 (case number 18-31722 is the “Main Case”). The Court granted the Debtors’ motion to convert their cases to cases under Chapter 7 in early 2019. The docket for the Main Case now exceeds 2,300 docket entries and familiarity with the present dispute is assumed, including the Court’s earlier decisions relating to various secured claims, the various cash collateral orders

entered during the Chapter 11 phase of the bankruptcy cases, a decision precluding evidence of a cash management system as irrelevant to the issues presented here, and a decision disallowing an early termination fee under the Debtors' pre-petition Factoring Agreement. ECF Nos. 279, 319, 2033, 2162, 2187. Chapter 7 Trustee Barbara H. Katz (the "Trustee"), Coral Capital Solutions LLC ("Coral"), creditor VFI KR SPE I, LLC ("VFI"), and interested parties Rev. Dr. David Jefferson and Mr. Eugene Caldwell ("J&C") (collectively, the "Mediation Parties") have been embroiled in a years-long legal dispute regarding the nature, extent, priority and numerous collateral issues that flowed from Coral's litigation stance. Coral alleged the Debtors owed Coral $3,152,850.86, excluding attorneys' fees and costs, based upon a secured claim arising from certain pre- and post-petition factoring agreements. ECF No. 1940. Some of the Mediation Parties also disputed the validity, extent, priority and enforceability of the VFI and J&C claims. After the Court entered a Memorandum of Decision and Order Determining Amount of Coral Capital Solutions LLC's Pre-Petition and Post-Petition Factoring Agreement Claims and Pre-Petition Term Loan Claim (ECF No. 2187, the "Coral Claim Decision") and after a lengthy, sustained mediation effort by court-appointed mediator United States Bankruptcy Judge James Tancredi1, the Trustee seeks authority pursuant to Fed.R.Bankr.P. 9019(a) to enter into a substantial global settlement agreement (the "Settlement and Release Agreement", ECF No. 2372). If approved, the Settlement and Release Agreement would result $0 being paid to Coral for its $3,152,850.86 claim, and instead Coral will pay $2,468,995.42 to the other Mediation Parties. The three pending adversary proceedings among these parties (19-3005, 19-3006, and 22-3010) would be dismissed, as well as all pending District Court appeals. See ECF Nos. 2354, 2372, 2375. The Trustee would make substantial distributions on account of allowed claims to VFI and J&C. Tucked into the Settlement and Release Agreement in paragraph 3(b), without explanation, is the following set of conditions: (b) For the avoidance of doubt, and without limiting the language of Section 2 of this Agreement, the Coral Settlement Payments are contingent upon the following two conditions precedent, which together are referred to as the "Settlement Conditions": (1) the Effective Date shall have occurred; and (2) the Bankruptcy Court determining that it will not pursue, impose or assess any further damages, 1 The Mediation Parties were unanimous in their appreciation and regard for Judge Tancredi's efforts awards, sanctions, penalties, attorney's fees or other payments against Coral, or its counsel, related to the Factoring Agreement, the Term Note, the Side Collateral, the Litigations or any other matter concerning or related to the Debtors and these bankruptcy proceedings. If either Settlement Condition is not satisfied, then this Agreement will not become effective, the Parties will return to the status quo ante, Coral shall have no obligation to make the Coral Settlement Payments or to otherwise perform under this Agreement, and each and all of the Litigations and the Appeals will resume. ECF No. 2372-1, p. 4, ¶ 3(b)(emphasis added). A bankruptcy court's role in approving or disapproving a Chapter 7 trustee's proposed settlement of a claim is to determine whether the Trustee has canvassed all facts and applicable law and exercised her business judgment reasonably. If so, a court must also determine whether the proposed agreement is fair and equitable, and whether it falls above the lowest point of reasonableness. In re: Iridium, 285 B.R. 822 (S.D.N.Y. 2002). Courts within this Circuit apply a well-known set of criteria to assist a judge in making this determination. Based upon the record and the Trustee's motion, it is easy to apply the Iridium factors to the Settlement and Release Agreement and determine the Trustee's request should be granted, except for paragraph 3(b)(2) which asks for a court determination for the benefit of Coral and its counsel. No litigant may dictate how, when, or if a court or a judicial officer exercises a court's inherent authority to enforce federal rules, statutes or ethical codes of conduct. Yet, among the disputes the Settlement and Release Agreement seeks to resolve is the question of whether the Court will exercise its inherent enforcement power to impose any monetary sanctions on Coral or its counsel. Notwithstanding Coral's contradictory statements during the May 14th hearing about whether it is affirmatively seeking the determination called for in paragraph 3(b)(2), it is clear from the posture of the Settlement and Release Agreement that Coral and its counsel seek exactly that: a determination from the Court. During the May 14 hearing, counsel for Coral acknowledged – though only after pointed inquiry from the Court, as has been a regrettable pattern in this case – that the $1,350,000 was to compensate the other Mediation Parties for their attorneys' fees. ECF No. 2386,2 at 00:11:03 ("…the intention was to compensate them for attorney's fees.") The Court construes Coral's counsel's statements and those of the other Mediation Parties during the May 14th hearing to be an oral request pursuant to Fed.R.Bankr.P. 9013(a)(2) for an order making the determination required by paragraph 3(b)(2) of the Settlement and Release Agreement. Based on the record here and the representations that Coral is paying $1,350,000 and that Coral's counsel is providing Coral with a financial accommodation detailed in ECF No. 2384, the Court concludes the payment is a sufficient monetary resolution to any further exercise of the Court's inherent power and duty to enforce Fed.R.Bankr.P. 9011, Fed.R.Civ.P. 11, and 28 U.S.C. § 1927. In reaching this determination the Court gave significant weight to the request made by each of the other Mediation Parties that the Settlement and Release Agreement be approved and that the $1,350,000 payment (of $450,000 to each) would be an appropriate and complete resolution of their particular claims against Coral or its counsel. Separately, the Court will enter an Order Granting Motion to Approve Settlement Between and Among (1) Barbara H. Katz, Chapter 7 Trustee; (2) Coral Capital Solutions LLC; (3) VFI KR SPE I, LLC; and (4) David Jefferson and Eugene Caldwell. 2 ECF No. 2386 is a PDF with an MP3 attachment. The MP3 file is an audio recording of the May