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)