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COUNSEL TO THE LIQUIDATING TRUSTEE

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

In re:	§	Chapter 11
	§	
SPHERATURE INVESTMENTS LLC, *et al.*	§	Case No.: 20-42492
	§	
Debtors.[1]	§	
	§	Jointly Administered
	§	

LIQUIDATING TRUSTEE'S LIMITED OBJECTION TO THE MOTION OF MELODY YIRU FOR RELIEF FROM THE PLAN INJUNCTION TO PURSUE AVAILABLE INSURANCE

Joseph M. Coleman, as Liquidating Trustee (the "Trustee") for the Spherature Liquidating Trust (the "Trust"), hereby files this limited objection (the "Limited Objection") to the *Motion of Melody Yiru for Relief from the Plan Injunction to Pursue Available Insurance* [Docket No. 999] (the "Motion"). In support of the Limited Objection, the Trustee states as follows:

[1] The "Debtors" in the above-captioned jointly administered chapter 11 bankruptcy cases ("Cases") are: Spherature Investments LLC EIN#5471; Rovia, LLC EIN#7705; WorldVentures Marketing Holdings, LLC EIN#3846; WorldVentures Marketplace, LLC EIN#6264; WorldVentures Marketing, LLC EIN#3255; WorldVentures Services, LLC EIN#2220.

I. BACKGROUND

1. Melody Yiru ("Yiru") was a WorldVentures sales representative from September 2015 through April 2017.

2. On June 1, 2017, Yiru filed a complaint in the United States District Court for the District of California, initiating *Melody Yiru v. Worldventures Holdings, LLC, et al.*, Case No. 17-04357. On June 12, 2017, a notice of removal was filed in the United States District Court for the Northern District of Texas (the "District Court"), initiating *Melody Yiru v. Worldventures Holdings, LLC, et al.*, Case No. 17-02155 (together with Case No. 17-04357, the "District Court Litigation"), and on August 14, 2017, the matter was transferred to the Northern District of Texas pursuant to a joint stipulation.

3. Yiru's complaint in the District Court Litigation was styled as a putative class action and asserted the following claims: (i) violation of California's endless chain scheme statute (California Penal Code § 327 and California Civil Code § 1689.2); (ii) unfair and deceptive practices (California Business and Professions Code § 17200, *et seq.*); (iii) false advertising (California Business and Professions Code § 17500, *et seq.*); and (iv-vi) violations of the Racketeer Influenced and Corrupt Organizations Act (18 U.S.C. § 1962 (a), (c), (d)).

4. In the four years following initiation of the District Court Litigation, the parties litigated in three courts and participated in arbitration outside of the District Court. Yiru also filed a first amended complaint on November 19, 2019, and a renewed first amended complaint on November 9, 2020 (the "Renewed First Amended Complaint").

5. In addition to the Debtors, Yiru's Renewed First Amended Complaint in the District Court Litigation named three of the Debtors' officers and directors—Wayne Nugent, Michael Azcue, and Daniel Stammen (the "D&Os")—as defendants.

6. On December 21, 2020 (the "Petition Date"), the Debtors filed their respective voluntary petitions for relief under chapter 11 of the Bankruptcy Code thereby initiating the above captioned cases (the "Cases").

7. The District Court Litigation was stayed pursuant to section 362 of the Bankruptcy Code upon the commencement of the Cases.

8. On March 19, 2021, Yiru filed the *Motion of Melody Yiru for Limited Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to File Her Motion for Class Certification in the District Court and to Confirm No Automatic Stay Applies to the Non-Debtor Parties, or in the Alternative, for an Order Applying Fed. R. Bankr. Proc. 7023, Pursuant to Fed. R. Bankr. Proc. 9014(c) to Permit the Filing of a Motion for Class Certification in this Court and Related Relief* (the "Stay Relief Motion") [Dkt. No. 189]. By the Stay Relief Motion, Yiru sought an order from the Court (1) confirming that the automatic stay does not apply to non-debtor parties, and (2) relief from the automatic stay to pursue a motion for class certification in the District Court Litigation. As alternative relief, Yiru sought leave to pursue the claims asserted in the District Court Litigation as an adversary proceeding or to pursue a motion for class certification in the main bankruptcy case and file a class proof of claim. *See* Stay Relief Motion at 11-15.

9. On July 16, 2021, the Court entered its order denying in part, and granting in part, the Stay Relief Motion [Dkt. No. 367] (the "Stay Relief Order"). Specifically, the Stay Relief Order denied Yiru's request to pursue class certification either in the District Court or in the Bankruptcy Court and for related relief and granted Yiru's request to confirm that the automatic stay does not apply to her claims against non-debtor defendants in connection with the District Court Litigation.

10. On July 30, 2021, Yiru filed a proof of claim in each of the Debtors' bankruptcy cases (the "Original Yiru Proofs of Claim"). *See* Proofs of Claim Nos. 1127-1131. In the Original Yiru Proofs of Claim, Yiru purported to assert a claim against each of the Debtors "on behalf of herself and all others similarly situated" in the amount of $400,000,000.

11. On August 2, 2021, Yiru filed her *Complaint for Declaratory Relief, Injunctive Relief, and Damages* (the "Adversary Complaint") against the Debtors to commence the adversary proceeding styled *Melody Yiru v. Spherature Investments LLC, et. al.*, Adversary Case No. 21-04099 (the "Adversary").

12. The allegations in the Adversary Complaint were substantially the same as those in Yiru's Renewed Amended Complaint in the District Court Litigation. The only material changes were to the parties and the addition of declaratory judgment and derivative claims. Whereas Yiru sued WorldVentures Holdings, LLC ("WVH"); WorldVentures, LLC;[2] WorldVentures Marketing, LLC ("WVM"); WorldVentures Foundation; and the D&Os in the District Court Litigation, in the Adversary, Yiru sued Spherature Investments LLC ("Spherature"); WoldVentures Marketing Holdings, LLC; WVM; and WorldVentures Services, LLC ("WVS") only.

13. On September 8, 2021, the Debtors filed *Debtors' Motion for Contempt and/or Sanctions Against Melody Yiru and Blake Lindemann* [Dkt. No. 427] (the "Motion for Contempt"), seeking sanctions against Yiru and her counsel for filing the Adversary Complaint. The Court conducted a hearing on the Motion for Contempt. At the hearing, Yiru withdrew her class proofs of claim on the record and was granted leave to file late individual proofs of claim. The Court entered its order denying the Motion for Contempt on November 19, 2021, recognizing the

[2] WorldVentures, LLC was not an actual entity.

withdrawal of Yiru's class claims and granting Yiru's counsel leave through October 28, 2021, to file claims against the Debtors' estates [Dkt. No. 726].

14. On October 26, 2021, Yiru filed unliquidated proofs of claims against five Debtors—Spherature, WVS, WVM, WorldVentures Marketplace, LLC, and WorldVentures Marketing Holdings, LLC (the "New Proofs of Claims"). *See* Proofs of Claim Nos. 1720-1724. The New Proofs of Claims attached the Renewed First Amended Complaint as the basis for Yiru's claim against each respective Debtor.

15. On November 12, 2021, the Court entered the Confirmation Order confirming the *Final Joint Chapter 11 Plan for Spherature Investments LLC and its Debtor Affiliates* [Dkt. No. 708-1] (the "Plan").

16. As relevant to the Motion, the Confirmation Order and the Plan contain an injunction that enjoins all entities as follows:

> Except as otherwise expressly provided in the Plan or for Distributions required to be paid or delivered pursuant to the Plan of the Confirmation Order, all entities that have held, hold, or may hold claims or interests that have been released, settled or satisfied, pursuant to the Plan, are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors' Estates (as distinguished from the Debtors), the Released Parties, or the Exculpated Parties (to the extent of the exculpation provided pursuant to the Plan with respect to the Exculpated Parties): . . . (I) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such claims or interests; (II) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such entities on account of or in connection with or with respect to any such claims or interests; (III) creating, perfecting, or enforcing any lien or encumbrance of any kind against such entities or the property or [sic] the estates of such entities on account of in connection with or with respect to any such claims or interests; . . . (V) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such claims or interests released or settled pursuant to the Plan.

Confirmation Order ¶ 9; Plan, Art. VIII.G (the "Plan Injunction").

17. The Plan went effective on November 12, 2021 (the "Effective Date"). *See* Dkt. No. 725. The Plan established the Trust and appointed the Trustee.

II. LIMITED OBJECTION

18. As an initial matter, section 362(d) of the Bankruptcy Code does not apply, because the automatic stay was dissolved as of the Effective Date of the Plan. *See In re Squaretwo Fin. Servs. Corp.*, No. 17-10659, 2017 WL 4012818, at *4 (Bankr. S.D.N.Y. Sept. 11, 2017); *see also* Plan, Art. XII.I. ("all injunctions or stays in effect in the Chapter 11 Cases pursuant to §§ 105 or 362 of the Bankruptcy Code . . . shall remain in full force and effect *until the Effective Date*.") (emphasis added). Accordingly, to the extent the Motion seeks relief pursuant to section 362(d) of the Bankruptcy Code, the request is improper and cannot be granted.

19. Nevertheless, the Trustee is not, as a general matter, opposed to Yiru being granted relief from the Plan Injunction or otherwise being allowed to pursue her direct claims against certain of the Debtors' insurance policies. However, any such relief should be made subject to certain conditions.

20. First, Yiru should be required to withdraw the New Proofs of Claims, limited to pursuing only direct claims against the Debtors as nominal defendants, and required to look solely to any available insurance policies to recover on her claims. *See In re Coho Res., Inc.*, 345 F.3d 338, 342-43 (5th Cir. 2003); *In re AP Framing, Inc.*, 669 B.R. 894, 902 (Bankr. N.D. Ga. 2025).

21. Second, Yiru should not be allowed to pursue her claims unless the costs of defense are entirely borne by the Debtors' insurers.[3] *See Matter of Edgeworth*, 993 F.2d 51, 54 (5th Cir. 1993) ("[A]s long as the costs of defense are borne by the insurer and there is no execution on judgment against the debtor personally, section 524(a) will not bar a suit against the discharged

[3] Yiru has not indicated whether any of the Debtors' insurers has accepted coverage for her claim.

debtor as a nominal defendant."); *see also AP Framing* (granting motion to modify plan injunction to allow creditor to pursue state court litigation because, among other reasons, there was no evidence or suggestion that the Debtor would bear the cost of defending the state court litigation); *In re Ditech Holding Corp.*, No. 19-10412, 2022 WL 16952443, at *15-16 (Bankr. S.D.N.Y. Nov. 15, 2022) (denying motion for modification of plan injunction where, among other reasons, it was unclear whether any insurer would assume responsibility for defense costs); *Squaretwo*, 2017 WL 4012818, at *5-6 (same). The Debtors' other creditors, as beneficiaries of the Trust, should not be made to bear the expense of Yiru's litigation in another forum, especially as Yiru seems intent to proceed in the District Court Litigation on a class basis—a procedural mechanism that is already foreclosed in the bankruptcy proceedings were Yiru's claim to be liquidated pursuant to the claims reconciliation process. Moreover, litigating Yiru's claims without any insurer assuming defense of the claims will prevent the Trustee from focusing on other matters that will directly benefit the Trust and its beneficiaries—an inequitable result that should be avoided. *Squaretwo*, 2017 WL 4012818, at *7 (finding that the balance of the harm in allowing the claimant to pursue class claims against the debtors' insurers and the debtors as nominal defendants in state court weighed against such relief as it would interfere with the orderly winddown of the debtors' businesses).

22. Third, Yiru should be precluded from proceeding against any of the Debtors' D&O insurance policies. The Trustee is currently pursuing claims against certain of the Debtors' D&Os' and is seeking to recover on those claims against the Debtors' D&O policies for the benefit of all of the Debtors' creditors. One creditor should not be allowed to pursue those policies for her own benefit (or the benefit of unnamed alleged class members who did not file proofs of claim and are barred from recovering anything against the Debtors in the bankruptcy) to the detriment of the Debtors' other creditors.

III. CONCLUSION

WHEREFORE, the Trustee respectfully requests that the Court condition any modification of the plan injunction as set forth above and grant the Trustee such other relief to which he may be justly entitled.

DATED: October 3, 2025

Respectfully submitted,

/s/ *Debbie E. Green*

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CERTIFICATE OF SERVICE

On October 3, 2025, I electronically submitted the foregoing document with the clerk of the court of the U.S. Bankruptcy Court, Eastern District of Texas, using the electronic case filing system of the Court. I hereby certify that I will serve the parties individually or through their counsel of record, electronically, or by other means authorized by the Court or the Federal Rules of Civil Procedure.

/s/ *Debbie E. Green*
Debbie E. Green