

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	)	Chapter 11
	)	
DRF LOGISTICS, LLC, <i>et al.</i> , ¹	)	Case No. 24-90447 (CML)
	)	
<i>Debtors.</i>	)	(Jointly Administered)
	)	
DRF, LLC,	)	
	)	
<i>Plaintiff,</i>	)	
	)	Adversary No. 24-03205
v.	)	
	)	
TRILOGY LEASING CO., LLC,	)	
	)	
<i>Defendant.</i>	)	

**TRILOGY LEASING CO., LLC’S REPLY IN
SUPPORT OF ITS MOTION FOR SUMMARY JUDGMENT**

(Related to Dkt. No. 126, 129, 142, 147)

INTRODUCTION

Plaintiffs’ evolving theories to justify jurisdiction in this Court underscore the complete absence of evidence supporting this critical element—a fatal deficiency on a motion for summary judgment. When Trilogy Leasing Company LLC (“**Trilogy**”) deposed the Liquidating Agent, Eric Kaup could not identify any economic impact the resolution of this adversary proceeding would have on the bankruptcy estate and disclaimed knowledge of any effect on creditor distributions. When Trilogy deposed Pitney Bowes Inc.’s (“**PBI**”) corporate representative, Ms. Shea hypothesized that the only impact would be from equipment return costs—a claim Trilogy has

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number are: DRF Logistics, LLC (6861) and DRF, LLC (7236). The Debtors’ mailing address is 7171 Southwest Parkway, Bldg. 300, Suite 400, Austin, TX 78735.

never asserted. Indeed, Trilogy has not filed any claims in this case. Now, for the first time in their opposition brief and without any evidentiary support, Plaintiffs contend that if the equipment leases are loans, a claim another entity, Kingsbridge Holdings LLC (“**Kingsbridge**”), filed will be reduced to \$64,420,000 because as an unsecured creditor, Kingsbridge cannot recover “unmatured interest” under 11 U.S.C. § 502(b)(2).

That Plaintiffs cannot settle on a consistent theory—and that each theory they advance either lacks evidentiary support or involves a claim Trilogy has never made—demonstrates that this litigation has no real impact on the Debtor’s estate and does not present a live controversy. The “unmatured interest” theory is not just unsupported—it is fabricated. Even assuming a lawsuit which does not name Kingsbridge as a defendant, and does not contain a count objecting to Kingsbridge’s claim, could reduce Kingsbridge’s claim, that claim does not include a single dollar of unmatured interest. Plaintiffs have no witness, no expert, and no calculation supporting their theory. They simply subtracted two numbers from different documents and declared the difference to be “unmatured interest.” Their math is wrong. Their legal theory is wrong. And their conduct in manufacturing jurisdictional arguments from whole cloth while accusing Trilogy of “sleight-of-hand” is remarkable.

To expose this litigation for the advisory opinion it seeks, Kingsbridge has amended its proof of claim to equal the exact amount that DRF concedes is due in its Complaint—\$64,420,000.00. With this amendment, there is nothing left to adjudicate and, if DRF will not dismiss its complaint, this Court should.

ARGUMENT

I. There is No Remaining Actual Controversy for this Court to Adjudicate Now That Kingsbridge Has Amended Its Proof of Claim Effectively Granting Plaintiffs All Of The Relief They Seek.

1. The prayer for relief in Plaintiffs' Complaint asks this Court to recharacterize the equipment leases at issue and, upon doing so, determine that the amount owed on account of DRF's breach of those leases is \$64,420,000.00. [Dkt. 1, at 14.] Because Plaintiffs have never sought to retain the equipment at issue—they rejected the Equipment Supplements stating that they had no use for the equipment and Trilogy should pick it up [Bankr. Dkt. 309, 309-2, ¶¶ 9-10]—the only point of this adversary proceeding from the estate's perspective has been to fix the amount of the proof of claim related to the 25 Equipment Supplements at \$64,420,000.00.

2. That result has been achieved. At Trilogy's request, Kingsbridge voluntarily reduced its proof of claim related to the 25 Equipment Supplements at issue here to \$64,420,000—the precise amount DRF's Complaint admits is due. [Dkt. 1, ¶ 23.] With Kingsbridge now claiming only what DRF concedes is owed in its Complaint on account of its breach of the Equipment Supplements at issue, recharacterization cannot reduce the claim. There is nothing for this Court to adjudicate that will have any impact whatsoever on this estate and this Court should dismiss this adversary proceeding.

II. Even Without The Claim Amendment, Plaintiffs Have Not and Cannot Establish That This Case Presents An Actual Controversy Over Which This Court Has Jurisdiction.

3. As an initial matter, Plaintiffs' Response repeats their meritless argument from their Motion to Strike that Trilogy's Motion for Summary Judgment is untimely; ignoring that jurisdictional arguments can never be untimely. *Henderson v. Shinseki*, 562 U.S. 428, 434-35 (2011). Trilogy responded to this argument in its *Objection to Pitney Bowes Inc.'s and the*

Liquidating Agent's Emergency Motion to Strike, and does not repeat those arguments here. [Adv. Dkt. 140.]

A. Mr. Kaup Could Not Identify Any Economic Impact.

4. Plaintiffs attempt to justify jurisdiction here by touting Mr. Kaup's testimony that recharacterization would "benefit" the estate. But at his Rule 30(b)(6) deposition, Mr. Kaup could not explain *how* or *why* that was the case—in dollar terms, percentage terms, or by any other measure. Despite being the Liquidating Agent—the sole person acting on behalf of the bankruptcy estates and the sole individual identified on DRF's Rule 26(a)(1) disclosures—Mr. Kaup repeatedly disclaimed knowledge of any specific economic impact that this lawsuit would have on the estate:

- When asked whether it makes "any economic difference to the distribution to creditors whether these agreements are recharacterized as leases or loans," Mr. Kaup answered: "I haven't focused on distributions to creditors, so I just don't know." (Kaup Dep. 37:25-38:8.)
- Mr. Kaup had not calculated what Trilogy's claim would be under either a lease rejection or recharacterization scenario. (*Id.* at 47:1-7.)
- When asked to identify "in dollar amounts or percentage amounts" what difference recharacterization makes to unsecured creditor distributions, Mr. Kaup stated: "I don't know the amount" and that it "depends on many factors." (*Id.* at 55:24-56:25.)

5. Notably, Mr. Kaup never once mentioned 11 U.S.C. § 502(b)(2) or "unmatured interest"—the theory Plaintiffs now advance for the first time in their opposition brief. When pressed for any specific explanation of why recharacterization would benefit the estates, Mr. Kaup repeatedly invoked the attorney-client privilege rather than provide a factual basis. (*Id.* at 37:16-23, 43:9-19, 47:10-25.) In other words, the Debtor's own corporate representative—who testified he authorized this litigation because of its purported benefit to the estate—could not identify any

specific economic impact or actual controversy this case would resolve during his deposition, and certainly never identified the theory Plaintiffs now manufacture in their briefing.

B. Ms. Shea's Return Cost Theory Has Been Mooted.

6. PBI's 30(b)(6) designee, MacKenzie Shea, testified that the only impact she "can think of" was that if the Equipment Supplements are leases, Trilogy "could possibly assert as part of their rejection damages added amounts for the failure for the equipment to be removed and returned to them." (Shea Dep. 77:23-78:7.)

7. Trilogy has not asserted a claim for return costs. Kingsbridge's proof of claim does not include return costs. This theory is a hypothetical about a claim that has not been made and does not exist. The undisputed absence of any such claim eliminates return costs as a basis for jurisdiction.

C. The "Unmatured Interest" Theory Is Fabricated and Has Been Mooted.

8. Having struck out with Mr. Kaup's disclaimers and Ms. Shea's mooted hypothetical, Plaintiffs have manufactured a new theory: that recharacterization would reduce Kingsbridge's claim by approximately \$12.3 million in "unmatured interest." This eleventh hour theory was without merit even before Kingsbridge filed its amended claim for multiple reasons.

1. Plaintiffs Had No Evidence Supporting This Theory.

9. This is a motion for summary judgment. To survive, Plaintiffs must identify evidence creating a genuine dispute of material fact. They have none.

10. On its face, Kingsbridge's originally filed claim contained no interest. Plaintiffs have identified no witness who will testify that Kingsbridge's proof of claim included unmatured interest. They designated no expert to opine on this issue. They provided no calculation showing how any portion of the claim constitutes interest. Their theory was invented by lawyers in a brief,

unsupported by any factual foundation whatsoever.² Given that Plaintiffs bear the burden of demonstrating jurisdiction, this failure is fatal.

2. Plaintiffs' Faulty Math Exposes the Manufactured Nature of Their Argument.

11. To illustrate just how frivolous this theory was, consider Plaintiffs' "calculation." They arrived at their \$12.3 million figure by subtracting the \$64.4 million referenced in the Complaint from the \$76.7 million claimed in Kingsbridge's proof of claim. (Opp. ¶ 45.) But this math ignores—perhaps intentionally—that approximately \$5.3 million of Kingsbridge's claim related to 53 other equipment supplements that are *not at issue* in this adversary proceeding. When that amount was excluded, the difference between the claim and the Complaint's figure shrank to approximately \$7 million—not \$12.3 million. Plaintiffs obviously conducted no serious examination of the components of Kingsbridge's claim if they missed this fact.

3. Plaintiffs' Theory Is Procedurally Incorrect.

12. But even if Kingsbridge's proof of claim before it was amended included unmatured interest—which it did not—that dispute is not a basis for jurisdiction over this adversary because this adversary proceeding could never have decided the amount of a proof of claim filed by an entity that is not a party to this case.

13. To challenge a claim, 11 U.S.C. § 502(a) requires a party in interest to object to the claim. Rule 3007(a) requires service on the person who filed the claim, which here is Kingsbridge. Kingsbridge was not named in this suit and has never been served. Thus, this lawsuit, which does not even contain a count objecting to any claims, let alone Kingsbridge's claim, could never have decided the amount of Kingsbridge's claim. Thus, even if there is an actual controversy over the

² Perhaps this explains why Mr. Kaup invoked attorney-client privileged when asked to identify any specific benefit to the estate from recharacterization. (Kaup Dep. 37:16-23; 43:9-19; 47:10-25.)

amount of Kingsbridge’s claim—and there no longer is given Kingsbridge’s claim amendment—this adversary proceeding is not the proceeding to determine that dispute. And because Trilogy did not file a claim, there cannot be any actual controversy over the amount of a claim that Trilogy did not file. Simply put, this case does not present an actual controversy related to this bankruptcy case and thus the Court lacks jurisdiction.

III. The Court Lacks Jurisdiction Under 28 U.S.C. § 2201

14. Federal courts lack jurisdiction to issue a declaratory judgment unless there is an “actual controversy.” 28 U.S.C. § 2201(a). For all the reasons discussed above, Plaintiffs have failed to identify one. Their theories have devolved into speculation about claims that do not exist and arguments manufactured for the first time in opposition briefing without factual support.

15. Plaintiffs point to the Court’s statements at the April 1, 2025 status conference that recharacterization “absolutely does affect the bankruptcy estate.” (Opp. ¶ 66.) Trilogy has never argued that recharacterization claims in general cannot be heard by a bankruptcy court; they can when the requested recharacterization resolves an actual controversy that relates to the case. But in this particular case, this particular recharacterization claim did not impact this estate for the reasons stated. And now, with Kingsbridge claiming only what DRF admits is owed, it is clear that recharacterization will have no impact on the estate.

16. Even if the Court finds it has jurisdiction, it should decline to exercise it. The Declaratory Judgment Act is “permissive, not mandatory.” *In re Mirant Corp.*, 327 B.R. 262, 269 (Bankr. N.D. Tex. 2005). In *Mirant*, a bankruptcy court in this Circuit declined to hear a recharacterization suit where, as here, the debtor did not seek to retain the equipment and

recharacterization would serve only to benefit a particular party rather than the estate's creditors.
Id. at 268-72.

IV. The Court Lacks “Related To” Jurisdiction Under § 1334(b)

17. “A proceeding is ‘related to’ a bankruptcy [only] if the outcome of that proceeding could conceivably have any effect on the estate being administered in bankruptcy.” *In re Bass*, 171 F.3d 1016, 1022 (5th Cir. 1999) (internal citation and quotation marks omitted.) For all the reasons discussed above, the outcome of this proceeding will have no effect on the estate.

18. Plaintiffs’ reliance on *In re Spillman Development Group, Ltd.*, 710 F.3d 299 (5th Cir. 2013), is misplaced. *Spillman* held there was “related to” jurisdiction because the plaintiff’s success would diminish the defendant’s deficiency claim against the estate, “conceivably allowing a greater recovery for other unsecured creditors.” *Id.* at 305. Here, by contrast, success on recharacterization will not diminish Kingsbridge’s claim—Kingsbridge has amended its claim to match what DRF admits is owed.

19. With Kingsbridge’s claim amended, this proceeding is, in essence, a dispute between two non-debtor parties: Trilogy/Kingsbridge and PBI. Such disputes fall outside the scope of “related to” jurisdiction. *See Walker v. Cadle Co. (In re Walker)*, 51 F.3d 562, 569 (5th Cir. 1995); *Feld v. Zale Corp. (In re Zale Corp.)*, 62 F.3d 746, 753-55 (5th Cir. 1995) (“[I]t is the relation of dispute to estate, and not of party to estate, that establishes jurisdiction”) (internal citation and quotation marks omitted.) The Court has no jurisdiction and should dismiss this Complaint.

CONCLUSION

For these reasons and those set forth in its Motion, Trilogy respectfully requests that the Court grant its Motion and dismiss the Complaint and grant such other relief as may be just.

Dated: January 16, 2026

Respectfully submitted

/s/ Catherine Steege

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