

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

IN RE: §
§ **CASE NO. 19-40426**
CFO MANAGEMENT § **Chapter 11**
HOLDINGS LLC, et al¹ §
§ **(Jointly Administered)**
Debtors. §

**JOINT MOTION OF THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS AND THE CHAPTER 11 TRUSTEE FOR AN ORDER
DIRECTING THAT ANY PROOF OF CLAIM FILED IN A SINGLE
DEBTOR CASE SHALL BE DEEMED FILED IN EACH DEBTOR CASE**

**A HEARING WILL BE CONDUCTED ON THIS MATTER ON MAY 14, 2019
AT 2:30 PM IN THE UNITED STATES BANKRUPTCY COURT FOR THE
EASTERN DISTRICT OF TEXAS, 660 NORTH CENTRAL EXPRESSWAY,
SUITE 300B, PLANO, TEXAS 75074.**

**IF YOU OBJECT TO THE RELIEF REQUESTED, YOU MUST RESPOND
IN WRITING, SPECIFICALLY ANSWERING EACH PARAGRAPH OF
THIS PLEADING. UNLESS OTHERWISE DIRECTED BY THE COURT,
YOU MUST FILE YOUR RESPONSE WITH THE CLERK OF THE
BANKRUPTCY COURT WITHIN TWENTY-THREE (23) DAYS FROM
THE DATE YOU WERE SERVED WITH THIS PLEADING. YOU MUST
SERVE A COPY OF YOUR RESPONSE ON THE PERSON WHO SENT YOU
THE NOTICE; OTHERWISE, THE COURT MAY TREAT THE PLEADING
AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number and associated case number, are: Carter Family Office, LLC (xx1652, Case No. 19-40432); CFO Management Holdings, LLC (xx6987, Case No. 19-40426); Christian Custom Homes, LLC (xx4648, Case No. 19-40431); Double Droptine Ranch, LLC (xx7134, Case No. 19-40429); Frisco Wade Crossing Development Partners, LLC (xx4000, Case No. 19-40427); Kingswood Development Partners, LLC (xx1929, Case No. 19-40434); McKinney Executive Suites at Crescent Parc Development Partners, LLC (xx2042, Case No. 19-40428); North-Forty Development LLC (xx5532, Case No. 19-40430); and West Main Station Development, LLC (xx7210, Case No. 19-40433). The Debtors’ service address is: CFO Management Holdings, LLC, c/o Serendipity Labs, 3201 Dallas Parkway, Suite 200, #24, Frisco, Texas 75034.



COME NOW, the Official Committee of Unsecured Creditors (“**Committee**”) and David Wallace, the duly appointed Chapter 11 Trustee (“**Trustee**”) for CFO Management Holdings, LLC, Carter Family Office, LLC, Christian Custom Homes, LLC, Double Droptine Ranch, LLC, Frisco Wade Crossing Development Partners, LLC, Kingswood Development Partners, LLC, McKinney Executive Suites at Crescent Parc Development Partners, LLC, North-Forty Development LLC, and West Main Station Development, LLC (collectively, “**Debtors**”), and file this, their *Joint Motion . . . for an Order Directing That Any Proof of Claim Filed in a Single Debtor Case Shall be Deemed Filed in Each Debtor Case* (“**Motion**”) and, for such, would respectfully show as follows.

JURISDICTION AND VENUE

1. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

2. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

3. CFO Management Holdings, LLC (“**CFO**”) was created on or about January 18, 2019, to hold and manage the underlying assets in each of the following Debtors: Double Droptine Ranch LLC, North-Forty Development LLC, Christian Custom Homes, LLC, Carter Family Office, LLC, Kingswood Development Partners, LLC, West Main Station Development, LLC, Frisco Wade Crossing Development Partners, LLC, and McKinney Executive Suites at Crescent Parc Development Partners, LLC (collectively, “**Subsidiary Debtors**”). The Subsidiary Debtors engaged in developing and selling residential and commercial real estate in Collin County, Texas, and own and manage a wild game ranch in Southern Oklahoma.

4. Prior to the creation of CFO, all of the Subsidiary Debtors were wholly-owned and controlled by Phillip Carter (“**Carter**”) and/or entities he controlled, managed and/or owned. On or about January 18, 2019, Carter contractually agreed to relinquish control and management over

the Subsidiary Debtors through a corporate restructuring, and was removed from all duties at the Subsidiary Debtors. As part of the corporate restructuring, all real estate assets owned by the Subsidiary Debtors were now controlled by the newly formed holding company, CFO.

5. On January 25, 2019, the United States Securities and Exchange Commission ("**SEC**") filed a Complaint ("**SEC Complaint**") in the Northern District of Texas (Case No. 3:19-cv-00206-K) against Carter ("**SEC Suit**"). The SEC Suit was transferred to the Eastern District of Texas (Case No. 4:19-cv-00100). The SEC and the Texas State Securities Board ("**TSSB**") allege that Carter and two other individuals, Bobby Guess and Richard Tilford (collectively, "**Defendants**"), violated various state and federal securities law. The SEC Complaint alleges that the Defendants raised approximately \$45 million from more than 270 noteholders across the United States ("**Noteholders**"). The SEC Complaint alleges that the Defendants raised money from the Noteholders by selling "short-term, high-yield promissory notes issued by a number of shell companies intentionally named to confuse investors." SEC Complaint ¶ 2. The SEC Complaint further alleges that the Defendants purported to offer to the Noteholders investments in legitimate real estate development companies controlled by Carter, which the Defendants represented as being backed by hard assets, real estate projects that are assets of the Subsidiary Debtors. SEC Complaint ¶ 2. According to the SEC Complaint, the "notes" issued allegedly were in fact backed by unrelated, but closely-named, entities that had no assets. The SEC Complaint alleges misappropriations of the Noteholder's funds.

6. Upon information and belief, the Subsidiary Debtors were the ultimate recipients of funds allegedly fraudulently procured from the Noteholders, of which some funds were invested in the Subsidiary Debtors' construction projects. Upon information and belief, the Noteholders believed they were specifically investing in some or all of the Subsidiary Debtors' real property,

where construction was on-going. The Debtors' records were allegedly incomplete and it appears Noteholders' funds may have been commingled by the Subsidiary Debtors or used for non-construction purposes. Nevertheless, the Trustee and Committee believe the Noteholders will assert claims against the Debtors collectively, without regard to legal separateness.

7. On February 17, 2019, the Debtors each filed voluntary Petitions for relief under Chapter 11 of Title 11 of the United States Code ("**Bankruptcy Code**"), commencing the above-captioned cases ("**Chapter 11 Cases**").

8. On February 28, 2019, the Court entered its *Order Granting Joint Administration of Cases (Dkt.043)*.

9. On February 28, the United States Trustee filed his Appointment of Official Unsecured Creditors' Committee (**Dkt.047**), First Amendment (**Dkt.048**) and, on March 4, 2019, his Second Amendment (**Dkt.058**).

10. On April 4, 2019, the Court entered its *Order Granting United States Trustee's and CPIF Lending LLC's Motions to Appoint Chapter 11 Trustee (Dkt.140)*.

11. On April 10, 2019, the Court entered its *Order Granting Application to Employ Singer & Levick P.C. as Counsel for the Official Committee of Unsecured Creditors Effective as of March 11, 2019 (Dkt.142)*.

12. On April 10, 2019, the United States Trustee filed his *Notice of Appointment of Chapter 11 Trustee (Dkt.143)* appointing David Wallace as the Chapter 11 Trustee and, on April 24, 2019, the Court entered its *Order Granting United States Trustee's Application to Approve Appointment of Chapter 11 Trustee (Dkt.153)*.

13. On March 17, 2019, the Debtors filed their Schedules and Statements of Financial Affairs in each of their cases. All of the Noteholders' claims were scheduled as disputed.

14. The current deadline for filing Proofs of Claim is June 17, 2019 (“**Bar Date**”).

RELIEF REQUESTED

15. Currently, the Noteholders, many of whom are elderly, are overwhelmed and confused by the claims process. Counsel for the Committee has been fielding inquiries from numerous Noteholders regarding the filing of their Proofs of Claims in the jointly administered cases, as well as their concerns over which Debtor case is the correct case to file their claim in. In order to ease the confusion of the Noteholders, many of whom have lost a considerable amount of their net worth, the Trustee and Committee propose that should any creditor file a claim in any one of the Debtor cases, such claim would be deemed to be filed in each of the other Debtor cases.

16. The United States Trustee does not oppose the relief being requested.

PRAYER

WHEREFORE, PREMISES CONSIDERED, the Official Committee of Unsecured Creditors and David Wallace, respectfully request that the Court enter an Order directing that any Proof of Claim filed in any one of the associated Debtor cases shall be deemed filed in each Debtor case, and for such other and further relief as may be just and proper, subject to the ability of the Trustee and other parties in interest to later object to such claims (after notice and a hearing) in order to ensure that such claims have been asserted against the correct legal entity.

Dated: April 24, 2019

<p>SINGER & LEVICK, P.C.</p> <p>By: <u>/s/ Larry A. Levick</u> Larry A. Levick Texas Bar No. 12252600 Michelle E. Shriro Texas Bar No. 18310900</p> <p>16200 Addison Road, Suite 140 Addison, Texas 75001 Phone: 972.380.5533 Fax: 972.380.5748 Email: levick@singerlevick.com Email: mshriro@singerlevick.com</p> <p><i>Counsel for the Official Committee of Unsecured Creditors of CFO Management Holdings, LLC, et al.</i></p>	<p>ROSS & SMITH, PC</p> <p>By: <u>/s/ Judith W. Ross</u> Judith W. Ross Texas Bar No. 21010670</p> <p>700 N. Pearl Street, Suite 1610 Dallas, TX 75201 Phone: 214.377.7879 Fax: 214.377.9409 Email: judith.ross@judithwross.com</p> <p><i>Proposed Counsel to David Wallace, Chapter 11 Trustee</i></p>
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CERTIFICATE OF SERVICE

I hereby certify that on April 24, 2019, a copy of this document will be electronically mailed to the parties that are registered or otherwise entitled to receive electronic notices in this case pursuant to the Electronic Filing Procedures in this District, and via first class mail by proposed noticing agent Kurtzman Carson Consultants LLC (“KCC”) on the parties listed on the Certificate of Service to be filed upon receipt from KCC.

/s/ Larry A. Levick
Larry A. Levick

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
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IN RE: §
§ CASE NO. 19-40426
CFO MANAGEMENT § Chapter 11
HOLDINGS LLC, et al ¹ §
§ (Jointly Administered)
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ORDER GRANTING JOINT MOTION OF THE OFFICIAL COMMITTEE
OF UNSECURED CREDITORS AND THE CHAPTER 11 TRUSTEE FOR
AN ORDER DIRECTING THAT ANY PROOF OF CLAIM FILED IN A
SINGLE DEBTOR CASE SHALL BE DEEMED FILED IN EACH DEBTOR CASE

CAME ON FOR CONSIDERATION the *Joint Motion . . . for an Order Directing That Any Proof of Claim Filed in a Single Debtor Case Shall be Deemed Filed in Each Debtor Case* (“**Motion**”) filed by the Official Committee of Unsecured Creditors (“**Committee**”) and David Wallace, the duly appointed Chapter 11 Trustee (“**Trustee**”) for CFO Management Holdings, LLC, Carter Family Office, LLC, Christian Custom Homes, LLC, Double Droptine Ranch, LLC, Frisco Wade Crossing Development Partners, LLC, Kingswood Development Partners, LLC, McKinney Executive Suites at Crescent Parc Development Partners, LLC, North-Forty Development LLC, and West Main Station Development, LLC (collectively, “**Debtors**”). The Court, having reviewed the Motion, the evidence presented, and having heard the statements of counsel in support of the relief requested, finds that the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§

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157 and 1334; that this proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that notice of the Motion and the hearing on the Motion was sufficient under the circumstances, and that no other or further notice need be provided; that the relief requested in the Motion is in the best interests of the Debtors, their Estates and creditors; and, after due deliberation and sufficient cause appearing therefore, the Court is of the opinion that the Motion should be, and hereby is, granted. It is, therefore,

ORDERED, ADJUDGED and DECREED that the Motion is **GRANTED**. It is further

ORDERED, ADJUDGED and DECREED that any Proof of Claim filed in any one of the Debtor cases shall be deemed filed in each Debtor case. It is further

ORDERED, ADJUDGED and DECREED that entry of this Order is without prejudice to the rights of the Trustee and other parties in interest to later to object to such claims on any ground, including without limitation, the ground that the claims have been filed against an incorrect debtor. Finally, it is further

ORDERED, ADJUDGED and DECREED that this Court hereby retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Order.

IT IS SO ORDERED.

HONORABLE BRENDA T. RHOADES
United States Bankruptcy Judge