

such that it is impossible to know the source of funds being received by the Debtor, to whom payments are being made and whether such payments are necessary for the Debtor's operation. The budget also fails to include obvious payment categories for payroll and overhead costs. In addition, the budget is insufficiently short and provides no visibility into the next few months of operations, as is customary and of which the Debtor has to be aware. It also does not include projections of the incurrence of professional fees (or U.S. Trustee fees), which are necessary to be able to evaluate the Debtor's request for a carve out to cover such amounts. This type of information is both customary and critical for the Court, U.S. Trustee, and CMG to properly evaluate the Debtor's requests and to be able to monitor its compliance with the Budget.

2. Appropriate adequate protection for CMG on an interim basis is fairly standard and should include replacement liens on all assets subject to CMG's pre-petition liens, a new lien on all unencumbered assets, if any, and a superpriority administrative expense claim, in addition to a clear budget and covenant compliance therewith and the ability to challenge continued use of Cash Collateral for noncompliance, as is required to comply with sections 361 and 363 of the Bankruptcy Code. The Proposed Order contains so many carveouts to the purported grant of replacement liens that it makes those liens worthless and it also fails to provide liens on unencumbered assets or a superpriority administrative expense claim as part of the adequate protection package. Agreement on an interim cash collateral order should also require the acknowledgment of CMG's position as a secured creditor pursuant to its loan documentation and properly filed financing statements evidencing its liens until the Court has time to properly address (a) CMG's *Adversary Complaint for Declaratory and Injunctive Relief* (the "Adversary Proceeding") with respect to the establishment of its secured status, which was filed earlier today, and (b) deal with the Debtor's attempt to use section 552(b) of the Bankruptcy Code to rewrite the standards of the litigation financing industry. Time

permitting, CMG will provide the Debtor with a proposed cash collateral order and requirements for a reliable and transparent budget prior to today's hearing and will provide the Court with a copy thereof.³

3. For now, CMG is undoubtedly a secured creditor. The credit documents provided to the Court by CMG in connection with the Adversary Proceeding and the *Omnibus Statement of Facts of CMG Funding 2025 LLC in Support of Objections to Certain First Day Motions*, filed contemporaneously herewith (the "CMG Statement"), clearly demonstrate as much and the Debtor admits to its entry into the loan and its grant of prepetition liens in all of its assets – and refers to CMG as a "Prepetition Secured Party" in the Cash Collateral Motion (which contradicts what appears to be a perjurious statement in Official Form 204 listing CMG as entirely unsecured). Absent relief from the Court finding that CMG is not a prepetition secured creditor, which requires an adversary proceeding (hence CMG's filing), the Debtor is required to either obtain consent from CMG to the use of its collateral, or it must obtain an order of the Court upon a proper showing of adequate protection. As noted, the Debtor has not sought CMG's consent nor even discussed its use of cash collateral with CMG. Instead, the Cash Collateral Motion is founded on an admittedly improper procedural effort to contest CMG's liens, to provide vacuous adequate protection, and to seek an inappropriate interim ruling that the equities of the case exception to section 552(b) should grant it a blanket waiver of CMG's lien on a postpetition basis.

4. Unless CMG's consent or a fair adequate protection package coupled with a reliable and transparent budget is provided to the Court and CMG, the Cash Collateral Motion should be

³ The Debtor, through the Cash Collateral Motion, appears to want it both ways. On one hand, the Debtor wants to claim that CMG is not a secured creditor and have the Court immediately determine as such without any evidentiary basis. See Cash Collateral Motion ¶¶18-26. On the other, the Debtor asserts that CMG is a secured creditor and the Court should grant emergency relief (on less than twenty-four hours' notice), including the approval of an empty adequate protection package, to prevent CMG from *potentially* blocking the Debtor's use of Cash Collateral and an emergency finding that CMG does not have a postpetition lien pursuant to section 552(b) of the Bankruptcy Code. See Cash Collateral Motion ¶¶38-64.

denied. There is simply nothing in the record provided by the Debtor to demonstrate the need to make the payments listed in the budget in the next four weeks or whether such payments constitute payments on account of pre-petition amounts (for example, the “Owner Pay” seems to be a distribution to the Debtor’s principal, Mr. Galindo, which clearly is not necessary for the operation of the Debtor, and “Contractor Pay” may be payments to Mr. de la Canal, who is an insider).

5. As detailed further in the CMG Statement, the Motion appears to be yet another step in the Debtor’s attempt to reorder its liabilities for the benefit of Mr. Galindo and Mr. de la Canal, Mr. Galindo’s apparent Svengali, in blatant violation of the binding terms of the credit documents that Mr. Galindo negotiated and which Mr. Galindo executed on the Debtor’s behalf. The Court should not countenance this effort at any level, especially in an improper attack on CMG’s secured status via the Motion. If the Debtor wants to litigate the question of whether it is bound by a contract it entered into, it has that right, but it must do so on a proper evidentiary record, which CMG has initiated through the Adversary Proceeding.⁴

RELEVANT FACTUAL BACKGROUND

6. Additional factual background beyond the facts recited herein is provided in the CMG Statement filed contemporaneously herewith.

7. On February 26, 2025, the Debtor and GM LLP entered into a credit agreement with CMG (the “Credit Agreement”) in respect of a senior secured term loan totaling \$45 million, which ultimately refinanced the original CMG 2024 Loan, which was also secured, and provided the Debtor with additional liquidity. As of the date hereof, at least \$50 million is outstanding under the Credit Agreement, including interest and fees.

⁴ Similarly, the Debtor’s extraordinary request for the Court to find, again on less than twenty-four hours’ notice and without any evidentiary showing, that section 552(b) cuts off CMG’s prepetition security interest should be denied. As described herein, the equities of the case exception in section 552(b) is not applicable to CMG’s security interest and the Debtor’s attempts to connect an unrelated body of case law should be rejected. The Court should not reach such a drastic result, even on an interim basis, without full briefing and evidence.

8. In connection with the Credit Agreement, the Debtor executed a security agreement with CMG, also dated February 26, 2025 (the “Security Agreement”). Pursuant to the Security Agreement, the Debtor granted a “lien on and continuing security interest in, all of the property of the [Debtor] wherever located and whether now or hereafter existing, whether now owned or hereafter acquired, whether tangible or intangible, of every kind and description.” Security Agreement at 3.

9. CMG further proceeded to file a UCC-1 financing statement with the Texas Secretary of State in February 2025 and, on April 18, 2025, CMG, the Debtor, and JPMorgan Chase Bank, N.A. executed that certain *Blocked Account Control Agreement – Secured Party Control* pursuant to which CMG was granted control over the account identified in the *Debtor’s Emergency Motion for Entry of an Order (i) Authorizing the Debtor to Continue to Operate its Cash Management System and Maintain Existing Bank Accounts; and (ii) Granting Related Relief* [Docket No. 9] as the “Deer Finance Account” within the meaning of Section 9-104 of the UCC (the “BACA”).

OBJECTION

A. CMG has Valid and Perfected Prepetition Liens Over the Debtor’s Assets

10. As detailed herein, in the Adversary Proceeding, and in the CMG Statement, CMG is unquestionably a prepetition secured creditor of the Debtor (despite the Debtor’s misrepresentation in Official Form 204) and has valid and enforceable prepetition liens on all of the Debtor’s assets. Importantly, despite the Debtor’s baseless assertions to the contrary, under Texas law an attorney “can assign his [or her] accounts receivable, consisting of current or future, earned or unearned, attorney fees as property securing a transaction.” *Hennigan v. Hennigan*, 666 S.W.2d 322, 325 (Tex. App.—Houston [14th Dist.] 1984, writ ref’d n.r.e.); *Couns. Fin. Servs., L.L.C. v. Leibowitz*, No. 13-12-00103-CV, 2013 WL 3895331, at *8 (Tex. App.—Corpus Christi July 25, 2013, pet. denied) (“Texas case law allows an attorney to assign accounts receivable, consisting of

current or future, earned or unearned, attorney fees as property securing a transaction.”) (citing *Hennigan*); *cf. Ross v. 3D Tower, Ltd.*, 824 S.W.2d 270, 272 (Tex. App.—Houston [14th Dist.] 1992, writ denied) (finding attorney’s accounts receivable consisting of future legal fees to be paid are subject to turnover under Texas turnover statute). Section 9.204 of the Texas Business and Commercial Code states that, subject to certain limited exceptions, “a security agreement may create or provide for a security interest in after-acquired collateral” such as future receivables. Tex. Bus. & Com. Code § 9.204. “[C]urrent wages for personal services” are exempt from personal property that may be pledged. Tex. Prop. Code Ann. § 42.001. However, “wages are exempt only if they are earned in the context of an employer-employee relationship” and “expressly exclude money received by an independent contractor.” *Karlseng v. Wells Fargo, N.A.*, No. 05-13-01734-CV, 2014 WL 7232734, at *2 (Tex. App. Dec. 19, 2014). The Debtor can—and did—legally provide a security interest in assets, including future receivables.

11. Moreover, even if the ethical rules would somehow be implicated by the lien that the Debtor knowingly and purposefully granted to CMG, a disciplinary violation does not invalidate the security interest—and a lawyer cannot weaponize ethical rules to escape contractual obligations. Texas courts have consistently held that the “Texas Disciplinary Rules of Professional Conduct do not define standards for civil liability and do not give rise to private claims.” *Couns. Fin. Servs., L.L.C.*, 2013 WL 3895331, at *7 (collecting cases). As a result, a “violation of the Disciplinary Rules does not necessarily establish a cause of action, nor does it void an otherwise valid contract executed outside of the attorney-client relationship.” *Wright v. Sydow*, 173 S.W.3d 534, 549 (Tex. App. 2004) (citations omitted); *see also Lam v. EADO Enters. Grp. LLC*, No. 14-22-00721-CV, 2024 WL 1057861, at *3 (Tex. App. Mar. 12, 2024) (“unless the contract is declared by

law to be void or unenforceable, a court should not refuse to enforce the contract solely because it was formed in contravention of a disciplinary rule”).

B. The Motion Does Not Provide for Adequate Protection of CMG

12. Section 363 of the Bankruptcy Code requires adequate protection of any interest in “property to be used, sold, leased, or proposed to be used, sold, or leased.” *See* 11 U.S.C. § 363. Further, section 361 of the Bankruptcy Code describes adequate protection under section 363 to include (1) “cash payment or periodic cash payments”, (2) “additional or replacement lien to the extent that such stay, use, sale, lease, or grant results in a decrease in the value of such entity’s interest in such property”, or (3) “granting other such relief”. *See* 11 U.S.C. § 361.

13. The Cash Collateral Motion proposes to provide replacement liens to CMG as adequate protection “*[s]ubject to the Debtor’s reservation of rights, and solely to the extent any Prepetition Secured Party is determined to hold a valid, perfected, enforceable, non-avoidable interest in Cash Collateral*” while, also claiming that CMG’s liens are not valid, perfected, or enforceable against the Debtor. Cash Collateral Motion ¶13. The Debtor also proposes numerous carveouts to the replacement liens provided to CMG to render the replacement liens themselves essentially valueless. Moreover, the Debtors does not provide liens on unencumbered assets or a superpriority administrative expense claim as part of the adequate protection package. Accordingly, the proposed adequate protection is an empty suit, and the Debtor is actually offering nothing to CMG in the form of actual adequate protection.

14. Aware of this lack of adequate protection, the Debtor’s argument in the Cash Collateral Motion appears to rely on section 361(3) by providing CMG access to business records, and providing a purported four-week Budget, which is incomplete and facially deficient (as noted further in the introduction to this Objection). Specifically, the Debtor argues its business relies on

access to cash collateral, which, the Cash Collateral Motion presumes, would be unavailable to the Debtor absent the filing of a nonconsensual motion. *See* Cash Collateral Motion ¶¶43-52. Blanket assertions regarding the Debtor's need to operate do not satisfy section 363 of the Bankruptcy Code. The Debtor's proposed adequate protection does not meet the standard under section 361 and the Debtor has not provided any support for the supposed adequacy of this protection.

C. The Court Should Not Make Any Interim Determinations with Respect to the Validity of CMG's Postpetition Security Interest

15. Section 552(b)(1) of the Bankruptcy Code provides that if a prepetition security interest encumbers collateral and its proceeds, any proceeds of that prepetition collateral remain subject to the prepetition security interest even if such proceeds are received postpetition. *See* 11 U.S.C. § 552(b). Specifically, section 552(b)(1) of the Bankruptcy Code states, in relevant part, that:

. . . [I]f the debtor and an entity entered into a security agreement before the commencement of the case and if the security interest created by such security agreement extends to property of the debtor acquired before the commencement of the case and to proceeds, products, offspring, or profits of such property, then such security interest extends to such proceeds, products, offspring, or profits acquired by the estate after the commencement of the case to the extent provided by such security agreement and by applicable nonbankruptcy law, except to any extent that the court, after notice and a hearing and based on the equities of the case, orders otherwise.

16. For a prepetition security agreement to attach to after-acquired property, a creditor must show the following: 1) the security agreement extends to the after-acquired property upon which the creditor seeks the lien, and 2) the after-acquired property is proceeds, product, offspring rents, or profits of pre-petition property subject to the lien. *T-H New Orleans Ltd. Pship v. Financial Security Assurance, Inc. (In re T-H New Orleans Ltd. Pship.)*, 10 F.3d 1099, 1104 (5th Cir.1993), cert. denied, 511 U.S. 1083 (1994). Where a secured creditor holds a blanket lien on all assets, a debtor's postpetition revenues are proceeds of the secured creditor's prepetition collateral. *See In re Bumper Sales, Inc.*, 907 F.2d 1430, 1439 (4th Cir. 1990) (holding that all Postpetition receivables

and cash generated by the debtor were proceeds of a secured creditor's prepetition blanket lien and therefore remained subject to the secured creditor's lien under section 552(b) of the Bankruptcy Code).

17. Courts may, in extraordinary circumstances, override the extension of a pre-petition lien with a valid proceeds grant under section 552(b) through the "equities of the case" exception, placing the most weight on whether a debtor expended unencumbered funds of the estate, at the expense of the unsecured creditors, to enhance the value of a secured creditor's collateral, which could be an inequitable result. *In re Tower Air, Inc.*, 397 F.3d 191, 205 (3d Cir. 2005) (quoting *In re Bennett Funding Group, Inc.*, 255 B.R. 616, 634 (N.D.N.Y. 2000)). "The equity exception of 11 U.S.C.S. § 552 is to cover cases where an expenditure of the estate's funds increases the value of the collateral as an example the situation where raw materials are converted into inventory at the expense of the estate (which would thus deplete the fund available for the general unsecured creditors)." *In re Cafeteria Operators, L.P.*, 299 B.R. 400, 402 (Bankr. N.D. Tex. 2003). The equities of the case exception is just that—an exception to the general rule that Postpetition proceeds, products, offspring, or profits derived from prepetition collateral remains encumbered by prepetition liens.⁵

18. The Debtor argues that section 552 "cuts off CMG's lien completely" as of the Petition Date. *See* Cash Collateral Motion ¶¶34, 60. In support of this proposition, the Debtor relies primarily on *Cafeteria Operators*, a case involving a restaurant in chapter 11, where the court found

⁵ As a further example, in *Qmect, Inc. v. Burlingame Capital Partners II, L.P.*, 373 B.R. 682, 685, 687-88 (N.D. Cal. 2007), the district court upheld a bankruptcy court ruling that postpetition accounts receivable were proceeds of a group of First Lien Lenders' blanket liens on the debtor's assets. The court noted that "[t]he only other source of postpetition funding that the estate had was [a] loan from an individual, and there was ample evidence that those funds went to pay prepetition debts." *Id.* at 687. Thus, the court reasoned that "[n]othing other than secured lenders' collateral could have generated revenue, so all proceeds, even the increase in value, were proceeds of secured lenders' collateral." *Id.* at 688 (emphasis added).

that the postpetition proceeds of certain prepetition security interests did not extend to the proceeds of restaurant revenue that was produced “solely as a result of the debtor’s labor.” *See id.* at 405.

19. *Cafeteria Operators* is inapplicable here. First, none of the funds currently held by the Debtor or projected to be received by the Debtor during the interim period (nor, in all likelihood, the pendency of the chapter 11 case) will be received on account of new cases signed to engagement letters postpetition and thus are the result of prior actions undertaken by the Debtor or counsel to whom it referred cases.⁶ Rather, all of the funds projected to be received are on account of cases for clients that the Debtor has represented since before it filed this bankruptcy two days ago, in some cases beginning years ago. Any funds received by the Debtor are clearly proceeds generated *prepetition* rather than generated *postpetition*, unlike *Cafeteria Operators*.

20. The Debtor also does not directly represent many of its clients in its cases. Rather, the Debtor frequently contracts with other law firms to provide various portions of a representation and then the Debtor collects returns for its clients and generally manages the client relationship in accordance with those third-party contracts (or it allows other counsel to manage the client relationship where it simply collects from those other firms – which clearly cannot be the result of any postpetition efforts akin to *Cafeteria Operators*). Therefore, a significant portion of CMG’s Cash Collateral is not associated with a post-petition effort by the Debtor, but rather the result of proceeds of contracts entered into prior to the Petition Date and pledged to CMG, directly in contrast to *Cafeteria Operators*. Critically, courts consistently hold that postpetition payments, profits, and collections traceable to prepetition contracts and accounts receivable constitute “proceeds” of

⁶ Even if the funds projected to be received by the Debtor during the interim period or the pendency of the chapter 11 case were to be on account of new cases signed by the Debtor, CMG’s lien would nevertheless attach to those revenues. Indeed, the CMG’s cash collateral would undoubtedly be used to acquire these new cases, and as such, the revenues derived from them would be proceeds of CMG’s prepetition collateral. For purposes of the Debtor’s current request, however, the Court need not address this issue as it is purely hypothetical.

prepetition collateral subject to Section 552(b)(1) of the Bankruptcy Code, notwithstanding the postpetition performance by the debtor-in-possession. See *In re ModivCare Inc. et al. Case No. 25-90409* (approving confirmation over the objection of the official committee, arguing, in part, that postpetition revenues of the debtors were unsecured pursuant to section 552(b)); *In re Sunberg*, 729 F.2d 561, 561-63 (8th Cir.1984) (holding that a properly perfected postpetition security interest in “crops, growing crops, livestock, farm products, equipment inventory, fixtures, contract rights, accounts and general intangibles” meant that the creditor retained a perfected lien in PIK proceeds arising from a prepetition contract, even though the PIK payment would occur postpetition.); *United Va. Bank v. Slab Fork Coal Co. (In re Slab Fork Coal Co.)*, 784 F.2d 1188, 1190-91 (4th Cir.1986), cert. denied, 477 U.S. 905, 106 S.Ct. 3275, 91 L.Ed.2d 565 (1986) (holding that the cash proceeds generated both prepetition and postpetition under a prepetition contract were subject to a prepetition security interest, irrespective of 11 U.S.C. § 552); *Carlson v. W.J. Meneffee Constr. Co. (In re Grassridge Indus., Inc.)*, 78 B.R. 978, 981 (Bankr. W.D. Mo.1987) (holding that the bank’s security interest in a prepetition construction contract continued in the postpetition contract payments to the debtor); *In re Patio & Porch Sys., Inc.*, 194 B.R. 569, 574 (Bankr. D. Md. 1996) (“The payments made under the contracts were proceeds of the accounts receivable for purposes of 11 U.S.C. § 552(b) Consequently, Creditor’s perfected security interest in Debtor’s accounts receivable did continue postpetition as to the proceeds of the accounts (i.e., the contract payments).”). So, too, here. The proceeds at issue are subject to CMG’s security interest.

CONCLUSION

21. CMG is a secured creditor and use of its Cash Collateral requires its consent or an order of the Court finding and providing appropriate adequate protection, which the Debtor has not provided and cannot demonstrate on the record before the Court. The Debtor’s attempt to invoke lien challenges and an erroneous reliance on purported equities of the case and non-binding

precedent is also improper and unnecessary. CMG will attempt to negotiate a proper adequate protection package, including the Debtor's production and compliance with a transparent and reliable budget, but in the event that such attempt fails, the Court should deny the Motion or grant it only upon adequate protection consisting of true replacement liens, a superpriority administrative expense claim, and a reliable and accurate budget.

RESERVATION OF RIGHTS

22. This Objection is submitted without prejudice to, and with a full reservation of, CMG's rights, claims, defenses, and remedies, including the right to amend, modify, or supplement this Objection, to raise additional objections and to introduce evidence at any hearing related to this Objection, and without in any way limiting any other rights of CMG to further object to the Cash Collateral Motion on any grounds, as may be appropriate.

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Dated: August 26, 2026
Houston, Texas

Respectfully submitted,

/s/ Craig A. Stanfield

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CERTIFICATE OF SERVICE

I certify that on August 26, 2026, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Craig A. Stanfield

Craig A. Stanfield