

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

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In re:	:	Chapter 11
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CRISTÓBAL M. GALINDO P.C.	:	Case No. 26-90764 (ARP)
D/B/A GALINDO LAW FIRM,	:	
	:	
Debtor. ¹	:	
	:	
	X	

**OMNIBUS STATEMENT OF FACTS OF CMG FUNDING 2025 LLC
IN SUPPORT OF OBJECTIONS TO CERTAIN FIRST DAY MOTIONS**

CMG Funding 2025 LLC (“CMG”), by and through its undersigned counsel, hereby files this omnibus statement of facts (the “Statement”) in support of objections of CMG to certain of the first day motions filed by the above-captioned debtor and debtor-in-possession (the “Debtor”) in this chapter 11 case (the “Chapter 11 Case”).² In support of this Statement, CMG refers to, and incorporates by reference, certain documents and exhibits identified in its *Witness and Exhibit List for Hearing Scheduled for August 26, 2026*,³ filed substantially concurrently herewith and respectfully states as follows:

STATEMENT

1. This Chapter 11 Case is the culmination of a systematic and ongoing fraudulent scheme being conducted by the Debtor and insiders of the Debtor – Sergio P. de La Canal and his

¹ The Debtors’ address is 18000 Groeschke Road, Suite A-7, Houston, Texas 77084, and the last four digits of the Debtor’s federal tax identification number is 5859.

² CMG is contemporaneously herewith filing objections to (a) 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) Granted Related Relief* (Docket No. 9) and (b) the Debtor’s *Emergency Motion for Entry of Interim and Final Orders Authorizing Use of Cash Collateral, to the Extent Applicable, and Granting Related Relief* (Docket No. 13). CMG reserves all rights to object to any other motion filed by the Debtor prior to today’s hearing.

³ References herein to “Ex. __” mean and refer to the Exhibits included in *CMG Funding 2025 LLC’s Witness and Exhibit List for Hearing Scheduled for August 26, 2026*.

affiliated entities – to repudiate and evade CMG’s legal and contractual secured creditor rights and willfully and improperly divert funds from the Debtor to Mr. de la Canal or entities controlled by him in breach of the Debtor’s prepetition contractual arrangements and of which Mr. de la Canal has direct knowledge. CMG is the largest and **only** secured creditor in this Chapter 11 Case (despite the Debtor’s perjurious representation in Official Form 204 that accompanies the Debtor’s chapter 11 petition that CMG is unsecured) with blanket liens over all of the Debtor’s assets, including its receivables.

2. CMG is filing this Statement in support of its objections to certain of the Debtor’s first day motions, as an aid to the Bankruptcy Court in understanding CMG’s secured loan to the Debtor and Galindo & Mott LLP (“GM LLP,” and together with the Debtor, the “Borrowers”), an entity that the Debtor controls, and as a corollary to the various adversary proceedings, motions, and other actions that CMG intends to file in connection with this Chapter 11 Case, including the *Adversary Complaint for Declaratory and Injunctive Relief* (the “Adversary Proceeding”) filed contemporaneously herewith.

A. The Debtor, CMG, and the Credit Agreement

3. Cristóbal Galindo is a trial lawyer with at least 25 years of experience as a barred attorney in Texas and is the principal and sole equity owner of the Debtor. The Debtor operates as primarily a plaintiff-side law firm specializing in pursuing personal injury, insurance, and mass tort actions on behalf of individual clients. The Debtor estimates that it has represented approximately 22,000 individual clients. The Debtor typically obtains its clients through marketing activities conducted through third parties and through referrals from other law firms and marketing firms. The Debtor also makes referrals of client cases to other law firms to pursue.

4. The Debtor generally receives fee payments in connection with its cases in two ways. First, for cases in which it has referred the case processing to another law firm (the “Referral Firm”), once the case settles or an award is paid, the Referral Firm is required to remit the Debtor’s share of any contingency fee obtained by the Referral Firm directly to the Blocked Account (as defined below) pursuant to an irrevocable instruction letter issued by the Debtor to the Referral Firm. After receiving a certified collections report from Debtor, Deer Finance, LLC (“Deer”), as servicer under the Credit Agreement (in such capacity, the “Servicer”), then remits such amount to the Debtor and the secured parties under the Credit Agreement in accordance with the terms thereof. In such cases, the Debtor’s clients are paid directly by the Referral Firm. Second, for cases that the Debtor processes (either on its own behalf or as a result of a referral to it), the Debtor is paid directly and deposits the settlement or award amounts in its IOLTA account. After distributing the client’s share of the settlement or award amounts to the client as well as any co-counsel’s share of the contingency fee obtained by Debtor to such co-counsel, the Debtor then transfers the remaining amount to the Blocked Account, and the Servicer transfers the Debtor’s share of such amount back to the Debtor and uses the remainder to repay the obligations under the Credit Agreement. The Debtor is permitted to use its share to fund the operations of the Debtor, and to make distributions to Mr. Galindo in accordance with the approved budget and tax distributions. No such amounts may be used in contravention of the limitations set forth in the Credit Agreement.

5. Similar to countless other law firms, in connection with his practice, Mr. Galindo and the Debtor have utilized secured financings to support its law practice and its ability to find clients and pursue actions, largely on contingency and other fee-sharing arrangements.

6. CMG is a special purpose vehicle specifically formed to be the lender under the Credit Agreement to the Debtor and GM LLP. CMG is ultimately managed (through another limited

liability company) by Ayal Glezer. Mr. Glezer is also the Chief Executive Officer of Deer. Deer is the leading servicing and syndication platform for law firm loans.

7. In addition, JBSL Legal Finance LLC (“JBSL”) was an arranger for, and is an investor in, the loan. The team at JBSL has been structuring and syndicating loans to law firms for the past nine years (including on their prior platform at the investment bank Stifel). JBSL was co-founded by Justin Brass, who is the primary contact at JBSL in connection with the CMG loan.

8. In early 2024, a commercial lending broker engaged by Debtor (the “Broker”) contacted Mr. Brass and inquired whether he would be interested in arranging financing for the Borrowers, which the Broker explained was a plaintiff-side law firm looking to raise capital to expand its practice.

9. The Debtor and JBSL engaged in an arms-length negotiation regarding the financing opportunity and on May 9, 2024, the Debtor and GM LLP borrowed \$25,000,000 under a senior secured credit agreement with CMG Funding 2024 LLC as lender and administrative agent, Deer as servicer, and JBSL as arranger (the “2024 Loan”).

10. Less than a year later, in February 2025, the Debtor and JBSL again engaged in an arms-length negotiation regarding entry into a new credit facility and, 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 initially totaling \$45 million which ultimately refinanced the original 2024 Loan 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.

11. As is typical in any sophisticated financing, the Debtor provided certain representations under the Credit Agreement that clearly indicate the Debtor, GM LLP, and Mr. Galindo understood the nature of the Credit Agreement and the resulting secured status of CMG,

especially since the Credit Agreement was not the first secured credit facility that the Debtor, GM LLP, and Mr. Galindo had entered into. These representations included (a) a no conflict representation, stating that the execution of the Credit Agreement and related documents does not conflict with any law, governmental rule, or regulation, (b) a binding obligation representation, clearly stating that the secured financing is binding on the Debtor, (c) a solvency and no fraudulent conveyance representation, stating that the financing will not render the Debtor insolvent or result in a fraudulent conveyance, and (d) a representation that both Borrowers are in compliance with laws, statutes, and disciplinary rules, including as a result of the financing. Mr. Galindo signed the Credit Agreement as the principal for each Borrower, including the Debtor.

12. Further, 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.” Ex. 2 (Security Agreement) at 3. Like with the Credit Agreement, Mr. Galindo personally signed the Security Agreement as the principal for each Borrower, including the Debtor.

13. On February 27, 2025—the day after CMG and the Borrowers executed the Credit Agreement and Security Agreement, among other transaction documents—CMG perfected its security interest in the Debtor’s and GM LLP’s assets through the public filing of a UCC-1 financing statement with the Texas Secretary of State (the “CMG Financing Statement”). Upon filing the CMG Financing Statement, the Texas Secretary of State acknowledged that it indexed in its records the security interest listing each of the Debtor and GM LLP as a debtor and CMG as the secured party. The CMG Financing Statement properly identifies the Debtor as a debtor and CMG as the

secured party, describes CMG’s collateral, and identifies the Credit Agreement as the governing document from which certain capitalized terms are borrowed in the CMG Financing Statement. The CMG Financing Statement publicly filed with the Texas Secretary of State provides that the Borrowers granted to CMG “a lien on and continuing security interest in, ***all of the property of [the Borrowers], wherever located and whether now or hereafter existing, whether now owned or hereafter acquired, whether tangible or intangible, of every kind and description,***” including, without limitation, certain enumerated categories of property. *See* Ex. 8 (Financing Statement) at 3 (emphasis added).

14. Thereafter on April 18, 2025, to further secure the Borrowers’ obligations under the Facility, CMG, the Debtor, and JPMorgan Chase Bank, N.A. executed that certain *Blocked Account Control Agreement – Secured Party Control* (the “BACA”) 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 (such account, the “Blocked Account”).

15. In furtherance of the entry into the Credit Agreement, Security Agreement, the BACA and other related documents, on February 26, 2025, Mr. Galindo certified in that certain *Closing Date Certificate*, delivered pursuant to the Credit Agreement, that he is the President of the Debtor and the Managing Partner of GM LLP, that he “reviewed the terms of the Credit Documents,” that he “made, or ha[d] caused to be made under [his] supervision, such examination or investigation as is necessary to enable [him] to express an informed opinion as to the matters referred to [t]herein” and that, based upon that review, “on behalf of the [Debtor] and [GM LLP] and not in any individual

capacity,” the “representations and warranties contained in each of the Credit Documents . . . are true and correct in all material respects.”

16. Subsequent to the making of the loans under the Credit Agreement, CMG would receive quarterly reports prepared by the Debtor that provided CMG with an updated borrowing base of the cases that make up the collateral for the loan (the “Collateral Reports”). In addition, in the months leading up to the Chapter 11 Case, counsel to the Debtor also provided CMG with an updated form of the Collateral Reports entitled “Collateral Weekly – Monthly – Quarterly Projections” which showed the expected revenue that formed the basis of the collateral and the projected dates of collection.

17. Until recently, when Debtor’s counsel expressed to CMG’s counsel for the first time that Debtor intended to dispute CMG’s secured status in a potential chapter 11 case, CMG was not aware of any other instance of the Debtor or another party disputing CMG’s secured status prior to the Petition Date and CMG remains unaware of any theory under which CMG is unsecured. In addition, the actions of CMG and its counsel up until the filing of the Chapter 11 case further support CMG’s secured status.

B. Mr. de la Canal’s Relationship to the Debtor

18. In addition to its relationship with CMG, the Debtor has also had a long-standing and intertwined business relationship with several entities owned and/or controlled by Mr. de la Canal. Of particular importance is the relationship between the Debtor, on the one hand, and Decibel, LLC, a now-defunct entity that was owned and operated by Mr. de la Canal, and Decibel Legal Services LLC, an existing entity that is owned and operated by Mr. de la Canal (together, “Decibel”), on the other hand. Pursuant to several master service agreements between the Debtor and Decibel, Decibel provides certain marketing services to the Debtor, including identifying potential clients for the

Debtor and providing pre-screening, intake, and administrative services. Further, through his company Damage Resources, LLC, Mr. de la Canal provides the Debtor with certain professional employer services, including handling the Debtor's payroll, bookkeeping and human resources-related needs, and is the co-employer of the Debtor's employees.

19. Prior to execution thereof, the Borrowers, Mr. Galindo, Decibel and Mr. de la Canal engaged with JBSL in negotiations and diligence relating to the Credit Agreement to help facilitate a potential merger involving the Debtor and one or more entities controlled by Mr. de la Canal. During these negotiations, Mr. de la Canal, Mr. Galindo, the Borrowers, and JBSL discussed adding Decibel and/or another entity affiliated with Mr. de la Canal as a co-borrower under the Credit Agreement, but ultimately determined against it.

20. In the end, given the integrated nature of Mr. de la Canal's various entities with the Debtor, Mr. de la Canal is specifically named in the Credit Agreement as a potential "Key Person" and "Limited Guarantor" contingent upon consummation of the contemplated merger involving the Galindo Parties, Decibel, and a law firm owned by Mr. de la Canal named LevelUp Law, LLC ("LevelUp"). Upon completion of the contemplated merger, Mr. de la Canal would have become a "Key Person" and a "Limited Guarantor" under the Credit Agreement.⁴

21. The contemplated merger never occurred.

C. CMG Negotiations with the Debtor and Mr. de la Canal

22. In May 2025, months after the Credit Agreement was executed and CMG had perfected its security interest in the Debtor's assets, Mr. de la Canal and Mr. Galindo, on behalf of the Debtor, met in person with representatives of JBSL. At that meeting, Mr. de la Canal asserted that the Debtor owed Decibel over \$10 million on account of the services noted above and proposed

⁴ A "key person" is an individual whose continued involvement with the borrower or its business is considered sufficiently important to the lender that the person's death, disability, or departure can trigger certain protections.

that, in satisfaction of that alleged debt, either: (1) CMG could pay Decibel \$5 million immediately and advance \$10 million in secured funding to Mr. de la Canal's law firm, LevelUp; or (2) CMG could pay off the Debtor's alleged debt to Decibel in its entirety. Subsequent to that meeting, Mr. de la Canal sent a letter to Mr. Brass at JBSL confirming the above.

23. Mr. de la Canal gave CMG a short window to respond, and threatened that if CMG declined his proposal, he would "have no alternative but to withdraw cases" from the Debtor's "portfolio" and "reassign" them to a separate law firm over whose assets CMG would not have a lien. CMG is not aware of any mechanism under any agreement between the Debtor and Decibel or any other Mr. de la Canal-affiliated entity pursuant to which Mr. de la Canal or an entity affiliated with him could unilaterally void the Debtor's various contractual arrangements directly with clients or other law firms.

24. Despite these threats, CMG continued to engage with the Debtor and Mr. de la Canal and, in August 2025, Decibel and the Debtor revived the proposed merger contemplated by the Credit Agreement and circulated a proposal in writing to CMG. The proposal would form a new Texas limited liability company that would be co-owned, half by the Debtor and half by Mr. de la Canal (through another holding company). Yet again, this proposal required CMG to impair its rights under the loan documents and to advance additional funds to pay off the Debtor's alleged \$10 million debt to Decibel.

25. On the belief that the revised merger would occur, the parties agreed to a resolution whereby CMG agreed to modify the waterfall under the Credit Agreement to help pay the amount allegedly owed by Debtor to Decibel and the lenders advanced additional funds to the Debtor also to help pay down this alleged receivable. Notwithstanding this, after some back and forth, in October, CMG declined the proposal.

D. Debtor and Mr. de la Canal's Fraudulent Attempt to Subordinate CMG

26. In late 2024, Decibel, LLC sued the Debtor and Krause & Kinsman Group, LLP (“Krause & Kinsman”), a Referral Firm that the Debtor contracted with to pursue certain cases involving Zantac-related injuries, in Harris County District Court for the alleged \$10 million debt owed to Decibel, LLC under one of its service agreements with the Debtor. Decibel, LLC never served Debtor.

27. Instead, in August 2025, the parties, including Debtor, agreed to arbitrate their claims, although the proceeding did not advance until October 2025 and was not in accordance with the procedures contractually agreed to between the Debtor and Decibel, LLC – after CMG rejected the revised merger proposal. No notice of this proceeding was ever provided to CMG.

28. At the ad hoc private arbitration, Debtor put forward no defense resulting in a \$10 million award against only the Debtor, despite that fact the initial case and arbitration were also brought against Krause & Kinsman.

29. On December 1, 2025, Decibel, LLC obtained a final judgment from the Harris County District Court confirming the \$10 million arbitration award. Again, no notice of the awards was ever served on CMG.

30. Critically, nowhere in the public filings with the Harris County District Court did Decibel, LLC disclose either (a) the existence of the CMG secured loan and validly perfected lien on the Debtor's assets or (b) that it had in fact terminated and dissolved months before.

31. Armed with the final judgment for \$10 million, and after representing to CMG that Decibel, LLC did not intend to collect from the Debtor but instead from certain responsible third-parties, Mr. de la Canal and/or entities affiliated with him and the Debtor diverted CMG's collateral (which did not belong to the Debtor) to Mr. de la Canal and/or entities affiliated with him,

notwithstanding CMG's senior right to such funds. On March 6, 2026, Decibel, LLC filed an application for writ of garnishment seeking to garnish payments owed from Krause & Kinsman to the Debtor pursuant to a Referral Firm contract. There is no evidence that Decibel, LLC disclosed CMG's first-priority, perfected security interest during the garnishment proceedings and no notice of any of these events was provided to CMG.

32. On March 23, 2026, after Krause & Kinsman voluntarily submitted to the District Court's jurisdiction, the District Court granted Decibel, LLC's garnishment motion, and entered a final judgment in garnishment ordering Krause & Kinsman to transfer funds owed to Debtor to Decibel, LLC (the "Garnishment Order").

33. Krause & Kinsman then "complied" with the Garnishment Order by transferring to allegedly Decibel, LLC in two payments – one on March 27, 2026 and one on June 12, 2026 - funds that were not owed to the judgment debtor named in the Garnishment Order (the Debtor), but rather funds owed to GM LLP over which CMG holds a first-priority security interest under the Credit Agreement. CMG did not become aware of the Garnishment Order or the transfers by Krause & Kinsman until early June 2026 when CMG reached out to Krause & Kinsman as well as the Borrowers to inquire about the status of certain expected payments.

34. In short, the Debtor, certain non-debtor affiliates of the Debtor, Mr. Galindo, Mr. de la Canal, and certain affiliated entities engaged in a scheme to convert funds that properly belong to CMG. As a result, CMG has been engaged in litigation prior to the Petition Date with Decibel, LLC, Decibel Legal Services LLC, and Krause & Kinsman in the Business Court of Texas, Eleventh Division, in Harris County, Texas to recover such funds to be treated in accordance with the terms of the Credit Agreement.

E. **CMG and this Chapter 11 Case**

35. As a final step in their scheme, the Debtor and Mr. de la Canal engaged in negotiations over a binding restructuring term sheet (the “RTS”). Notwithstanding its status as the Debtor’s largest, and only secured, creditor, CMG was fully excluded from such negotiations. Instead, counsel for the Debtor sent the RTS to CMG’s counsel and indicated that if CMG did not make an unspecified proposal to the Debtor, the Debtor would promptly file for chapter 11 in order to implement the transactions laid out in the RTS.

36. As also demonstrated by the Petition filed by the Debtor, the RTS perpetuates the Debtor and Mr. de la Canal’s plan to disregard the Credit Agreement and Security Agreement and treat the CMG loan as an unsecured claim and demonstrates that the purpose of this Chapter 11 Case is to do nothing more than deal with the claim of CMG, which is a classic two-party dispute.⁵

37. Notwithstanding this, CMG made a counterproposal to the Debtor in the hopes of avoiding the instant Chapter 11 Case. CMG was and remains willing to discuss potential reasonable modifications to the terms of the Credit Agreement loans.

38. Based on the filing of this case and certain of the motions in connection therewith, it is clear the Debtor has no interest in negotiating with CMG based on its position as a valid secured creditor. As a result, CMG seeks to protect its rights as a secured creditor under the Credit Agreement, Security Agreement and related documents despite the efforts of the Debtor and Mr. de la Canal to deny such rights. Although CMG continues to hope a resolution can be found, it filed this Statement and the Adversary Proceeding to prepare the Court for a potential series of significant disputes if the Debtor refuses to recognize CMG’s status in this Chapter 11 Case. In that regard, CMG also intends to promptly move for the appointment of an operating trustee in order to ensure

⁵ There are numerous other deficiencies in the RTS that render the transactions contemplated therein unconfirmable. However, those are an issue for another day.

that a neutral third party can properly manage the Debtor's estates free from the control of Mr. de la Canal and the self-dealing of the Debtor, commence an adversary proceeding to recover CMG's collateral that was fraudulently transferred to Mr. de la Canal and/or entities controlled by him pre-petition, and move for a determination regarding Mr. de la Canal's insider status.

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Dated: August 26, 2026
Houston, Texas

Respectfully submitted,

/s/ Craig A. Stanfield

Craig Stanfield (TX Bar No. 24051371)

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Counsel to CMG Funding 2025 LLC

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