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COUNSEL FOR TRUSTEE

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
LUBBOCK DIVISION**

**IN RE:** §  
§  
**MICHAEL L. COX** § **CASE NO. 24-50037-RLJ-7**  
§  
**Debtor.** §

**MOTION TO COMPROMISE TRUSTEE’S OBJECTION TO  
DEBTOR’S CLAIMED EXEMPTIONS AND CLAIMS OF THE ESTATE**

Now comes Kent Ries, Trustee of this Chapter 7 bankruptcy estate, and files his Motion to Compromise Trustee’s Objection to Debtor’s Claimed Exemptions and Claims of the Estate, and requests this Court for an Order approving same, as follows:

1. Debtor filed for relief under Chapter 11 of the United States Bankruptcy Code on February 20, 2024, and converted to a Chapter 7 case on August 1, 2024. Kent Ries was subsequently appointed and qualified to serve as the Trustee over the bankruptcy estate.

***A. Homestead Exemption and Alleged Claims of the Estate***

2. The Trustee filed his Objection to Debtor’s Claimed Exemptions on November 20, 2024. Trustee’s objection related to the Debtor’s homestead exemption.

3. The Trustee objected to Debtor’s claim of exemptions under Bankruptcy Code Section 522(q) which has a statutory cap of \$189,050.00 if the Debtor violated federal or state securities laws. The Debtor’s homestead was scheduled with a value of \$560,000.00 and a lien of

approximately \$258,000.00, leaving an equity of approximately \$302,000.00. These amounts leave an amount of approximately \$113,000.00 as potentially property of the estate.

4. The issue of the Debtor's violation of security laws is part of Adversary Proceeding #24-5002. That matter is set for a status conference in March to set the trial.

5. On the Debtor's Schedules and Statement of Financial Affairs, the Debtor listed the establishment of three irrevocable trusts known as the Cox Vehicle Trust, the M&K Cox Family Trust, and the M&K Cox Investment Trust (collectively, the "Trusts"). The Trusts were settled by the Debtor and his wife as early as December of 2015.

6. The Trustee asserts that grounds may exist for the Estate to avoid the transfer of assets to the Trusts when they were settled in December of 2015. The Trustee might have to prove that the Debtor settled the Trusts with the actual intent to hinder, delay, or defraud his creditors at the time of their creation.

7. On the Debtor's Statement of Financial Affairs, the Debtor disclosed that he transferred his half interest in a townhome located at 5811 11<sup>th</sup> Place, Unit 16, Lubbock, Texas 79416 (the "Townhome") in August of 2023 to his daughter who was the co-owner of the Townhome.

8. The Trustee asserts that the transfer of the Debtor's half interest in the Townhome is avoidable as a fraudulent transfer. The Trustee asserts that the Debtor's daughter is not entitled to any equity in the Townhome. The Trustee further asserts that he has a right to sell the Townhome notwithstanding any ownership or equity the Debtor's daughter has in the Townhome.

9. The Debtor disputes that his homestead exemption is subject to any caps placed on it by § 522(q) of the Bankruptcy Code. The Debtor's spouse disputes that her homestead rights can be disregarded. The Debtor and the Independent Trustee of the Trusts dispute all grounds that the

Trustee can claw back into the estate property owned by the Trusts. The Debtor and the Debtor's daughter dispute that the Trustee can sell the Townhome without her consent and, to the extent the Trustee can sell the Townhome, that she is not entitled to half of the sales proceeds after paying any liens against the Townhome.

10. To avoid the transfer of any property by the Debtor to the Trusts, the Trustee would have to file an adversary proceeding. The named defendant would be the Independent Trustee and any other trustees of the Trusts.

11. To avoid the transfer of the Debtor's ½ interest in the Townhome, the Trustee would have to file an adversary proceeding. The named defendant would be the Debtor's daughter, Madelyn Cox (the "Daughter"). Likewise, to sell the Townhome without the Daughter's consent, the Trustee would have to file an adversary proceeding.

12. As more fully set forth herein, to avoid the extensive litigation necessary to impose the cap on the Debtor's claimed homestead exemption, to bring a claim to avoid any transfers to the Trusts, to avoid the transfer of the Debtor's ½ interest in the Townhome, and to sell the Townhome without the Daughter's consent, the Trustee has negotiated a settlement with the Debtor, the Debtor's spouse, the Daughter, and the Independent Trustee of the Trusts. The Debtor, the Debtor's spouse, the Daughter, the Independent Trustee of the Trusts, and the Trustee may be referred to hereafter as a "Party" or collectively as the "Parties."

***B. The Settlement***

13. The settlement between Parties, subject to this Court's approval, provides as follows:

- a. The Debtor, Debtor's spouse, the Daughter, and any other party necessary to deliver marketable title to 5811 11<sup>th</sup> Place, Unit 16, Lubbock, Texas,

79416 will sign a warranty deed to the bankruptcy estate. The Townhome is valued by the Lubbock County Appraisal District at approximately \$230,000.00 and has a lien debt of approximately \$140,000.00. The Townhome was purchased by the Debtor and his daughter on August 14, 2020. The Townhome was later deeded to the Debtor's daughter on August 14, 2023. Under this settlement the bankruptcy estate will receive a 100% ownership interest in the Townhome. Further, the Townhome mortgage debt will be paid current so that the estate has time to recover the full equity in the Townhome. Beyond delivering marketable title, the Debtor will assure the estate that the Townhouse is in marketable condition with all fixtures and appliances present and in working order.

b. The Independent Trustee, in contemplation of litigation by the Trustee, will deliver to the bankruptcy estate the following assets from Cox Vehicle Trust:

1. 2012 Tracker Boat valued at \$6,000.00.

The Cox Vehicle Trust will retain the following assets:

1. 2017 BMW x1 valued at \$17,500.00
2. 2010 Ranger Boat valued at \$44,000.00
3. 2025 Toyota Tundra valued at \$45,000.00
4. 2014 Bad Boy Buggie valued at \$2,000.00

c. The Independent Trustee, in contemplation of litigation by the Trustee, will deliver to the bankruptcy estate the following assets from the M&K Cox Family Trust;

1. 200 ounces of silver bars valued at \$7,000.00.
2. Multiple firearms estimated valued at \$3,000.00

3. Madera Jefferson Quad stock valued (sale in process) at \$125,000.00.
4. Madera Quest stock valued at \$57,000.00.
5. AAC Holdings (interest in WO Metroplex, Ltd., which operates a Walk Ons restaurant); initial investment \$250,000, partial pay back of \$200,000, \$50,000 remaining.
6. MLC Financial Inc. valued at an unknown amount. This entity was the Debtor's primary operating business.

The M&K Cox Family Trust will retain the following assets:

1. Peoples bank account valued at approximately \$1,300.00.
  2. Jewelry, furniture, estimated valued at 9,000.00.
  3. 2 rifles inherited from grandfather valued at 3,000.00.
  4. Aquasmart Enterprises valued at a minimal amount.
  5. Transition Industries valued at a minimal amount.
  6. Multiple life insurance policies on third parties with highly speculative values above premiums due.
- d. The Independent Trustee, in contemplation of litigation by the Trustee, will deliver to the bankruptcy estate the following assets from the M&K Cox Investment Trust;
1. MCKC Services LLC valued at an unknown amount. This entity is believed to own 50% of the Ferrum companies where multiple claims may exist against third parties.
- e. The Debtor and the Debtor's spouse, to the extent necessary, will deliver to the bankruptcy estate the following assets:
1. MKMH Interests, LLC valued at an unknown amount. This entity may have claims against third parties.
  2. MLC-SPV, LLC valued at an unknown amount. This entity may have claims against third parties.
- f. In exchange for the assets described above, the Trustee, on behalf of the bankruptcy estate and its creditors,
1. will dismiss the homestead exemption objection with prejudice. The dismissal will be binding on the parties to the case, including those who have filed similar objections. The Order approving this compromise will allow the

- Debtor's claimed homestead exemption in full under the Texas Constitution and Texas Property Code § 41.001.
2. releases the Trusts from any and all causes of action the bankruptcy estate could have brought against the Trusts.
  3. releases Madelyn Cox from any and all liability she may have arising out of the transfer by the Debtor of his ½ interest in the Townhome.

***C. Business Judgment for Settlement***

14. Substantial negotiations have occurred during this contested matter, including discovery on the assets in the Trusts, entities controlled by the Debtor and his family members, and the Townhome. To attempt to recover for the estate the assets to be obtained through the settlement, the Trustee would have to continue to pursue his objection to the Debtor's homestead exemption, commence an adversary proceeding to avoid the Debtor's ½ interest transferred to his Daughter, commence an adversary proceeding to sell the Townhome without the Daughter's consent and to acquire her equity in the Townhome, and commence an adversary proceeding to avoid transfers made by the Debtor and his spouse to the Trusts when formed in 2015.

15. The legal and factual issues involved in all of the potential litigation will require extensive discovery. Questions of fact and/or law still exist regarding the Debtor's homestead value, the underlying claims against the Debtor to impose the homestead cap, the defenses the Debtor has asserted to the homestead cap, the Daughter's equity in the Townhome, and the potential recovery by the estate of the assets in the Trusts.

16. Further the estate will incur significant legal expenses in bringing up to three new adversary proceedings and continuing the homestead exemption litigation. With respect to any litigation against the Trusts, the assets of the Trusts may be liquidated and used by the Independent Trustee to fund its defense of the adversary proceeding. This only further reduces

the estate's recovery in any litigation against the Trusts. All of these issues and uncertainties led to the above settlement.

17. Neither the Trustee nor the Debtor are releasing each other as a general matter. This settlement is intended to encompass all the Parties' issues relating to the Debtor's homestead, the Townhome, and the Trusts. This settlement does not cover other non-exempt assets of the Debtor or any unscheduled assets.

18. The Trustee asserts that this settlement as to the Debtor's homestead exemption preempts any other parties' homestead exemption objection. This includes the objections in Adversary Proceedings #24-5002 and 24-5006.

19. The Debtor recognizes his duties under the bankruptcy code generally, and in Section 521 specifically, to cooperate with the Trustee in performing his duties, including liquidating estate assets. This includes providing the Trustee with any books, records, tax returns, and other documents relating to property of the estate. The assets being assigned to this bankruptcy estate include numerous entities and properties where such documents will be invaluable to the Trustee maximizing the value of such assets.

20. This Motion is intended by the parties to be a pleading and a settlement agreement. If the Motion is approved by this Court, the parties stipulate and agree that this Court has the sole jurisdiction and venue on any dispute the parties have regarding the settlement in this Motion. Further, the parties stipulate and agree that this Court can avail itself to any contract, tort, equitable or other remedies in its resolution, including this Court's contempt power.

***D. Conclusion***

21. Based on the risk and cost of litigating the contested matter regarding the Debtor's homestead exemption and the above-described adversary proceedings to recover assets, the Trustee believes it is in the best interest of the Estate to settle this matter consistent with the terms above. The range of outcomes includes the Debtor being allowed to retain as exempt the homestead if no security violations occurred, or if the homestead value is insufficient for Section 522(q) to have any potential effect. Further, the Townhome is subject to ownership claims of the Debtor's daughter, and the statutory defenses available in any fraudulent transfer litigation to recover this property. Finally, the Trusts are all controlled by non-debtor parties who will assert defenses to any claims the transfers were done with actual intent to hinder, delay, or defraud creditors, and dispute the turnover of any assets. Those parties will be able to use the trust assets to litigate their matter, essentially forcing the Trustee to pay both sides of the litigation. On the other hand, this settlement results in a fair allocation of costs of litigation, risks of litigation, and potential outcomes of litigation.

WHEREFORE the Trustee respectfully requests the Court approve the Parties' settlement of this matter and for such other and further relief, which the parties are entitled.

Respectfully submitted,

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By: /s/ Kent Ries

Kent Ries  
State Bar No. 1691450

COUNSEL FOR TRUSTEE



**NOTICE OF RESPONSE REQUIRED**

**NO HEARING WILL BE CONDUCTED HEREON UNLESS A WRITTEN RESPONSE IS FILED WITH THE CLERK OF THE UNITED STATES BANKRUPTCY COURT AT 1205 TEXAS AVENUE, SUITE 306, LUBBOCK, TEXAS 79401, BEFORE CLOSE OF BUSINESS ON MARCH 19, 2025, WHICH IS AT LEAST 21 DAYS FROM THE DATE OF SERVICE HEREOF.**

**ANY RESPONSE MUST BE IN WRITING AND FILED WITH THE CLERK, AND A COPY MUST BE SERVED UPON COUNSEL FOR THE MOVING PARTY PRIOR TO THE DATE AND TIME SET FORTH HEREIN. IF A RESPONSE IS FILED A HEARING WILL BE HELD WITH NOTICE ONLY TO THE OBJECTING PARTY.**

**IF NO HEARING ON SUCH NOTICE OR MOTION IS TIMELY REQUESTED, THE RELIEF REQUESTED SHALL BE DEEMED TO BE UNOPPOSED, AND THE COURT MAY ENTER AN ORDER GRANTING THE RELIEF SOUGHT OR THE NOTICED ACTION MAY BE TAKEN.**

**CERTIFICATE OF SERVICE**

I hereby certify that on the 25<sup>th</sup> day of February 2025, a true and correct copy of the above and foregoing document was sent electronically via ECF or mailed via regular mail in the United States mail by the 26<sup>th</sup> day of February 2025, postage prepaid, to the parties listed on the matrix attached to the concurrently filed motion.

/s/ Kent Ries

Kent Ries