

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
ABERDEEN DIVISION**

In re:

JOHN COLEMAN,

Debtor.

Case No. 21-11833-SDM

Chapter 11

REPORT OF CHAPTER 11 EXAMINER ALBERT ALTRO

Dated: October 28, 2022.

Respectfully submitted,

CHAPTER 11 EXAMINER ALBERT ALTRO

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COMES NOW, through undersigned counsel, Albert Altro, CPA, CIRA, Managing Director of Traverse LLC, and court-appointed examiner (the “Examiner”) for the Chapter 11 bankruptcy case styled *In re John Coleman*, No. 21-11833 (Bankr. N.D. Miss.) (the “Coleman Case”), and submits this, the Report of Chapter 11 Examiner Albert Altro (the “Report”).

I. Introduction and Background

The Coleman Case was commenced on September 29, 2021.¹ As reflected in filings in UMB Bank’s adversary proceeding against Mr. Coleman, the Coleman Case originates in part from certain commitments John Coleman made to creditors of Express Grain Terminals, LLC, Express Biodiesel, LLC, and Express Processing, LLC (collectively “EGT”).² EGT filed the Chapter 11 petitions on September 29, 2021 in the United States Bankruptcy Court for the Northern District of Mississippi, all of which are being jointly administered by the Court. *See generally In re Express Grain Terminals, LLC*, Case No. 21-11832 (Bankr. N.D. Miss.) (the “EGT Case”).³ Mr. Coleman held the executive position of president of EGT.⁴ Both Mr. Coleman and EGT are represented by Craig M. Geno, Esq. and the Law Offices of Craig M. Geno, PLLC.⁵

¹ Coleman Case Dkt. # 1.

² *See generally UMB Bank, N.A. v. John Coleman*, Adv. Proc. No. 22-01001-SDM (Bankr. N.D. Miss.) Dkt. ## 1, 19.

³ EGT Case Dkt. #1.

⁴ *See UMB Bank, N.A. v. John Coleman*, Adv. Proc. No. 22-01001-SDM (Bankr. N.D. Miss.) Dkt. ## 1 at 2, 19.

⁵ *See generally* Coleman Case Dkt. and EGT Case Dkt.

A. Background of EGT

As reflected in filings by EGT in the EGT Case, EGT's main areas of business include handling corn and soybeans as well as manufacturing soybean oil and biodiesel with byproducts consisting of soybean meal and feed.⁶ EGT is structured as an LLC with John Coleman acting as president.⁷ As reflected in the Examiner's review of the audit workpapers, discussed further in Section II(C) of this Report, performance in recent years has reflected losses while also showing large growth in assets. As further reflected in the audit workpapers, in 2013, EGT doubled their storage capacity and tripled their drying capacity.

Moreover, the Examiner's review of the audit workpapers revealed that in the fall of 2015, EGT acquired the assets of an oil seed mill in Greenwood, Mississippi and expanded its line of operations in fiscal year 2017 by converting the Greenwood oil seed mill location to a soybean processing facility. In 2018, Express Biodiesel was formed in connection with EGT's New Markets Tax Credits Financing. EGT obtains their debt financing by maintaining a line of credit with a financial institution.

Based on his review of filings in the EGT Case and Coleman Case, the audit workpapers, and general reporting from the press, it is the Examiner's understanding that EGT originates grain from producers at three locations in central Mississippi and ships corn by truck and rail to markets in Mississippi and Alabama and to exporters on the Gulf Coast.⁸ It is also the Examiner's understanding that EGT processes soybeans by

⁶ EGT Case Dkt. # 3001 at 7-8.

⁷ See *UMB Bank, N.A. v. John Coleman*, Adv. Proc. No. 22-01001-SDM (Bankr. N.D. Miss.) Dkt. ## 1 at 2, 19.

⁸ See generally EGT Case Dkt. # 1767 at 5.

extracting their oil—some of which is further processed into biodiesel on site or sold to animal feed producers or other biodiesel plants—and the soybean meal and hulls are fed to area poultry, catfish, swine, and cattle.

At the time of EGT's Chapter 11 filing, EGT operated an oil mill and biodiesel facility in Greenwood, Mississippi.⁹ The filing listed assets and debts between \$50 million to \$100 million.¹⁰ EGT reported \$69.6 million in senior secured debt at the time of the Chapter 11 filing.¹¹ As reflected by pleadings, a subsequent entry of default, and the Court's order granting default judgment in the separate adversary proceeding initiated against Mr. Coleman by UMB Bank, the senior secured debt was personally guaranteed by Mr. Coleman.¹² Mr. Coleman reported \$68.9 million of debt at the time of the filing of the Coleman Case.¹³

B. Factors Leading to the Examiner's Appointment

On January 12, 2022, the Court entered an order denying John Coleman's *Motion to Dismiss*¹⁴ and appointing an examiner pursuant to 11 U.S.C. § 1104(c) (the "Appointment Order").¹⁵ The Appointment Order contemplates the Examiner conducting an "investigation pursuant to § 1104(c) of [John Coleman], his assets, any and all payments made on behalf of [John Coleman] prepetition, and any other potential

⁹ EGT Case Dkt. # 3001 at 7-8.

¹⁰ EGT Case Dkt. # 1 at 3-4.

¹¹ EGT Case Dkt. # 979 at 2.

¹² See *UMB Bank, N.A. v. John Coleman*, Adv. Proc. No. 22-01001-SDM (Bankr. N.D. Miss.) Dkt. ## 1 at 2-5, 19.

¹³ Coleman Case Dkt. # 60 at 2.

¹⁴ Coleman Case Dkt. # 66.

¹⁵ Coleman Case Dkt. # 94.

transfer of assets by [John Coleman] or on his behalf.”¹⁶ Further, “the examiner shall conduct an investigation as is appropriate considering the actions and conduct of [John Coleman] prepetition and postpetition.”¹⁷

Some of the factors leading to the Examiner’s appointment include the following:

1. certain matters that were uncovered and assertions made in the EGT Case, including:
 - a. submission of falsified audited financial statements to the State of Mississippi Department of Agriculture;
 - b. submission of falsified audited financial statements to UMB Bank; and
 - c. submission of falsified audited financial statements to the Mississippi Development Authority;
2. the Office of the United States Trustee was not successful in forming a committee of unsecured creditors, which would have been able to, in a more-timely manner, investigate matters in both the EGT Case and the Coleman Case, and which also could have further explored matters related to Mr. Coleman’s assets and liabilities;
3. the public good that an investigation would provide given the financial and emotional impact to the community as a result of the failure of EGT as a business; and
4. a need for forensic accounting expertise to conduct an investigation.

II. Examination of John Coleman

On January 31, 2022, the Office of the United States Trustee, Region V (the “UST”) selected Albert Altro, CPA, CIRA and founding member of Traverse, LLC, to serve as the examiner in the Coleman Case.¹⁸ On February 2, 2022, the Court entered an order approving the appointment of the Examiner.¹⁹

¹⁶ Coleman Case Dkt. # 94.

¹⁷ Coleman Case Dkt. # 94 at 7.

¹⁸ Coleman Case Dkt. # 101.

¹⁹ Coleman Case Dkt. # 106.

A. Section 341 Meeting of Creditors

On November 10, 2021, Mr. Coleman submitted a Statement of Financial Affairs and a Schedule of Assets and Liabilities²⁰ (see Exhibits 5 & 6). On March 29, 2022, the UST conducted a telephonic meeting of the creditors pursuant to 11 U.S.C. § 341 which was supervised by Abigail M. Marbury, Esq.²¹ Present at the meeting were Mr. Coleman and his counsel, Craig Geno, Esq. Also present at the meeting were the Examiner and counsel for the Examiner. Mr. Coleman was sworn in by Ms. Marbury who, in the course of her examination of Mr. Coleman, uncovered certain reporting discrepancies. Ms. Marbury requested that Mr. Coleman submit amended schedules and statements. Mr. Coleman and Mr. Geno agreed to file amended documents and did so on May 5, 2022²² (see Exhibits 7 & 8).

The amended schedules filed by Mr. Coleman reflect a number of other legal and operating entities owned by Mr. Coleman (see Exhibit 8). The Examiner requested additional documents from Mr. Coleman related to these entities.

B. Interest Data Room Access

For purposes of this examination, the Examiner was not permitted access to the documents, information, and materials located within the Interest Data Room established

²⁰ Coleman Case Dkt. ## 59, 60.

²¹ Coleman Case Dkt. # 157. Multiple previous Section 341 meetings of creditors were set and continued due to the failure of Mr. Coleman to appear. *See* Coleman Case Dkt. ## 24, 73, 105, 140. The UST filed a motion to compel Mr. Coleman's appearance at the continued meeting of creditors, which the Court granted. *See* Coleman Case Dkt. ## 138, 149. Mr. Coleman did then appear and participate in the meeting of creditors held on March 29, 2022. *See* Coleman Case Dkt. ## 152, 157.

²² Coleman Case Dkt. ## 171, 172.

in the EGT Case pursuant to the Court's *Protective Order* and *Amended Section 557 Procedures – Phase 2 Scheduling Order*.²³

C. Interview of EGT Auditors

On May 12, 2022, the Examiner conducted a site visit to Ridgeland, Mississippi to meet with the auditors of Express Grain Terminals and review the working papers supporting the audit of EGT. Representing the audit firm, Horne LLP, was Joe Green, audit partner, and Mary Clay Morgan, Esq., general counsel.

A review of the audit reports and schedules, financial statements, and workpapers, as well as an inquiry of and discussion with Mr. Green, revealed a lender extending significant amounts of credit and additional borrowing for the construction of a biodiesel facility located at 2015 River Road Ext, Greenwood, Mississippi. Contractors and subcontractors on the projects received significant disbursements from EGT (as evidenced by the schedule reflected in Exhibit 3).²⁴

The Examiner discussed the audit reports issued and the banking relationship between EGT and UMB Bank with Mr. Green. It should be noted that Mr. Green recognized that EGT continued to receive extensions of credit by UMB Bank even as EGT's financial performance and financial position deteriorated. It also came to the

²³ EGT Case Dkt. ## 1801, 1800 at 13. The Examiner sought permission to access selected documents and materials located within the Interest Data Room by his *Motion for Access to Interest Data Room* (EGT Case Dkt. # 2641), which was denied by the Court (EGT Case Dkt. # 2694).

²⁴ As reflected in Exhibit 3 to this Report, the contractors and subcontractors are referred to by number (Contractor 1, Contractor 2, etc.). The names of the contractors and subcontractors were withheld from Exhibit 3 due to the public filing of this Report in the Coleman Case. Parties wishing to obtain the names of the referenced contractors and/or subcontractors may request the same by contacting the Examiner through undersigned counsel.

Examiner's attention that the bank officer from UMB Bank was Mark Reinert, Senior Vice President for Food and Agribusiness at UMB Bank, who was principally responsible for the extensions of credit to EGT from August 2014 to April 2021. Mr. Reinert was the principal UMB Bank officer who signed the majority of the loans, revolving notes, and other documents that resulted in the financing of EGT's \$71 million debt to UMB Bank.

D. Records Seized by the FBI

On February 24, 2022 the Federal Bureau of Investigation ("FBI") seized certain records of Mr. Coleman and EGT. On June 7, 2022, following a telephonic hearing on the Examiner's *Motion to Clarify Order Appointing Examiner*²⁵ and a status conference regarding the submission of a proposed order granting the same on June 3, 2022, the Court entered its *Order Granting Examiner's Motion to Clarify Order Appointing Examiner*,²⁶ thus granting the Examiner's request for clarification of the Appointment Order and providing that each of the following categories of documents in the possession of the FBI and/or the United States Attorney's Office for the Northern District of Mississippi were within the Examiner's authority to review and copy and were relevant to his examination in the Coleman Case pursuant to 11 U.S.C. §§ 1104 & 1106:

Documents Seized from EGT for the period January 1, 2018 – September 29, 2021

- Detailed general ledger of Express Grain Terminals, LLC's cash disbursements;
- Payroll records pertaining to all members of John Coleman's family employed by and/or compensated by Express Grain Terminals, LLC;
- Payroll records for all personnel on the executive team of and/or in management at Express Grain Terminals, LLC;

²⁵ Coleman Case Docket # 161.

²⁶ Coleman Case Docket # 198.

- Payroll records for all personnel in the IT Department of Express Grain Terminals, LLC;
- Detailed records, including check registers, of disbursements to all vendors and consultants, to include independent contractors, providing services to Express Grain Terminals, LLC;
- Engagement letters for all consultants (including independent contractors) providing services to Express Grain Terminals, LLC;
- Organizational structure, including names of personnel, of Express Grain Terminals, LLC's IT Department;
- Organizational structure, including names of personnel, of Express Grain Terminals, LLC's Accounting Group/Department, including but not limited to personnel with position titles including Accounting Manager, Supervisor, Finance Director, Controller, Vice President, and Chief Financial Officer; and
- Organizational structure, including names of personnel, of Express Grain Terminals, LLC's Finance Group/Department, including but not limited to personnel with position titles including Finance Director, Budget Manager, Director of Financial Planning & Analysis, and Analyst.

Documents seized from Mr. Coleman for the period January 1, 2018 – September 29, 2021

- Monthly bank statements for the Regions Bank checking account listed on line 17.1 of John Coleman's bankruptcy schedules;
- All monthly credit card statements for both open and closed accounts created by or on behalf of, or maintained by or on behalf of, John Coleman;
- All financial statements for Big Sand Properties, LLC (if none exist for the time period above, then the most recent financial statements available for Big Sand Properties, LLC);
- Detailed general ledger for Big Sand Properties, LLC in Excel format (if no ledger exists for the time period above, then a detailed general ledger for Big Sand Properties, LLC representing the company's last full year of activity);
- Monthly bank statements for Big Sand Properties, LLC (if none exist for the time period above, then the last full year of monthly bank statements for Big Sand Properties, LLC);
- Financial statements for Connected Medical Systems, LLC (if none exist for the time period above, then the most recent available set of Connected Medical Systems, LLC's financial statements);

- Detailed general ledger for Connected Medical Systems, LLC in Excel format (if no ledger exists for the time period above, then a detailed general ledger for Connected Medical Systems, LLC representing the company's last full year of activity);
- Monthly bank statements for Connected Medical Systems, LLC (if none exist for the time period above, then the last full year of monthly bank statements for Connected Medical Systems, LLC);
- Detailed list of all cryptocurrency accounts, wallets, and/or brokerage accounts representing an interest in cryptocurrency owned by John Coleman, whether open or closed; and
- Statements for any and all cryptocurrency accounts, wallets, and/or brokerage accounts representing an interest owned by John Coleman, whether open or closed.

On June 10, 2022, by agreement reached by and between the Examiner upon request to the United States Attorney's Office for the Northern District of Mississippi, an order was entered by the United States District Court for the Northern District of Mississippi granting the Examiner access to certain files and records seized by the FBI for purposes of the examination. The Examiner commenced review of such documents and records on July 12, 2022, at the Office of the United States Attorney for the Northern District of Mississippi in Oxford, Mississippi. Consistent with direction from the Court, the Examiner provided the Court a preliminary assessment concerning the physical state, organization, and extent of the documents and records, and an estimated timeline for completion of review of key portions of the same, and proceeded with review of selected documents and records after approval by the Court. The Examiner and his team completed their initial review on July 14, 2022.

The documents were generally sealed by evidence tape, in evidence bags, or were sealed with evidence tape in banker boxes. The Examiner accessed the documents and cataloged them as reflected in Exhibit 4. The Examiner reviewed three banker boxes

comprising the EGT bank statements and bank reconciliation. Additionally, the Examiner made copies of and reviewed the UMB Bank statements contained within the documents and records, noting that disbursements appeared from that sample to be routine in nature. The Examiner further noted from his review significant disbursements to contractors purportedly in connection with the construction of the biodiesel facility.

E. Review of Statements Provided by Mr. Coleman

A review of Mr. Coleman's bank statements for the Regions Bank account ending in 8491 under the name Big Sands Property from January 2018 through February 2020 did not yield information that led the Examiner to believe there was value or assets in this Big Sands Property. However, the name on the bank statements for this account changed to "The Crew LLC" from March 2020 through October 2021. The Crew LLC was not listed on Mr. Coleman's bankruptcy schedules. Additionally, a review of Account 8491 revealed several transfers both to and from EGT for a net amount of \$135,000 sent to EGT. Substantially all of these transfers were between EGT and The Crew LLC.

A review of the Regions Bank account ending in 2630 named "John Coleman or Jennifer Coleman" from January 2018 through October 2021 reflected disbursements to John Coleman from EGT of \$645,454 into account 2630. For fiscal year 2018 the amount was \$114,438; for fiscal year 2019 the amount was \$133,522; for fiscal year 2020 the amount was \$183,841; and for the ten months in fiscal year 2021 the amount was \$213,653. These transfers appear routine for both salary and expense reimbursement; however, the Examiner was not provided a reconciliation for expense reimbursement and therefore

was unable to confirm the exact amount related to salary or expense reimbursement, except for the amounts reported on the tax returns for 2018 and 2019. Further reconciliation of these disbursements may be warranted.

There were several transfers to and from a commodity trading account with R.J. O'Brien with a net amount of \$379,247. The majority of the activity was confined to the Colemans' Regions Bank account ending 2630. There was minimal activity between The Crew LLC, with the net transfers to the R.J. O'Brien account in the amount of \$10,430.

The Examiner did not receive copies of the cleared checks noted on the bank statements and therefore was unable to determine to whom the checks were written. Further, deposit tickets were not provided so there was no way to determine from whom the deposits originated.

Mr. Coleman represented that he opened cryptocurrency accounts with Coinbase, Jaxx Wallet, MEW Wallet, Binance, and Polinex. The account transaction statements for the Coinbase account were provided for January 2019 through December 2021. On January 15, 2021, the entire balance of \$33,867 was transferred out of the account. For the Jaxx Wallet account, a screenshot was provided showing a zero balance. There was no way to determine from the screenshot when it was taken or the account it was for. For the MEW Wallet account, a screenshot was provided showing a balance of \$926. There was no way to determine from the screenshot when it was taken or the account it was for. No information was provided for the Binance or Polinex accounts.

The Examiner requested statements for the Jaxx Wallet, MEW Wallet, Binance, and Polinex accounts but has not received any supporting statements to date. Mr. Coleman

represented through counsel either that these statements did not exist or that Mr. Coleman did not have access to electronic or paper statements.

F. Review of Mr. Coleman's 2018 & 2019 Federal and State Tax Returns

The Examiner reviewed Mr. Coleman's federal and state tax returns for 2018 and 2019. Mr. Coleman included the following in his federal and state tax returns:

2018 tax return:

- 1) Taxpayer received \$134,077 in wages from Express Grain Terminals, LLC;
- 2) Interest income was \$3,245;
- 3) Dividend income was \$201;
- 4) Taxpayer sold a rental property at a capital loss of \$21,244. Because capital loss can only be used to offset capital gain, taxpayer was only able to recognize a capital loss of \$3,000;
- 5) Taxpayer recognized losses passed through from his partnership interest in Express Grain Terminals LLC for \$46,626;
- 6) Taxpayer recognized loss of \$3,759 from the rental property at 709 W President, Greenwood, MS 38930;
- 7) Adjusted gross income was \$83,912. Taxpayer reduced this amount by \$24,000 (standard deduction) and taxable income was \$59,912;
- 8) Federal tax liability was \$6,786 and taxpayer reduced this amount by \$4,800 of child tax credit. Net tax liability was \$1,986; and
- 9) Mississippi taxable income was \$81,052 and tax liability was \$3,873.

2019 tax return:

- 1) Taxpayer received \$144,100 in wages from Express Grain Terminals, LLC;
- 2) Interest income was \$3,033;
- 3) Dividend income was \$100;
- 4) Taxpayer recognized \$133,777 gain upon the receipt of Form 1099-B from R.J. O'Brien. Form 1099-B is generated whenever sales proceeds are received by a payee. This gain was reported on Form 6781 which is for reporting gains from the sale of Section 1256 Contracts and Straddles;
- 5) Taxpayer reduced capital gains by \$13,804 of capital loss carryovers from prior years;
- 6) Taxpayer recognized losses passed through from his partnership interest in Express Grain Terminals, LLC for \$179,203;

- 7) Adjusted gross income was \$87,987. Taxpayer reduced this amount by \$24,400 (standard deduction) and taxable income was \$63,587;
- 8) Federal tax liability was \$0 per Form 1040; and
- 9) Mississippi taxable income was \$221,994 and tax liability was \$10,680.

The Examiner was ultimately able to obtain a copy of Mr. Coleman's tax return for tax year 2020 just prior to his finalizing of this Report. It is the determination of the Examiner upon preliminary assessment that the newly obtained return does not appear to present new or otherwise contradictory information from that presented by other documents and records obtained and analyzed by the Examiner and his team during the examination discussed at length in this Report. The Examiner was not able to obtain a copy of tax documents for tax year 2021. As a result of the analysis by the Examiner and his team of tax returns and associated documents for tax years 2018 and 2019, the Examiner requested additional statements for the R.J. O'Brien account. Mr. Coleman did not provide the requested statements to the Examiner.

III. Scope Limitations

The following circumstances limited the scope of the Examiner's review and this Report:

1. On January 31, 2022, a protective order was entered by the United States Bankruptcy Court for the Northern District of Mississippi.²⁷ The protective order prevented the Examiner's access to certain information contained in the Interest Data Room, including a transcript of a deposition of Blake Magee, former comptroller of EGT, conducted by Bank of Commerce and First South Farm Credit.²⁸

²⁷ EGT Case Dkt. # 1801.

²⁸ The Examiner requested the deposition transcript of Mr. Magee be provided voluntarily by counsel for Bank of Commerce and First South Farm Credit, but such agreement was not secured due to the Court's existing protective order.

2. On February 24, 2022, the FBI seized certain records and electronic files from Mr. Coleman and EGT. The paper records were made available to the Examiner at the Office of the US Attorney in Oxford, MS. The extent of those records is provided at Exhibit 4. The electronic records were not made available at the time of the Examiner's inspection occurring between July 12 and July 14, 2022.
3. The Examiner did not receive a tax return from Mr. Coleman for tax year 2021, and he received a tax return for tax year 2020 only just prior to finalizing of this Report by the Examiner. The Examiner did not receive various documents as discussed in Section II(E) including but not limited to certain statements for the Jaxx Wallet, MEW Wallet, Binance, and Polinex accounts, which statements Mr. Coleman represented no longer exist or are not in his possession.
4. The Examiner did not receive certain general ledgers for the incorporated entities listed in the statement of financial affairs. Mr. Coleman by and through counsel represented such statements either no longer existed or were not in his possession.
5. The Examiner was not provided the statements related to what appears to be a trading account for Mr. Coleman at R.J. O'Brien.
6. The Examiner was not provided access to transcripts of any depositions taken of key EGT accounting executives and other parties on significant accounting and financial events related to the matters within the scope of this examination.
7. The Examiner was not provided an opportunity to interview the various accounting executives of EGT.
8. Consistent with the Court's repeated directives to ensure that all endeavors were taken to give specific attention to the time and cost efficiencies in every aspect of this examination for purposes of protecting and preserving the limited, currently available resources of the Bankruptcy Estate of Mr. Coleman, the Examiner and his team took all measures at every stage in conducting this examination and in preparation of this Report to minimize costs.²⁹

²⁹ The Court expressed during multiple hearings, including but not limited to the hearings held on Mr. Coleman's *Motion to Dismiss* (Coleman Case Dkt. # 66), the Examiner's *Motion for Access to Interest Data Room* (EGT Case Dkt. # 2641), and the Examiner's *Motion to Clarify Order Appointing Examiner* (Coleman Case Dkt. # 161), its desire for the Examiner to remain mindful of time and costs during his Examination.

IV. Findings and Conclusions

The scope of the examination was narrowly focused on Mr. Coleman's assets and sources of income as reported to the United States Bankruptcy Court for the Northern District of Mississippi and the UST. After an extensive review of documents, including documents and records obtained by and/or made available to the Examiner and his team as noted above, as well as selected documents and records filed in the Coleman Case, the Examiner and his team report that all confirmed assets and interests held by Mr. Coleman which were previously unreported by Mr. Coleman in his filings in this Court appear to have later been disclosed by Mr. Coleman in his amended filings made as a result of the questioning during the Section 341 meeting of creditors, except as indicated further below and discussed herein.

The Examiner and his team have found indications that the title to and/or ownership rights of certain proprietary software utilized by EGT and purportedly created by Mr. Coleman may be unresolved. Further analysis and/or investigation is recommended.

The individual "trading" account with R.J. O'Brien noted based upon analysis of the 2018 tax return appears to present a potential conflict of interest for R.J. O'Brien and Mr. Coleman as R.J. O'Brien appears to have been also providing services to and for the benefit of EGT. An operating account held by Mr. Coleman with a creditor of EGT presents conditions ripe for potential fraudulent and/or otherwise potentially avoidable transfers. Further analysis and/or investigation is recommended.

During the Section 341 meeting of creditors, Mr. Coleman represented that the legal entities listed on the schedules were entities that were substantially non-operating. Mr. Coleman was not able to provide routine general ledgers and financial statements for these entities during the period in which the entities may have been in operation. Mr. Coleman represented that there was minimal accounting and record-keeping for these entities. The filings indicated that some of Mr. Coleman's start-up companies were for software development or Software as a Service (SAS). Mr. Coleman indicated that he has a software development background and that he developed certain proprietary software used by EGT. The Examiner pursued a line of inquiry with Mr. Coleman as to the origins of the EGT software in order to establish ownership of the software. Mr. Coleman's counsel, Mr. Geno, interrupted this line of inquiry, representing that the software was sold in the 11 U.S.C. § 363 sale pursuant to UMB Bank's credit bid. Mr. Geno prevented the Examiner from completing this aspect of the examination. There is an appearance of a conflict in interest where Mr. Geno represents two estates that could potentially have a claim to title of the same asset. The matter of title to the software transferred in the sale of assets to UMB Bank may not settled.

Further, in light of the falsification of the audit financial statements submitted to the Mississippi Department of Agriculture and UMB Bank, the Examiner determined that it would be prudent to expand the inquiry and analysis into EGT disbursements. The Examiner and his team asked themselves, what was the objective of Mr. Coleman's duplicitous courses of action? Were the actions intended to simply "buy time" in the

hope that the economics of the business model would turn favorable, or was there an effort to create additional sources of unreported income?

The Examiner reviewed certain documents, including EGT's bank statements. Those statements did not reflect amounts out of the ordinary that were transferred to Mr. Coleman and appeared to be for salary or expense reimbursement. The amounts are consistent with expectations regarding Mr. Coleman's compensation and reimbursement of company-related expenses. The tax returns for the years 2018 and 2019 filed by Mr. Coleman were consistent with these disbursements. However, the Examiner was not provided a reconciliation of the expense reimbursements and therefore was not able to reconcile the total amounts per the bank statements with John Coleman's tax returns.

The Examiner did not find overt cash transfers directly from EGT to Mr. Coleman and therefore decided to focus on disbursements to the contractors that provided services to EGT to determine if there were conditions for fraud. The significant disbursements related to construction of the biodiesel facility is non-routine in nature and therefore fertile ground for the misappropriation of funds. In general, the contractors noted from the review of the bank statements did not appear to be out of the ordinary course of business, fictitious in nature, or a façade created to make inappropriate transfers to Mr. Coleman or others. And though further investigation into the contractors providing services to the construction project may be warranted, such investigation is outside of the scope of this phase of the examination.

Additionally, it should be noted that the internal control process established by EGT over cash disbursements could have been overcome, as Mr. Coleman was in a

position to “override” the controls in place. The Examiner’s assessment of this issue is based on his direct inquiry of Mr. Coleman, review of EGT’s audited financial statements, and review of the evidence presented in the EGT Case. Further inquiry with the EGT financial executives may provide additional evidence of Mr. Coleman’s ability to override internal control over cash disbursements.

EGT Management and Mr. Coleman determined that a biodiesel processing facility was an investment that would improve the value of EGT. However, this project was the highest risk area for potential fraudulent transfers. Management initiated construction on the biodiesel facility in 2018. Capitalized amounts on the construction of the facility were in excess of \$17 million during the period of the fiscal year ending December 31, 2020. The funding of the facility would naturally come from additional loans which were made primarily by UMB Bank. EGT made substantial disbursements to a number of contractors and subcontractors during the construction of the biodiesel facility. The contractors, subcontractors, and disbursement amounts are compiled at Exhibit 3.

V. Recommendations

Based upon his examination and investigation, the Examiner recommends the following courses of action be taken by the appropriate parties and authorities:

1. The Examiner believes that further investigation of the disbursements made to the contractors and subcontractors may be of value in identifying potential fraudulent transfers. However, any benefit derived from the Examiner pursuing this further may be outweighed by the costs to the Estate. Instead, the UST or the FBI should consider sending a preservation of records letter to the contractors and subcontractors associated with disbursements emanating from the biodiesel

construction project until a final determination can be made regarding the need for further investigative work.

2. The Examiner believes that further investigation of the relationship between R.J. O'Brien, Mr. Coleman, and EGT is prudent. Further investigation of the assets held by R.J. O'Brien on behalf of Mr. Coleman and Mr. Coleman's immediate family members would also be prudent.
3. Further inquiry regarding the company known as The Crew LLC identified in the Regions Bank statement for the bank account ending 8491 may be warranted, including the cash transfers between The Crew LLC, R.J. O'Brien, and EGT.
4. Further inquiry into the propriety of the intellectual property transferred in the sale of assets of EGT to UMB Bank may prove beneficial to the Estate.
5. The Examiner can confirm salary reported in Mr. Coleman's tax returns; however, the Examiner does not have a completed analysis and reconciliation of EGT disbursements recorded in Mr. Coleman's bank statements and Mr. Coleman's federal tax returns. A reconciliation of disbursements for salary and expense reimbursement from EGT should be completed.
6. Mr. Coleman reported zero tax liability on his 2019 federal tax return. Further follow-up on the taxes due as reported in the 2019 tax return may be warranted by Mr. Coleman. This follow-up is directed to Mr. Coleman and is not within the scope of the Examiner's investigation.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this date a complete and correct copy of the foregoing filing was provided to all parties receiving notices and filings herein pursuant to the Court's ECF noticing system.

This the 28th day of October, 2022.

/s/ Garrett A. Anderson
Garrett A. Anderson