

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION**

Plaintiff,

v.

**CHRISTOPHER A. FAULKNER;
HOMES INC.; HOMESINC
RENAISSANCE, LLC; MATTHEW
RAPOPORT; AND EARL NELSON
DAVENPORT;**

Defendants.

Civil Action No. 3:17-cv-2405-B

**PLAINTIFF’S MOTION FOR AN ORDER TO DISBURSE WITH
ATTACHED CERTIFICATE PURSUANT TO LOCAL RULE 7.1
AND PROPOSED ORDER**

In accordance with the plan of distribution approved by this Court on June 10, 2024 (the “Plan”, ECF No. 78), Plaintiff, the Securities and Exchange Commission (the “SEC”), respectfully submits this Motion for an Order to Disburse authorizing the SEC to distribute \$42,127.50 in accordance with the Plan.

Accompanying this Motion is a supporting memorandum and a Certification Pursuant to Local Rule 7.1.

WHEREFORE, the SEC respectfully requests that the Court enter an Order substantially in the form included with this Motion.

Respectfully submitted,

/s/ Catherine E. Pappas

Catherine E. Pappas

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*Attorney for Plaintiff Securities and
Exchange Commission*

Dated: August 5, 2024

**SECURITIES AND EXCHANGE COMMISSION'S
CERTIFICATE REGARDING CONFERENCE
PURSUANT TO LOCAL RULE 7.1**

Pursuant to Local Rule 7.1(b)(3), the Securities and Exchange Commission (“SEC”) respectfully submits this Certificate to explain why it did not confer with an attorney for each party to this action. The SEC has served this motion as set forth in the certificate of service. Final judgments have been entered against all Defendants to this action. In the final judgments imposing monetary relief, the Defendants relinquished all legal and equitable right, title and interest in funds paid or collected, and thus have no interest in the disposition of the Fair Fund. *See* ECF Nos. 52, 53, and 63. Accordingly, the SEC submits that there are no “parties” affected by this motion.

The investors harmed by the conduct set forth in the SEC’s complaint have an interest in the ongoing distribution proceedings, including the current motion. They were provided an opportunity to object to the proposed plan of distribution, which has since been approved by the Court without objection. *See* ECF No. 78, (the “Plan”). The SEC submits that no further conference is necessary, as the requested disbursement of funds is the result of the implementation of the Plan.

Dated: August 5, 2024

Respectfully submitted,

/s/Catherine E. Pappas

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*Attorney for Plaintiff Securities and
Exchange Commission*

CERTIFICATE OF SERVICE

I, Catherine E. Pappas, hereby certify that, on August 5, 2024, I caused the foregoing motion and accompanying papers to be electronically filed with the clerk of the court for the U.S. District Court of Northern District of Texas, using the electronic case filing system of the court. The electronic case filing system sends a “Notice of Electronic Filing” to all attorneys of record who have consented in writing to accept this Notice as service of this document by electronic means.

The foregoing motion and accompanying papers are also being sent by email to the below defendant:

Earl Nelson Davenport
earlndavenport2002@gmail.com

/s/ Catherine E. Pappas
Catherine E. Pappas

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

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Plaintiff,

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(Proposed) Order to Disburse

The Court has reviewed the Motion of Plaintiff Securities and Exchange Commission (the "SEC") for an Order to Disburse, the accompanying Memorandum in Support, and any related filings; has considered all arguments presented; and for good cause shown;

IT IS HEREBY ORDERED that the SEC is authorized to disburse \$42,127.50 in accordance with the distribution plan approved by the Court (ECF No. 78).

SO ORDERED, this ____ date of _____, 2024,

Hon. Jane J. Boyle
United States District Court Judge

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**PLAINTIFF'S MEMORANDUM IN SUPPORT
OF ITS MOTION TO DISBURSE**

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I. Introduction

In accordance with paragraph 44 of the Court-approved distribution plan (the “Plan”),¹ the Plaintiff, the Securities and Exchange Commission (the “SEC”), respectfully submits this memorandum in support of its Motion for an order authorizing the SEC to disburse \$42,127.50 in accordance with the Plan.

II. Background

A. The Civil Action

On September 11, 2017, the SEC filed a Complaint against Christopher A. Faulkner (“Faulkner”), Homes Inc. (“Homes”), HOMESINC Renaissance, LLC (“Renaissance”), Matthew Rapoport (“Rapoport”), and Earl Nelson Davenport (“Davenport”) (collectively, the “Defendants”). ECF No. 2. The SEC alleged that, beginning in the fall of 2016, Faulkner, Rapoport, and others under their direction convinced investors into purportedly funding real estate projects by, among other things, misrepresenting that Homes (a) had a proven and extensive track record of offering and selling passive real estate investments to investors; (b) used investor funds for the acquisition, renovation, and re-sale of residential real estate in Southern California; and (c) consistently produced double digit returns to its investors. *Id.* at ¶ 1. The SEC further alleged that Faulkner and Rapoport touted these misrepresentations in marketing materials about Homes’ unregistered securities offering, Renaissance, and hired Davenport to lead sales efforts to telephonically solicit investments in Renaissance from investors across the country. *Id.* at ¶ 4. The SEC alleged that, since March 2017, Homes raised at least \$168,750 as part of the unregistered offering of Renaissance, and that none of the investors’ funds had been used for real estate transactions and activities. *Id.* at ¶ 5. The SEC charged the Defendants with violations of

¹ ECF No. 78 (Order approving Plan); ECF No. 75 (Plan).

the antifraud provisions of the Securities Act of 1933 (the “Securities Act”), 15 U.S.C. § 77a *et seq.*, and the Securities Exchange Act of 1934, 15 U.S.C. § 78a *et seq.*, as well as registration violations under Section 5 of the Securities Act, 15 U.S.C. § 77e. *Id.* at ¶ 7.

The Court entered final judgments against all the individual Defendants (collectively, the “Final Judgments”),² and the SEC voluntarily dismissed its claims against Homes and Renaissance. ECF Nos. 52, 53, 60, 61, and 62. The Final Judgments order Faulkner to disgorge \$59,998.00 and pay prejudgment interest of \$593.05 and a civil penalty of \$218,750; Rapoport to disgorge \$2,500.00 and pay prejudgment interest of \$67.15 and a civil penalty of \$40,000; and Davenport to pay a civil penalty of \$207,183.00. ECF Nos. 52, 53, and 63, respectively.

By Order entered February 14, 2024, the Court established the Fair Fund pursuant to Section 308(a) of the Sarbanes Oxley Act of 2002, 15 U.S.C. §7246(a); appointed Miller Kaplan Arase LLP as tax administrator (“Tax Administrator”) of the Fair Fund; and authorized limited discovery in the form of a subpoena to a bank to locate a possible investor. ECF No. 71.

B. The Plan and the Fair Fund

By Order entered June 10, 2024, the Court approved the Plan. By the Plan, the SEC seeks to compensate investors for their losses from investments in Renaissance (the “Security”) made between March 1, 2017, and September 11, 2017, inclusive.

As of July 29, 2024, the Fair Fund held \$60,280.49, comprised of payments and/or collections on the Final Judgments and accrued interest, net Administrative Costs³ paid. The Fair Fund is held in an SEC-designated account with the United States Department of the Treasury.

² Both Faulkner and Rapoport consented to the entry of final judgments against them (ECF Nos. 52 and 53); final judgment against Davenport (ECF No. 63) was entered upon the SEC’s motion.

³ Capitalized terms not defined in this memorandum are used as defined in the Plan.

C. Investors and Investor Losses

Through its review of bank records and other information obtained during and after its investigation of this matter (the “Records”), including information obtained pursuant to this Court’s Order permitting limited discovery (ECF No. 71), the SEC identified ten investors who suffered, in the aggregate, losses of, approximately, \$219,000 (the “Preliminary Claimants”), some of whom recovered some of their losses through the distribution by the FBI of forfeited funds discussed in the next section.

D. Prior Recoveries

The FBI previously distributed \$108,609.29 to seven Preliminary Claimants who filed petitions for recovery in a related administrative forfeiture procedure (the “Forfeiture Recoveries”), compensating those investors for approximately 67% of their losses for the conduct described in the Complaint.

III. The Relief Requested

Upon the Court’s approval of the Plan, the SEC staff began its execution. In accordance with paragraphs 18 and 33 of the Plan, on June 13, 2024, the SEC sent a Plan Notice to each Preliminary Claimant. In the Plan Notice, the SEC alerted each Preliminary Claimant as to their preliminarily calculated Investment and Recovery and provided to them directions on how to dispute those numbers. No Preliminary Claimant contested their Investment or Recovery. Because no one disputed the preliminary calculations and the Distribution Agent has not determined any Preliminary Claimant unresponsive, the Distribution Agent did not issue any Final Determination Notices. Plan, ¶ 39.

In accordance with paragraph 41 of the Plan and in collaboration with the Tax Administrator, the Distribution Agent has established a Reserve of \$18,152.99 for

Administrative Costs, leaving a Net Available Fair Fund of \$42,127.50. The Distribution Agent has prepared the Payee List and has determined each of the Preliminary Claimants to be Payees under the Plan. The Tax Administrator has informed the Distribution Agent that no tax withholding is necessary. The Payee List is comprised of ten Payees, who will receive an aggregate amount of \$42,127.50. The SEC now respectfully requests that the Court authorize disbursement of the Fair Fund in accordance with the Plan. This distribution, when combined with the Forfeiture Recoveries, will result in each Payee, including those who did not receive Forfeiture Recoveries or any prior Recovery, approximately 69% of their Recognized Losses.

If the Court authorizes disbursement, the Distribution Agent will cause Distribution Payments to be issued from the U.S. Treasury in accordance with the Payee List. Plan, ¶ 44. All Distribution Payments will be preceded by a communication in accordance with paragraph 46 of the Plan. The Distribution Agent shall use her best efforts to locate all Payees whose payments are returned as undeliverable or otherwise not completed, and shall reissue Distribution Payments in accordance with paragraph 49 of the Plan.

Upon completion of the disbursement and any subsequent disbursement(s) in accordance with the Plan, the SEC will move the Court for an Order, as appropriate, approving a final accounting, discharging the Distribution Agent, disposing of the Residual, and Terminating the Fair Fund. Plan, ¶ 58.

IV. Conclusion

For all the foregoing reasons, the SEC respectfully requests that the Court issue an Order substantially in the form accompanying the Motion and grant such other relief as the Court deems appropriate.

Respectfully submitted,

/s/ Catherine E. Pappas

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