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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF CALIFORNIA

In re: CASHCALL, INC.. Debtor-in-Possession.	Case No.: 26-03102-JBM11 UNITED STATES TRUSTEE'S OPPOSITION TO THE ENTRY OF FINAL ORDER ON DEBTOR'S MOTION TO OBTAIN POSTPETITION FINANCING FILED AS DOCKET NO. 5 Date: August 26, 2026 Time: 11:00 A.M. Dept: Two (2) Judge: J. Barrett Marum

On or about July 20, 2026, CashCall, Inc., the Debtor-in-Possession (the "Debtor"), filed First Day Motion for Interim and Final Order (I) Authorizing Debtor to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (ii) Granting Adequate Protection, and (III) Scheduling Final Hearing ("DIP Financing Motion") as Docket No. 5. The Acting United States Trustee (the "United States Trustee" or "UST") filed her Opposition ("Initial Opposition") as Docket No. 15, and the Debtor filed its Reply as Docket No. 18. After hearing on July 24, 2026, the Court entered an Interim Order on the DIP Financing Motion ("Interim Order") as Docket No. 30. The UST files her Opposition to the Entry of Final Order on the DIP Financing Motion ("Final Opposition") pursuant to the deadline set in the Interim Order.

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The DIP Financing Motion requests approval of a revolving credit in total amount of $3,995,000 from a related, insider entity Absolutely Zero Corporation ("Lender"). Lender is owned by the same sole shareholder of the debtor, J. Paul Reddam, Docket No. 5, pg 1, lines 20-21, and is an insider according to the Debtor. Docket No. 5-3, pg 2. According to the Debtor, the only assets of the Debtor are (1) a $1.5 million loan portfolio, Dundon Decl., ¶6, and (2) the estate's fraudulent transfer claim against the sole shareholder of the Debtor, John Paul Reddam. *Id.*, ¶9. The DIP Financing Motion also represents that the "Debtor has no substantial assets to act as collateral," Docket No. 5, pg 13, lines 11-12, and thus justifies superpriority claims and granting a lien on all causes of actions under 11 U.S.C. §§ 544, 545, 547, 548, and 549. Dkt No. 5, pg 5-7, and 12-13.

1. <u>Debtor Failed to Carry Its Burden of Proof</u>

The DIP Financing Motion requests relief pursuant to 11 U.S.C. §§ 363, 364(c)(1)-(3), 364(d)(1), and 364(e)[1], among other reliefs. The Debtor bears the burden of proof in order to secure post-petition financing pursuant to 11 U.S.C. §§ 364(c) and/or (d). *In re Phrase-I Molecular Toxicology, Inc.*, 286 B.R. 494, 495 (Bankr.D.N.M. 2002). Part of the proof that the Debtor must show is that there was no alternative financing available on any other basis. *Id.*; *see also TBH19 LLC v. DBD Credit Funding LLC (In re TBH19 LLC)*, 2021 U.S. Dist. LEXIS 15551 at *24-25, (D.C.D.Cal. 2021)(holding that the debtor may only obtain secured loan under § 364(c) if the debtor could not obtain unsecured loan and citing *In re Phrase-I Molecular Toxicology Inc.*, 285 B.R. 494, 496 (Bankr.D.N.M. 2002)). In *Phrase-I Molecular*, the bankruptcy court denied the debtor's motion for post-petition financing because the debtor failed to offer any evidence or testimony that it approached any other lender for financing. *In re Phrase-I Molecular*, 286 B.R. at 496. The debtor simply provided testimony that it

[1] Unless otherwise indicated, all section refers to the Bankruptcy Code, 11 U.S.C. §§ 101-1532, and all rule references are to the Federal Rules of Bankruptcy Procedure, 1001-9038.

did not think any other lenders would provide financing, but the court held that that was insufficient showing that the debtor attempted to obtain alternative financing. *Id.* The district court in *TBH19 LLC* also held that conclusory statement that the debtor sought alternative financing without evidence was insufficient under § 364(c).

Similarly, the Debtor in this case provided absolutely no evidence that it sought any alternative financing. The only evidence that the Debtor provided is Declaration of Matthew Dundon ("Dundon Decl.") filed as Docket No. 6 at paragraph 8 stating that it is "[his] professional judgment that no alternative lender would be willing or able … [to] provide financing on terms equal to or better than those of the proposed DIP Facility." This is conclusory statement that does not carry the burden that the Debtor actually sought any alternative loan.

Another element the Debtor must show under § 364(c) or (d) is that the Debtor must show the financing is in the best interests of the estate and its creditors. *In re Phrase-I Molecular*, 285 B.R. at 495. That is also true if the Debtor seeks credit under § 364(b). *TBH19 LLC*, 2021 U.S.Dist.LEXIS 15551 at *6-7 (finding that the debtor must show unsecured post-petition financing is in the best interest of the estate). By failing to provide actual evidence that there is no alternative financing, the Debtor also failed to prove that the proposed DIP Financing Motion is in the best interests of the estate as well. *Id.*

Additionally, as the Debtor explained, the DIP Financing Motion is from an insider. Why would this loan be in the best interests of the estate instead of having "insiders and equity holders under our economic system [are] supposed to do and … put capital into [his] investment."? *Id.* at *7. In *TBH19,* the bankruptcy court denied the debtor's motion twice for the debtor's failure to prove that the postpetition loan is in the best interest of the estate and suggesting that the insider can provide capital contribution instead. *TBH 19 LLC*, 2021 U.S.Dist.LEXIS 15551 at *6-7.

Reviewing the 13 week budget ("Budget") attached to the DIP Financing Motion as Docket No. 5-4, it would appear the majority of the expenses are for the professional fees, not for operating the Debtor. Budget total shows $1,321,156.00 of non-operating expenses after 13 weeks, which is approximately 70% of the DIP Financing of $1,950,000. It's not clear that such a loan would benefit the estate or the creditors.

The Debtor failed to carry its burden of proof that there was no alternative loan and that this loan is in the best interest of the estate and creditors.

2. Objectionable Terms

Additionally, the United States Trustee objects to inclusion of the following terms:

1) Debtor's reimbursement of Lender's reasonable attorney fees. This is an insider transaction, and the Debtor admits that Mr. Reddam controls both the Lender and the Debtor. The Lender can directly control its attorney fees and expenses and pay for its own fees and costs for this transaction because there is no statutory basis to review Lender's attorney fees.
2) Lien of all actions. As Mr. Dundon's declaration indicates, one of the assets is fraudulent conveyance action against the insider, Mr. Reddam. It is unreasonable to allow the Lender to place liens on transfer actions under §§ 542 et al. While there has been insufficient interest to form an Official Committee of Unsecured Creditors ("OCC"), based on the bankruptcy forms filed by the Debtor to date, the Debtor has not filed its Schedules yet. It is possible that an OCC may be formed in the future. The asset that could be recovered for the unsecured creditors should not be encumbered.
3) Carve out of Chapter 11 professionals and OCC fees. The DIP Financing Motion carves out $250,000 for the Debtor and its Professionals or officers but only $25,000 to OCC on interim basis. $25,000 is

insufficient. It would be more equitable to allow a great amount, closer to the amount the Debtor's officers and professionals are provided.

WHEREFORE, the United States Trustee files this Final Opposition and requests that the Court deny approval of the DIP Financing Motion.

Respectfully submitted,

TIFFANY L. CARROLL
ACTING UNITED STATES TRUSTEE

Dated: August 12, 2026

By: /s/ Haeji Hong
Haeji Hong,
Attorney for the Acting United States Trustee