CHRISTINA S. COLL (CA Bar #250712)
christina.coll@cfpb.gov
CONSUMER FINANCIAL PROTECTION BUREAU
445 12th Street, SW
Washington, DC 20024-2101
Telephone: (202) 309-9704
Facsimile: (202) 435-5468

Attorney for Creditor
Consumer Financial Protection Bureau

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF CALIFORNIA

In re: CashCall, Inc. Debtor-in-Possession.	CASE NO.: 26-03102-JBM11 **CREDITOR CONSUMER FINANCIAL PROTECTION BUREAU'S OBJECTIONS TO DEBTOR'S FIRST DAY MOTION FOR AN ORDER AUTHORIZING DEBTOR TO OBTAIN POST-PETITION FINANCING** Date: August 26, 2026 Time: 11 a.m. Dept: Two (2) Judge: J. Barrett Marum

On July 20, 2026, CashCall, Inc., the Debtor-in-Possession (Debtor), filed a Chapter 11 petition, a First Day Motion seeking various forms of relief, and supporting declarations. In its petition for relief, the Debtor identified the Consumer Financial Protection Bureau (Bureau) as its second-largest creditor with a claim of more than $150 million. Dkt. No. 1 at 6. Since then, it appears that the relief sought in the First Day Motion has been resolved, *see* Dkt. No. 30, except for the Debtor's motion for entry of a final order authorizing it to obtain DIP financing (Motion). Dkt. No. 5. As

authorized by the Court's interim order concerning the proposed DIP financing, Dkt. No. 30, the Bureau objects to the Motion as follows.

I. The Bureau's Claim

The Bureau obtained a judgment against the Debtor, J. Paul Reddam, WS Funding, LLC, and Delbert Services Corporation in the long-running litigation *CFPB v. CashCall, Inc.* *See* Am. J., No. 2:15-cv-07522-JFW (C.D. Cal. Feb. 21, 2023) (Dkt. No. 374). That judgment, which holds the defendants jointly and severally liable, orders payment of a $22,992,378 civil penalty, $134,058,600 in restitution, and post-judgment interest pursuant to 28 U.S.C. § 1961. *Id.* As of this filing, accrued post-judgment interest totals more than $25 million.

Following the district court's judgment order, the parties negotiated a security package to stay the execution of the judgment so the defendants could appeal. *CFPB v. CashCall, Inc.*, Joint Stip., No. 2:15-cv-07522-JFW (C.D. Cal. July 19, 2023) (Dkt. No. 405). The security package consists of a Pledged Account funded initially with $124,490,978. *Id.* at 2. The security package also includes deeds of trust for properties appraised in 2023 for a total value of $40.7 million. *Id.* The Pledged Account currently holds approximately $144 million in assets. *See Merchants Bank of Indiana v. CFPB*, Compl. in Interpleader at 1, No. 2:26-cv-7259 (C.D. Cal. July 2, 2026) (Dkt. No. 1).

The Pledge Agreement for the Pledged Account states that Absolutely Zero Corporation, an entity owned in full by J. Paul Reddam, pledged to the CFPB and granted to the CFPB "a security interest in, a lien upon all of the Pledgor's right, title and interest in" the Pledged Account at Merchants Bank of Indiana. *CFPB v. CashCall, Inc.*, Joint Stip. Ex. 1 at 2, No. 2:15-cv-07522-JFW (C.D. Cal. July 19, 2023) (Dkt. No. 405-1).

After 13 years of litigation, including appeals to the Ninth Circuit and a certiorari petition to the Supreme Court, which the Court denied on March 2, 2026, the judgment became final. The Pledge Agreement authorized the Bureau to start collecting on the judgment 60 days after the certiorari denial. *See id.*, Ex. 1 at 4, ¶ 8. Accordingly, the

Bureau contacted Merchants Bank on June 11, 2026, to obtain the funds in the Pledged Account, as set forth in the terms of the Pledged Account Control Agreement. *See id.*, Ex. 2.

Unwilling to accept that all appeals have been exhausted and that the judgment was indeed final, defendants filed a motion for relief from the judgment under Fed. R. Civ. P. 60(b) on July 8, 2026, which remains pending. The Bureau will file its opposition to that motion later this month, as there is no basis for setting the judgment aside.

Putting aside the frivolous nature of the Rule 60(b) motion, the filing of a Rule 60(b) motion does not stay collection of a final judgment. *See* Fed. R. Civ. P. 60(c)(2). But in yet another attempt to avoid paying the court-ordered judgment, the defendants instructed Merchants Bank not to pay the Bureau, claiming the pending Rule 60(b) motion constituted a legitimate dispute regarding the funds. *See Merchants Bank of Indiana v. CFPB*, Compl. in Interpleader at 10-11, No. 2:26-cv-7259 (C.D. Cal. July 2, 2026) (Dkt. No. 1). Merchants Bank filed an interpleader action in the Central District of California on July 2, 2026, which remains pending. *Id.* In its forthcoming response to the interpleader complaint, the Bureau intends to explain that Rule 60(c)(2) makes clear that CashCall's filing of Rule 60(b) motion does not relieve the bank of the responsibility to pay on the final judgment, as authorized and indeed mandated by the Pledge Agreement.

It is important to note that even if the Bureau prevails in Mr. Reddam's manufactured dispute over the Pledge Agreement, fulfillment of the Pledge Agreement may not satisfy the Bureau's claim against the Debtor. The Pledged Account currently holds approximately $144 million in assets. That is not sufficient to cover the *minimum* that the Debtor owes as of this filing: more than $182,050,978 (comprising the $134,058,600 restitution award, the $22,992,378 civil penalty, and the more than $25,000,000 in accrued post-judgment interest). Although Mr. Reddam additionally transferred title to two parcels of real property to the Bureau as part of the security

package, their valuation more than three years after the title transfer is uncertain and also will depend on market conditions at the time of sale. The Bureau intends to file a proof of claim in this case and reserves its right to update the amount of its claim according to the information available to it at that time.

II. The Bureau's Objections to the Proposed DIP Financing

A. The proposed DIP financing is so rife with insider conflicts of interest and so ambiguous about how creditors will be protected from them that it cannot be approved.

Although the Debtor identified in the Motion that the proposed DIP Lender is an insider, it unaccountably failed to alert this Court to the ramifications of that fact and the further complications of who that insider is. Mr. Reddam's status as owner of the Debtor, owner of the DIP Lender, and defendant in the Fraudulent Transfer Case (who presumably does not want to pay $45 million into the estate), amplifies the possibilities of conflicts of interest and self-dealing.

Start with the Debtor's failure to acknowledge the tenet of bankruptcy law and California state law that transactions with insiders are subject to a higher degree of scrutiny than the reasonable business judgment standard. *See In re Spac Recovery Co.*, 676 B.R. 260, 273 (Bankr. S.D.N.Y. 2026) (when a lender is an insider, the business judgment rule does not apply); *In re Roussos*, 541 B.R. 721, 730 (Bankr. C.D. Cal. 2015) (insider sales are subject to heightened scrutiny to the fairness of the value provided by the sale and the good faith of the parties in executing the transaction); *In re AWTR Liquidation*, 548 B.R. 300, 318-19 (Bankr. C.D. Cal. 2016) (the business judgment rule does not apply in circumstances which inherently raise a conflict of interest) (citing *Everest Investors 8 v. McNeil Partners*, 114 Cal. App. 4th 411, 430 (2003); *Burt v. Irvine Co.*, 237 Cal. App. 2d 828, 850-51 (1965)). In the Motion, however, the Debtor argued the DIP financing should be approved as falling within the reasonable business judgment

of the Debtor. Dkt. No. 5 (Motion) ¶ 19. It was only after the U.S. Trustee and the Bureau lodged objections that the Debtor acknowledged the business judgment rule did not apply. *See* Dkt. No. 18 (Reply) at 6-8.

Applying the correct legal standard, the Debtor fails to show, as it must, that the proposed DIP financing is objectively fair. Heightened scrutiny of a loan from an insider requires the Court to determine whether there was (1) fair dealing—by reviewing how the transaction was timed, started, structured, negotiated, disclosed, and approved by directors and (2) fair price—by reviewing factors such as assets, market value, earnings, future prospects, and any other elements affecting the value of a company. *In re Spac Recovery Co.*, 676 B.R. at 274, 276. The *Spac Recovery* court further noted that "[t]he directors' 'own evaluation of their innocence of wrongdoing and on the fairness of [the transaction] is insufficient to prove fair dealing.'" *Id.* at 274 (citation omitted).

As to fair dealing, the Debtor says that because Mr. Jalbert and Ms. Gladstone are in place, there is no need to worry. *See* Dkt. No. 18 at 8-9. But no matter how well-meaning they are, questions abound. There are scant facts in the Motion papers about how the financing package was timed, started, negotiated, and approved. There are no corporate minutes provided. It is not known who did what. It appears that the Independent Director, Mr. Jalbert, was appointed to his position a little over a month ago. *See* Dkt. No. 28-1 (Consent of Sole Shareholder), a fact that was only disclosed after the July 24th hearing before the Court. *See* Dkt. No. 28. The record does not establish whether Mr. Jalbert or Ms. Gladstone, the CRO, were part of the negotiations with Absolutely Zero concerning the proposed DIP financing, or who else may have been involved. Strangely, there is no declaration from Mr. Jalbert. Moreover, California law requires that the Debtor have a president/chairperson of the board, a Chief Financial Officer, and a Secretary. CAL. CORP. § 312 (West 2025). Without employees, who was filling those roles when the proposed DIP financing was negotiated, and who is now? This is not set forth in the Debtor's papers. These are not minor questions—it's not

quibbling to be concerned about who was doing the negotiating, keeping the Debtor's books and records, and recording its decisions, such as approving the proposed financing that has been presented to the Court. These are all procedural safeguards, and particularly relevant given that the proposed loan would being made by an insider.

Finally, there appears to have been no effort to validate the potential value of the Debtor's assets with third parties. *See* Dkt. No. 6 (Dundon Decl.) ¶¶ 7-9. Yet the Debtor asks the Court to approve a term sheet that misrepresents that third parties were actually contacted. *See* Dkt. No. 18-1 (Term Sheet) at 7 ("the Debtor has made reasonable efforts to obtain alternative financing from unrelated third parties and has determined that such financing is not available…"). Surely this attempted sleight of hand should also militate against a finding of fairness.

As to fair pricing, the Debtor's assessments of its assets are worrisome because they are both contradictory and piecemeal, and it cannot be discerned whether or how they factored into the terms of the proposed financing. First, the Debtor states that the Fraudulent Transfer Case is its largest asset, as the claims exceed $45 million, Dkt. No. 18 at 5, but there is no record evidence for that statement. The Debtor's citation for the statement refers the reader to the docket for the San Mateo Case, *see id*., which is a separate litigation that resulted in a judgment against Mr. Reddam. *See* Dkt. No. 3 (Reddam Decl.) ¶ 26. Rather, the Fraudulent Transfer Case is pending in Orange County Superior Court. *Id*. ¶¶ 31-32.

Second, the Debtor's assertions about which assets can be monetized, and even the existence of those assets, are conflicting and vague. The Debtor's advisors state that the only other asset (besides the Fraudulent Conveyance Case) with tangible value is the Debtor's loan portfolio, with a total face amount of less than $1,500,000. Dkt. No. 4 ¶ 17; Dkt. No. 6 ¶¶ 6, 9. Yet as the briefing of the Motion unfolded, the Debtor informed surprised creditors that there were other "significant assets," including the

Debtor's customer list and lending license. Dkt. No. 18 at 1, 6. No information about potential values was given for these additional significant assets.

Third, the Debtor's rationales for the pricing and the oppressive concessions granted to the DIP Lender are wildly inconsistent. On one hand, the Debtor asserts the pricing and terms are fair because of the limited collateral available to secure the loan. Dkt. No. 4 ¶ 15. On the other hand, the Debtor contends that the pricing and terms are fair because of the high value of the claims in the Fraudulent Transfer Case when compared to the amount of the proposed DIP financing. *See* Dkt. No. 18 at 6-7.

And the Debtor neglects to address the multiplicity of conflicts inherent in Mr. Reddam occupying every corner of the proposed financing as the Debtor's owner, the DIP Lender's owner, and the defendant in the Fraudulent Transfer Case claims that the Debtor states it intends to pursue. The Debtor cited to *In re Spac Recovery Co.*, and cases cited therein, to argue that approval of DIP financing without a bidding or auction process is permissible when the main asset is a litigation claim. *See* Dkt. No. 18 at 7. But that's not the point. The point is the excessive degree of potential conflicts arising from the financing that the Debtor presents to the Court now.

On closer examination, the cases cited by the Debtor are inapposite because they do not involve such conflicts. *See In re FastShip, Inc.*, No. 12-10968 (Bankr. D. Del. Apr. 23, 2012) (Dkt. Nos. 4, 9, 63) (DIP lender was not insider; litigation defendant was not insider; debtor was not owned by insider; debtor's plan was to use DIP financing to form a liquidating trust to pursue a claim against the U.S. government); *In re TSG (The SCO Grp.)*, No. 07-11337 (Bankr. D. Del. Mar. 5, 2010) (Dkt. No. 1077) (Chapter 11 trustee negotiated with DIP lender for financing to be used in part to continue funding litigation commenced pre-petition; litigation defendants were not insiders; financing was restructured so that alleged insider's company was not the sole lender); *In re LP&D, Inc.*, No. 12-14894 (Bankr. D. Mass. Jan. 23, 2015) (Dkt. Nos. 161, 172) (DIP lender was not

an insider; litigation defendants were not insiders; Chapter 7 trustee negotiated with DIP lender for financing of adversary proceeding he had commenced); *In re Spac Recovery Co.*, 676 B.R. at 275 (DIP lenders were shareholders but not majority owners of debtor; litigation defendants were not insiders). In short, the Debtor has not cited a single case with circumstances like those at bar, because they are unheard-of.

B. The proposed DIP financing cannot be in the best interests of creditors and the estate when even its proponents are unable to explain how it will be used.

The Debtor's plan for utilizing the DIP financing is as clear as mud. Given that the Debtor is asking the Court to allow it to incur debt well in excess of its tangible assets and to approve superpriority claims and a lien on all causes of actions under 11 U.S.C. §§ 544, 545, 547, 548, and 549, the Debtor should be definitive about how it would use this debt for the benefit of creditors. Instead, the Debtor offers a hodgepodge of ideas for the financing. It will secure "breathing room." Dkt. No. 5 ¶ 14. It will "minimize disruption to its business operations," *id*. (of which the Debtor admittedly has practically none). It will allow "exploration of restructuring strategies," *id.* (which by Mr. Reddam's own telling it has had years to explore, *see* Dkt. No. 3 ¶ 12). It will allow the Debtor to "assess the merits" of the Fraudulent Transfer Case and "any other claims that might arise." Dkt. No. 18 at 5. It will help in developing a "framework" that maximizes the benefit to the Debtor's creditors. Dkt. No. 4 at ¶ 10. That isn't a plan. It's flailing.

Mr. Reddam's conflicts are too glaring to ignore. The proposed DIP financing would create a circle of self-dealing for him. His wholly owned company would enjoy superpriority claims and a lien on all causes of actions under 11 U.S.C. §§ 544, 545, 547, 548, and 549. The more money that would enter into the estate, the more of it he would scoop up. The proposed DIP financing privileges equity over debt, depleting the estate and placing the risk on creditors.

In addition, the conversion of the Fraudulent Transfer Case to an asset of the estate by means of this chapter 11 petition grants Mr. Reddam a "do-over" of that case, putting the assessment of its merits and value in hands other than that of the Orange County judge who denied his motion for summary judgment. If the Debtor does indeed "pursue recovery" on the claims in the Fraudulent Transfer Case, Dkt. No. 18 at 1, the estate would presumably need to retain counsel to litigate the adversary proceeding, potentially requiring even more financing. Or, as seems more likely, the Debtor could settle with Mr. Reddam for a modest amount, potentially saving him millions of dollars.

In addition, Mr. Reddam is attempting to use this bankruptcy case and the automatic stay to delay even longer the payment of the Bureau's judgment against him, which would provide substantial restitution to consumers harmed by his and his companies' wrongdoing. The Debtor has filed notices of this bankruptcy case and the automatic stay in *CFPB v. CashCall*, *see* CashCall's Notice of Bankruptcy Filing and Stay of Proceedings, No. 2:15-cv-07522-JFW (C.D. Cal. July 24, 2026) (Dkt. No. 417), and in the interpleader action resulting from Mr. Reddam's refusal to honor the Pledge Agreement, *see* CashCall's Notice of Bankruptcy Filing and Stay of Proceedings, *Merchants Bank of Indiana v. CFPB*, No. 2:26-cv-7259 (C.D. Cal. July 2, 2026) (Dkt. No. 25). And all the while, creditors are subsidizing these maneuvers.

The Debtor's fundamental plea is that "[a]bsent approval of the DIP Financing, the Debtor will be unable to take any action to benefit creditors." Dkt. No. 18 at 6. But that is an unsupported statement. The Motion does not state that the Debtor considered alternatives, such as a capital contribution or a chapter 7 filing, so it is in fact Mr. Reddam and the Debtor who are creating the situation that allegedly requires DIP financing.

Conclusion

The Bureau respectfully requests that the Motion be denied.

Dated: August 12, 2026

Respectfully submitted,

/s/ Christina S. Coll

Christina S. Coll (CA Bar #250712)
Consumer Financial Protection Bureau
445 12th Street, SW
Washington, DC 20024-2101
Telephone: (202) 309-9704
Facsimile: (202) 435-5468

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