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UNITED STATES BANKRUPTCY COURT

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

In re:	Case No. 26-03102-JBM11
CASHCALL, INC.,	Chapter 11
Debtor.	**DEBTOR'S OMNIBUS REPLY IN SUPPORT OF DIP FINANCING MOTION FOR FINAL ORDER**
	Date: August 26, 2026 Time: 11:00 a.m. Place: Courtroom 118 Name of Judge: Judge J. Barrett Marum

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I. INTRODUCTION

CashCall, Inc. (the "Debtor") submits this omnibus reply in support of its motion for entry of a final order approving DIP financing and in response to the objections filed by Eduardo De La Torre and the CFPB (the "Objectors") [Dkt. Nos. 52 (De La Torre) and 56 (CFPB) (collectively, the "Objections")].[1]

The Court should grant the DIP Motion because the Objections present issues that are irrelevant to whether the question before the court: whether the proposed financing represents the best available means of funding the estate. Indeed, not only is it the best – it is the *only* – available funding. Some of the issues raised in the Objections may someday require resolution by this Court, but today is not that day, and this is not that motion.

The facts are straightforward. The Debtor is insolvent and has no significant assets traditional lenders would accept as collateral. The DIP Financing is necessary to fund the administration of this case. The Debtor continues to incur expenses – particularly those arising from this case. Far from a delay tactic, the Debtor commenced this case to preserve and maximize the value of its remaining assets, including by evaluating whether any operating or sale alternatives remain available. To this end, the Debtor removed former management, engaged two highly capable, independent fiduciaries, each of whom has decades of experience in similar matters, and began evaluating avenues to maximize value.

Because the Debtor lacks available cash to fund even a basic wind down, the Debtor also engaged an experienced financial advisor to search for financing. The Debtor conducted a detailed analysis and determined it was both "unable to obtain unsecured credit" and unable to obtain "pricing and terms no better – and likely materially worse – than those of the proposed DIP Facility." *See* Declaration of Matthew Dundon ("Dundon Decl.") at ¶¶ 6-9 [Dkt. No. 6]. Absent a viable alternative source of financing on comparably favorable terms, the Debtor turned to its sole shareholder, Mr. Reddam.

While the financing is unconventional, it is not improper. The financing is the best available to the estate and preserves value. The Objectors complain that it is the product of conflicted, insider dealing. This is mere rhetoric, however, not analysis. The DIP Financing is the only financing available and, as explained in more detail below, satisfies the heightened scrutiny that applies to insider lending.

[1] Capitalized terms used but not otherwise defined in this Reply shall have the meanings ascribed to them in the DIP Financing Motion [Dkt. No. 5].

II. THE PROPOSED FINANCING SATISFIES HEIGHTENED SCRUTINY

As all sides agree, when a DIP lender is an insider, the relevant standard is whether the proposed financing is "the product of both fair dealing and fair price." *In re Spac Recovery Co.*, 676 B.R. 260, 273 (S.D.N.Y. 2026). Numerous courts have similarly approved DIP financing involving insiders. *See, e.g.*, *In re Collab9, LLC*, 2:21-bk-12222-ER (C.D. Cal. April 20, 2021), Tentative Opinion, available at https://perma.cc/GHQ4-PPH9, *adopted* at Dkt. No. 96 (April 21, 2021); *In re BSG Corp.*, 2026 WL 969968 (S.D.N.Y. April 9, 2026); *In re Latam Airlines Grp. S.A.*, 620 B.R. 722, 731 (Bankr. S.D.N.Y. 2020) (debtors "met their burden of proving that the DIP Financing satisfies the 'entire fairness' test");[2] *In re Navidea Biopharmaceuticals, Inc.*, Case No. 25-11779-JKS (D. Del. 2025) [Dkt. No. 122]; *In re Multicolor Corp.*, Case No. 26-10910 (MBK) (D.N.J. 2026) [Dkt. No. 585]; *In re Absolut Facilities Management, LLC*, Case No. 19-76260 (E.D.N.Y. Nov. 22, 2019) [Dkt. No. 264]. Here, even under this heightened scrutiny standard, both standards are met.

A. Fair Dealing

Even the absence of arm's length bargaining "does not, by itself, render a conflicted transaction procedurally unfair." *Spac*, 676 B.R. at 274. Instead, "[w]hat is 'fair' depends on 'all aspects of the entire transaction,' viewed in light of the particular facts and circumstances of each case." *Id.* *Spac* offers at least three other factors, each of which is present here, that support a finding of fair dealing.

First, "the Debtor has sufficiently demonstrated that no reasonable third-party funding alternatives were available given the absence of a true 'market' for the Debtor's asset." *Id.* On this point, the CFPB accuses the Debtor of "sleight of hand." *See* CFPB Obj. at 6. Citing just the Dundon Declaration, the CFPB claims, "there appears to have been no effort to validate the potential value of the Debtor's assets with third parties." *Id.*

Judge Mastando rejected a nearly identical argument in *Spac*. *See Spac*, 676 B.R. at 274 (noting objection that despite "references to having explored alternative funding and having consulted a litigation-funding advisor, 'the Debtor has not identified: (1) which potential lenders were contacted, (2) what terms were offered by third parties, (3) why those alternatives were rejected, or (4) how the proposed terms

[2] Although the *Latam Airlines* court rejected the proposed DIP facilities on unrelated grounds, the Court did find that the DIP facilities were entirely fair.

compare to market rates for litigation funding.'"). As here, "demanding the Debtor to solicit competing bids in open markets is of limited utility and, in many instances, impracticable" because "[l]itigation claims are not necessarily fungible, liquid assets. Their pricing, control rights, covenants, and collateralization are all bespoke and case specific." *Id.* at 275. Similarly, in *Latam Airlines*, Judge Garrity concluded that "the Debtors have demonstrated that there were good reasons for them not to go to the market with the DIP proposal prior to filing for bankruptcy protection" including "because it did not have adequate collateral to fully secure a $2 billion loan." *Latam Airlines*, 620 B.R. at 780-81.

The Debtor's evidence mirrors the practical realities identified by the court in *Spac*. After determining that it could not obtain sufficient unsecured credit, the Debtor conducted a detailed analysis of the market for financing and concluded that no alternative existed. As Mr. Dundon explains, in a case like this, lenders would demand a prohibitively high return on invested capital, several months of diligence and documentation, or structural protections tailored to the Debtor's risk profile. Dundon Decl. at ¶¶ 6-8. Any of those conditions would either jeopardize approval of the proposed financing or leave creditors worse off. *Id.* He further explains that, considering the limited remaining value of the estate, "[v]ery few arm's-length DIP Loan funders" would be interested and any interested lender would demand "materially worse" terms than those provided under the proposed DIP Facility. *Id.* at ¶ 9.

Second, the Debtor provided sufficient "minimum" "procedural safeguards that are adequate under the circumstances." *See Spac*, 676 B.R. at 275-76. As here, "the Debtor and the DIP Lender were represented by separate counsel and decision-makers." *Id.*; *see also* Dkt. No. 62 (prohibiting removal of Ms. Gladstone or Mr. Jalbert without court approval); Dkt. No. 43-2 ("[Ms.] Gladstone shall not be removed as Chief Restructuring Officer without Court approval."); Dkt. No. 18 at 9. The record demonstrates that the financing was negotiated between parties with separate counsel and that Mr. Jalbert was appointed as an independent director before those negotiations and was immediately tasked with the duty of dealing with "all matters concerning any insider or related parties." *See* Gladstone Declaration at ¶¶ 6-7 [Dkt. No. 4]; *see also* Dkt. No. 28-3 ("Craig [Jalbert] shall have sole responsibility to consider, negotiate and approve any transactions with related parties."). Moreover, even beyond separate representation, no party "was excluded from the process or deprived of a chance to be heard." *Spac*, 676 B.R. at 275. The DIP Motion was properly noticed and all "material terms of the DIP Agreement … were

fully disclosed to the creditors and parties-in-interest," who were each "afforded meaningful opportunity to object." *Id.*; *BSG Corp.*, 2026 WL 969968, at *4; *see also* Dkt. No. 5 at 9-17 (listing all material terms); Dkt. No. 5-3 (DIP Financing Agreement). Similarly, "[t]here is no evidence of concealment, coercion, or self-dealing." *BSG Corp.*, 2026 WL 969968, at *4.

Third, "the Debtor adopted a reasonable, good-faith process to obtain financing that was realistically obtainable and justified under the circumstances." *Spac*, 676 B.R. at 275. The Objections similarly argue that the Debtor should have explained why it did not pursue other alternatives. Except, the Debtor did explain exactly that point: "traditional DIP financing in the amount and on the terms of the proposed DIP Facility is simply not available to this Debtor, and that any lender willing to provide financing of this size would, as described above, do so only by underwriting the litigation-linked collateral as a litigation finance transaction." Dundon Decl. at ¶ 9. That underwriting would take several months, of diligence and documentation. *Id.* at ¶ 8. Even absent this explanation, such criticism is insufficient. *See Spac*, 676 B.R. at 275 (citing *Crispo v. Musk*, 304 A.3d 567, 577 (Del. Ch. 2023)). In fact, this objection is nearly identical to one rejected by the Court in *Spac*. *Id.* ("FS Credit's contention that the Debtor should have pursued post-petition equity contributions or unsecured credit does not negate fair dealing."). The "key inquiry" is not whether some abstract alternative might have been "better," but instead whether the Debtor used a "logically sound process to get the best deal that was *realistically* attainable." *Spac*, 676 B.R. at 275. Here, neither Objector offers evidence rebutting Mr. Dundon's conclusion that the proposed financing is the best available.

The CFPB also complains that the Debtor only provided "scant facts" about "how the financing package was timed, started, negotiated and approved," and that "it is not known who did what." CFPB Obj. at 5. Notwithstanding that the DIP Agreement was negotiated between two different counterparties, each represented by their own counsel and two independent fiduciaries on behalf of the estate, the CFPB never explains why it is entitled to any more detail or what details would be relevant.

Indeed, the financing represents the best (and only) opportunity for the Debtor to navigate through this case. Even if certain provisions "reflect self-serving features that one would not necessarily find in a robust, competitive market deal," "entire fairness does not demand perfection." *Spac*, 676 B.R. at 276. The Debtor has provided "minimum procedural safeguards" and secured the best possible financing

realistically available "considering the nature of the Debtor's asset[s]" and "the practical limits on 'marketing' litigation funding." *Id.* Thus, the record establishes that the financing satisfies fair dealing.

B. Fair Price

In determining whether a price is fair, courts consider "whether the transaction was one that a reasonable seller, under all of the circumstances, would regard as within a range of fair value; one that such a seller could reasonably accept." *Spac*, 676 B.R. at 276 (citing *In re Transcare Corp.*, 2020 WL 8021060, at *19 (S.D.N.Y. July 6, 2020)). A court must account for the "economic and financial considerations of the proposed [transaction]" by looking to "all relevant factors: assets, market value, earnings, future prospects, and any other elements that affect the intrinsic or inherent value of a company." *Spac*, 676 B.R. at 276; *Latam Airlines*, 620 B.R. at 790 (same).

Courts have determined a fair price if no "better alternatives were available." *See Latam Airlines*, 620 B.R. at 791; *In re Zohar III, Corp.*, No. 18-10512-KBO, 2022 WL 11110270, at *3 (D. Del. Oct. 19, 2022) (explaining fair price in context of sale process). At present, the Fraudulent Transfer Action is the only asset capable of supporting financing on terms as favorable as those proposed here. Dundon Decl. at ¶¶ 6-8. The CFPB argues that the Debtor's "assertions about which assets can be monetized, and even the existence of those assets, are conflicting and vague." CFPB Obj. at 6-7. But this argument misses the point – the problem is that these other assets (customer list and California lending license) are not tangible and the value of them is not readily ascertainable. Similarly, they are not the type of assets that generally are accepted by lenders as collateral. As a result, they provide only minimal comfort to the DIP Lender. Moreover, these assets would require substantial marketing efforts and significant time – that the Debtor does not have – in order to unlock any value. Nothing in the record undermines the Debtor's assessment that these assets require substantial time and effort to monetize. *See, e.g.*, Dkt. No. 9; Dkt. No. 27. With limited alternatives, granting a lien on all assets is the best option the Debtor has for survival.

Terms of a DIP Agreement fall within a fair range when the amount being sought "is relatively modest in size" when "compared to the Debtor's asserted claim value" or total liabilities. *Spac*, 676 B.R. at 277; *BSG Corp.*, 2026 WL 969968, at *4 ("The DIP Loan is capped at … a modest amount relative to the Debtor's total liabilities of more than $2.6 million."). Consistent with this principle, the proposed financing seeks up to $3,995,000 compared to a claim seeking $45 million. The amount is similarly

modest compared to the Debtor's potential liabilities. The CFPB asserts a claim of more than $182,050,978 and Mr. de la Torre asserts a claim of over $300 million.[3]

The CFPB contends that the "the Debtor's rationales for the pricing and the oppressive concessions granted to the DIP Lender are wildly inconsistent." CFPB Obj. at 7. But this argument rests on a false assumption. The proposed financing is fair precisely *because* two opposing, but unrelated points are true. The Debtor has limited collateral, and the Debtor's assets are insufficient to secure a comparable loan. *See, e.g.*, Dundon Decl. at ¶¶ 6-9. The DIP Lender, however, has agreed to make funding available. Nor do the proposed financing's superpriority features impede approval. In light of the "practical reality that [the Debtor's] repayment depends on litigation recoveries and that the DIP Lender bears significant non-diversifiable financial risk," such protections are "common in litigation-funding facilities and … not disproportionate to the risk undertaken." *Spac*, 676 B.R. at 277.

The financing sought today is designed to allow the Debtor to "preserve and prosecute the estate's principal asset." *Id.* The Debtor is in the process of interviewing and will retain independent counsel to evaluate and prosecute the Fraudulent Transfer Action. But to do so, the Debtor requires funds. Without approval of the proposed financing, the Fraudulent Transfer Action will instead wither on the vine. The Fraudulent Transfer Action no longer belongs to Mr. De La Torre. Instead, "[u]pon filing of the Debtor's bankruptcy petition, the Fraudulent Conveyance Claims became property of the estate." *Baek v. Halvorson*, 2019 WL 13039652, at *2 (C.D. Cal. Mar. 26, 2019). Without approval, no one can proceed with the claim, causing it to "languish and likely lose value." *Spac*, 676 B.R. at 277.

The CFPB concludes by rehashing its fair dealing and conflicts arguments. Mr. Reddam no longer manages or controls the Debtor. The Debtor is solely controlled and managed by two independent fiduciaries, with decades of experience. While the proposed financing is unique, that is not a sign of impropriety. Courts routinely approve financing arrangements that grant priority rights against litigation-related recoveries when doing so is necessary to preserve estate value – even to insiders.

Congress designed Section 364 of the Bankruptcy Code with a series of "incentives" and

[3] Mr. De La Torre briefly claims that the Debtor has adopted two inconsistent positions about the value of the Fraudulent Transfer Action. De La Torre Obj. at 9. However, the valuation of the claim is entirely irrelevant to whether the other assets are sufficient to act as collateral for the DIP Financing or whether there are other alternative sources of financing available.

"inducements" that a debtor may offer, with court approval, to attract postpetition credit. *In re Cannonsburg Env't. Assocs., Ltd.*, 72 F.3d 1260, 1267 (6th Cir. 1996). Taking away such incentives and inducements "undercuts the goals of bankruptcy and would cause a chilling effect on DIP lending." *In re Silver Cinemas Int'l, Inc.*, Mem. Order, No. 00-1978, at 4 (Bankr. D. Del. Aug. 11, 2000).

Liens on, or superiority claims against, avoidance actions and their proceeds are appropriate and are regularly approved as a matter of course. *See In re Roman Cath. Bishop of Oakland*, Case No. 23-40523 (N.D. Cal. June 9, 2026) [Dkt No. 3165]; *In re 5th Ave. Partners*, 2009 WL 10809899, at *6 (C.D. Cal. Sep. 16, 2019); *In re United Site Servs., Inc.*, Case No. 25-23630 (MBK) (Bankr. D. N.J. Feb. 3, 2026) [Dkt. No. 266]; *In re Thrasio Holdings, Inc.*, Case No. 24-11840 (CMG) (Bankr. D. N.J. Apr. 4, 2024) [Dkt. No. 297]; *In re Ave. Stores*, Case No. 19-11842 (LSS) (Bankr. D. Del. Aug. 13, 2019) [D.I. 223] at ¶ II(A); *HRI Holding Corp.*, Case No. 19-12415 (MFW) (Bankr. D. Del. Dec. 5, 2019) [D.I. 163] at ¶ II(A). Such liens are even appropriate when offered by an insider. *See, e.g.*, *Spac*, 676 B.R. at 276 ("Courts have approved … DIP facilities – ***sometimes from insider lenders*** … and granted liens on priming or superpriority basis") (emphasis added) (collecting cases).

Nor would the proposed financing allow Mr. Reddam to "control" the Fraudulent Transfer Action or drive a settlement. *See* De La Torre Obj. at 14. The lien does not transfer ownership of the claim or entitle the DIP Lender to all litigation proceeds. Rather, the DIP Lender may only receive repayment of amounts loaned. Even after default, recovery is capped at the amount owed under the DIP Facility. The DIP Lender cannot acquire the cause of action or retain amounts beyond the loan balance.

Ultimately, the fair-price inquiry asks whether the transaction falls within a range that a reasonable debtor could accept under the circumstances. *Spac*, 676 B.R. at 276. Here, the estate faces an immediate need for liquidity, possesses limited realizable assets, has identified no realistic source of financing on comparable terms, and its financial advisor has made clear that no alternative financing could be obtained. *Latam Airlines*, 620 B.R. at 791 ("Fair price can also be established by demonstrating that no better alternatives were available."). Against that backdrop, a facility providing up to $3.995 million in funding secured by a claim asserted to be worth approximately $45 million falls comfortably within the range of transactions that a reasonable debtor could accept. The fair-price prong is therefore satisfied.

III. OTHER COLLATERAL ISSUES ARE IRRELEVANT TO THE IMMEDIATE MOTION OR MERITLESS

A. The Fraudulent Transfer Action Will Be Independently Prosecuted

The Debtor is in the process of retain conflicts counsel to prosecute the Fraudulent Transfer Action. The Debtor believes that doing so is in the best interests of the estate and its creditors. That decision directly addresses the central raised in Mr. De La Torre's objection. *See* De La Torre Obj. at 7-13. However, the estate requires the liquidity provided by the proposed financing to pay such counsel and pursue the Fraudulent Transfer Action for the benefit of creditors.

B. The Statute of Limitations Is Not Relevant

Mr. De La Torre incorrectly suggests that there "may also be statute of limitations issues affecting CashCall's pursuit of a fraudulent transfer claim." *Id.* at 13. That concern is misplaced. The estate succeeds to the existing claim and assumes control of its prosecution. The estate is not required to initiate a new action subject to a new limitations analysis. Rather, the estate steps into the shoes of the plaintiff in the existing action and may continue prosecuting that claim for the benefit of the estate and its creditors.

C. De La Torre's Objection Improperly Attacks the New Fiduciaries' Independence

Mr. De La Torre claims that neither Ms. Gladstone nor Mr. Jalbert is sufficiently independent because they are "paid from funds Mr. Reddam has authorized." *See id.* at 13. First, although Mr. Reddam will be providing funding to the Debtor, Mr. Reddam does not control the use of these funds. Second, the fees of Ms. Gladstone are subject to court approval.

Beyond the fact that both fiduciaries are experienced independent fiduciaries, this argument is inconsistent with the record. Mr. De La Torre points to a boilerplate term to argue that she "serves at the pleasure of CashCall and can be terminated without cause." *Id.* Except this ignores this Court's direction, that neither may be removed without Court approval. Similarly, Mr. De La Torre misunderstands Mr. Jalbert's role as an Independent Director. Mr. Jalbert has "sole discretion, authority, and oversight with respect to the review, evaluation, negotiation, approval, or rejection of any Related Party Actions." *See* Dkt. No. 28-2 at 3. "Related Party Actions" is a broad term that includes "***any*** intercompany, affiliated-party, or other ***related-party transactions***." *See* Dkt. No. 28-1 at 2. This language plainly encompasses

claims arising from an alleged fraudulent transfer to Mr. Reddam.[4] Each fiduciary is entirely independent of Mr. Reddam and more than capable of proceeding on behalf of the Debtor's estate.

D. The Debtor's Planned Uses for the Proposed Financing are Not a Secret

The CFPB asserts that the Debtor has not been sufficiently clear about how it intends to use the proposed financing to benefit creditors. CFPB Obj. at 8. That criticism overlooks the thirteen-week budget filed contemporaneously with the DIP Financing Motion, which details the Debtor's proposed use of the financing proceeds. *See* Dkt. No. 5-4. Far from "flailing," the Debtor has presented a concrete budget identifying how the financing proceeds will be used to preserve Estate assets and maximize value for creditors. Moreover, many of the payments (e.g., professional fees), will be subject to court approval.

E. The Proposed Financing is Not Self-Dealing

The CFPB next argues that "[t]he proposed DIP financing would create a circle of self-dealing" by which "[t]he more money that would enter into the estate, the more of it [Mr. Reddam] would scoop up." CFPB Obj. at 8. Except the CFPB's theory overlooks a critical distinction: the proposed financing only allows the lender to be repaid exactly the amount it loans. Indeed, unlike most financings, the DIP Lender here receives no interest and no fees from the estate – and certainly nothing on account of his equity interest. The DIP Lender is contributing new money – which is at risk of repayment - the DIP Lender is not receiving a dividend, not receiving anything more than it contributes, and not receiving any payment on account of equity. Every dollar recoverable under the DIP Facility corresponds to money advanced to the estate. Put differently, the DIP Lender is not being paid because it owns equity; it is being repaid because it is loaning money. The Bankruptcy Code expressly contemplates that a debtor may grant liens and priority protections to induce postpetition lending. *See supra* Section II.B.; *In re Silver Cinemas Int'l*, Mem. Order, No. 00-1978, at 4. The CFPB's objection offers no explanation why a lender that provides new money should not be repaid merely because the shareholder of the lender also holds an equity interest in the Debtor.

F. The General Effect of this Bankruptcy on the Other Litigation is Irrelevant

The CFPB concludes "Mr. Reddam is attempting to use this bankruptcy case and the automatic

[4] Lest there be any doubt, the Debtor confirms that this language provides Mr. Jalbert sole authority over any "claims" and any other matters *of any kind*, arising from any intercompany, affiliated-party, or other related-party transactions.

stay to delay even longer the payment of the Bureau's judgment against him." CFPB Obj. at 9. Whatever the CFPB's views regarding Mr. Reddam's motives, that contention is entirely irrelevant to whether the proposed financing satisfies the entire-fairness standard. Moreover, Mr. Reddam no longer controls the Debtor. If the CFPB believes the stay does not apply or should not apply, the CFPB may file an appropriate motion and nothing in the order granting the DIP Financing Motion would preclude the CFPB.

More importantly, however, the CFPB acknowledges that if it prevails in the Rule 60 and interpleader proceedings pending in other courts, it will recover payment in full, from a fully funded Pledged Account and two parcels of real property with a combined asserted value exceeding $180 million – that the DIP Lender already posted. *Id.* at 2-4. Far from this case delaying the CFPB, it appears the CFPB is in a better position than every other creditor. The CFPB also states that it "intends to file a proof of claim in this case." *Id.* at 4.

Notwithstanding what the CFPB may do, "the existence of separate litigation does not impair the Debtor's statutory right to seek financing necessary to preserve estate value during this Chapter 11 case." *BSG Corp.*, 2026 WL 969968, at *5.

As a creditor of the estate, the CFPB, like every other creditor, benefits from preserving and maximizing estate value. Indeed, approval of the proposed financing is the only realistic means of preserving the estate's principal asset and maximizing potential recoveries for all creditors.

IV. CONCLUSION

The Objections are nothing more than an attempt to stall this chapter 11 case. They are wholly disconnected from the realities of chapter 11 and, if sustained, would force a free fall liquidation or conversion to chapter 7. As set forth in the DIP Financing Motion, as well as the Gladstone and Dundon Declarations, the proposed DIP Financing is critical to fund this chapter 11 case, and Mr. Reddam is the only party that is willing to lend to the Debtor.

Conversion or free fall liquidation in chapter 7 would result in the Objectors receiving nothing. This is not a victory for any party, and that the Objectors ignore that reality underscores both the Objections' lack of merit and why the Court should overrule the Objections and approve the proposed DIP Financing on a final basis.

For the foregoing reasons, the Court should grant the DIP Financing Motion.

Dated: August 19, 2026

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