TENTATIVE RULING

ISSUED BY JUDGE J. BARRETT MARUM

Case Name:	CashCall, Inc.
Case Number:	26-03102-JBM11
Hearing:	August 26, 2026 at 11:00 a.m.
Motion:	FIRST DAY MOTION FOR FINAL ORDER: (I) AUTHORIZING DEBTOR TO (A) OBTAIN POSTPETITION FINANCING AND (B) USE CASH COLLATERAL, (II) GRANTING ADEQUATE PROTECTION, AND (III) SCHEDULING FINAL HEARING

Hear. The Court initially heard the Debtor's First Day Motion for Interim and Final Orders to Obtain Postpetition Financing and Use Cash Collateral, and Grant Adequate Protection ("DIP Financing Motion") on July 24, 2026. At the hearing, the Court concluded that it would grant the Debtor's request for postpetition financing on an interim basis but only up to $300,000 (the Debtor's estimated expenses for one month) and without a lien on the Debtor's chapter 5 claims, which the proposed DIP lender agreed to forgo for purposes of the interim financing. The Court also requested that the Debtor file with the Court the terms of engagement for the Independent Director and Chief Restructuring Officer.

Based on the Court's directive at the interim hearing, the Debtor subsequently filed the Notice of Hearing[1] on the DIP Financing Motion on a final basis. ECF No. 38. The United States Trustee ("UST"), the Consumer Financial Protection Bureau ("CFPB"), and creditor Eduardo De La Torre all timely opposed. ECF Nos. 51, 52, 56.

As noted in Mr. De La Torre's opposition, his current litigation against the Debtor is pending in Orange County Superior Court ("Orange County Litigation"), in which Mr. De La Torre seeks to recover a 45 million dollar shareholder distribution that the Debtor made to John Paul Reddam, the Debtor's founder and sole shareholder, in October 2021, when Mr. De La Torre's class action litigation against the Debtor was set to close trial in San Mateo County. ECF No. 52 at 8. The state court presiding over the Orange County Litigation recently denied the Debtor and Mr. Reddam's motion for summary judgment, and set trial for October 2026.

The oppositions of the UST, the CFPB, and Mr. De La Torre center on arguments regarding unavoidable conflicts issues – that the proposed DIP financing lender, Absolute Zero Corporation, is an entity owned by Mr. Reddam, and that Debtor's proposed counsel is also conflicted based on its representation of the Debtor and Mr. Reddam in state court proceedings –

[1] Going forward, the Court expects that the Debtor will comply with the Court's Local Bankruptcy Rules and, in particular, regarding the use of certain local bankruptcy forms, including all notices of hearing and motion. *See*, *e.g.*, L.B.R. 9013-4(a).

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and that the Debtor had not met its burden of proof regarding alternative lenders, as well as other problematic terms in the DIP financing agreement.

The Debtor, on Omnibus Reply, contends that the proposed financing satisfies the heightened scrutiny standard for DIP financing from an insider, namely, "whether the proposed financing is 'the product of both fair dealing and fair price,'" citing *In re Spac Recovery Co.*, 676 B.R. 260, 273 (S.D.N.Y. 2026) in support of its position. ECF No. 67 at 3-8. It also asserts that the proposed financing is not self-dealing because Absolute Zero is not profiting from the DIP loan in terms of interest. *Id*. at 10. And it asserts that whether the Chapter 11 case and the proposed DIP financing impact the Orange County Litigation is irrelevant to the issue of whether the proposed DIP financing is fair under the standard. *Id*. at 10-11. The Debtor also states that "Mr. Reddam no longer controls the Debtor." *Id*. at 11.

Section 364(c) enables the Court to authorize a debtor to incur postpetition debt that, in turn, is entitled to priority over other administrative expenses and/or is subject to a lien on estate assets, among other things. The Court has discretion in determining whether to approve a request to incur postpetition debt under § 364(c). *See generally In re Fleetwood Enters., Inc.*, 471 B.R. 319 (9th Cir. BAP 2012); *see also In re Villalobos*, 2011 WL 4485793, at *5 (9th Cir. BAP Aug. 19, 2011).

Where the proposed transaction is between a debtor and an insider of the debtor, the "courts apply a 'heightened scrutiny' test in assessing the bona fides of a transaction [between] a debtor and an insider of the debtor." *In re SPAC Recovery Co.*, 676 B.R. 260, 269 (Bankr. S.D.N.Y. 2026) (citing *In re LATAM Airlines Group S.A.*, 2022 WL 272167, at *14 (Bankr. S.D.N.Y. Jan. 28, 2022)) (alteration in original). In this context, the "courts are concerned with the integrity and *entire fairness* of the transaction at issue, typically examining whether the process and price of a proposed transaction not only appear fair but are fair and whether fiduciary duties were properly taken into consideration." *Id*. (citing *In re Innkeepers USA Trust*, 442 B.R. 227, 231 (Bankr. S.D.N.Y. 2010)) (emphasis in original).

Here, the Court's biggest concern with the proposed DIP financing relates to the lien that Absolute Zero will obtain against the fraudulent transfer claim(s) against Mr. Reddam, coupled with certain of the DIP loan terms and what the Court presently knows about the overall timing of this case.

First, it does not appear that the Debtor has yet determined its exit strategy from Chapter 11. Or if it has, the Debtor has not clearly explained what it is. That is not problematic in and of itself, but it troubles the Court given that the outside maturity date of the proposed DIP financing is December 31, 2026, *see* ECF No. 5-3 at 3, or in four months.[2] Based on this timing, it seems unlikely that the fraudulent transfer claims against Mr. Reddam will resolve before then unless the Debtor intends to continue litigating them in the Orange County Litigation, i.e. before the Superior Court judge presiding over that case. If the Debtor intends to litigate the fraudulent

[2] Another basis for termination of the DIP loan is 40 days post-petition if the Court has not yet entered the Final Order approving the DIP financing. Based on the petition date and Bankruptcy Rule 9006, it appears that this date is August 31, 2026.

transfer claims in this Court, it seems very doubtful that sufficient funds will exist to pay the DIP loan at or before its outside maturity date.

The Debtor's inability to pay the DIP loan at the maturity date means that the Debtor appears to be headed for default at the end of this year. Absolute Zero would then have its rights and remedies under the DIP loan terms, which are somewhat vague but seem as though they include the right to take action to obtain control of the fraudulent transfer claims against Mr. Reddam without any further order of this Court. The DIP loan terms do not spell this out directly, however, "the right to exercise any remedy available under applicable law, without the necessity of obtaining any further relief or order from the Bankruptcy Court"[3] is quite broad and certainly seems like it would cover action – whatever that might be – to seize control of the fraudulent transfer claims. Mr. Reddam would then be in a position to cause Absolute Zero to settle any such claims against him.

Perhaps the Court has misread the DIP loan terms or perhaps they do not reflect the parties' intent with respect to claims against Mr. Reddam. The Court will hear from all parties on these points.

In addition, several parties have objected to Ms. Gladstone's retention as the CRO. That matter will not come before the Court until September 17, 2026, and the Court will not consider the merits of the parties' arguments until then. But if the Court denies the Debtor's application to approve Ms. Gladstone as CRO, it is not clear what will happen next. Will the Debtor retain a new CRO? Who on behalf of the Debtor will make that decision? It is not clear to the Court that such a decision is within Mr. Jalbert's sole purview as the Independent Director; perhaps it is because the major task of any CRO will be to evaluate and to decide what to do with the fraudulent transfer claims against Mr. Reddam. It would not be appropriate for Mr. Reddam to have any involvement with any such decisions, or the Debtor's chapter 5 claims generally. The Court will hear from the parties on this issue as well.

Finally, the Debtor's Omnibus Reply paints a picture that has Ms. Gladstone and Mr. Jalbert completely in control of the Debtor for all purposes, subject only to this Court's oversight. That may be the Debtor's intent, but that is not the way the documents governing Ms. Gladstone's and Mr. Jalbert's retention are drafted. In light of the issues discussed above, this troubles the Court and the Court will look to the Debtor to address this at the hearing.

The Court is not inclined to approve the DIP Financing Motion unless it receives satisfactory answers to the issues it has raised above.

The Court does not anticipate taking witness testimony unless the Debtor intends to supplement the record at the hearing or a dispute arises as to a factual issue.

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[3] *See* ECF No. 5-3 at 11 (Remedies).