Arthur D. Levy (SBN 95659)
LAW OFFICE OF ARTHUR D. LEVY
610 – 16th Street, Suite 420
Oakland, CA 94612
Telephone: (415) 702-4551
arthur@yesquire.com

Attorney for Class Action Judgment Creditor
EDUARDO DE LA TORRE

UNITED STATES BANKRUPTCY COURT

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

IN RE CASHCALL, INC., Debtor.	Case No. 26-03102-JBM11 Chapter 11 **JUDGMENT CREDITOR EDUARDO DE LA TORRE'S MOTION FOR RELIEF FROM STAY AS TO ORANGE COUNTY UVTA CASE** RS No.: ADL-1 [Declaration of Arthur D. Levy in Support of this Opposition Filed Concurrently]

TABLE OF CONTENTS

TABLE OF CONTENTS i
TABLE OF AUTHORITIES ii
INTRODUCTION 1
FACTS 2
ARGUMENT 8
A. The Court Should Grant De La Torre Relief from the Automatic Stay Based on the *Kronemyer* Factors 8
1. Judicial Economy Favors Allowing the Existing UVTA Case to Proceed Instead of Having the Debtor Start a New Fraudulent Transfer Case 9
2. The State Court Has Expertise In Interpreting and Applying The California UVTA 11
3. Allowing the UVTA Case to Proceed Will Avoid Significant Attorney's Fees for the Estate, Capitalize on the Already Completed Trial Preparation in the UVTA Case, and Be in the Best Interests of Creditors 11
4. Bankruptcy Issues Are Not Involved 12
B. CashCall's Adverse Interests Disable It From Representing the Estate and the Best Interests of Creditors on the Fraudulent Transfer Claim 12
1. The Debtor In Possession Has Disabling Adverse Interests in Pursuing or Settling the Fraudulent Transfer Claim 12
2. The Debtor In Possession's Fraudulent Transfer Claim Is Subject to Statute of Limitations Defenses that Do Not Apply in the UVTA Case 16
3. The DIP Lender's Leverage Over CashCall Creates an Interest Adverse to Creditors' Interests in Relation to Pursuit of the Fraudulent Transfer Claim 17
4. Conflicts Counsel Does Not Cure the Adverse Interests of the Debtor in Possession It Seeks to Represent 19
CONCLUSION 21

TABLE OF AUTHORITIES

California Cases

Aghaian v. Minassian
59 Cal.App.5th 447 (2020)..... 11

Annod Corp. v. Hamilton & Samuels
100 Cal.App.4th 1286 (2002)..... 11

Chen v. Berenjian
15 Cal.App.5th 811 (2019)..... 11

Filip v. Bucurenciu
129 Cal.App.4th 825 (2005)..... 6, 11

Federal Cases

Deitsch Plastic Co. v. Generations Re Ventures LLC
2025 U.S. Dist. LEXIS 106519 (C.D. Cal. Apr. 17, 2025)..... 6

Dye v. Brown (In re AFI Holding, Inc.)
355 B.R. 139 (Bankr. 9th Cir. 2006)..... 13, 14, 15

Everett v. Perez (In re Perez)
30 F.3d 1209 (9th Cir. 1994)..... 20

In re Black & White Stripes, LLC
623 B.R. 34 (Bankr. S.D.N.Y. 2020)..... 15

In re Kronemyer
405 B.R. 915 (B.A.P. 9th Cir. 2009)..... 8

In re Rosenblum
2019 Bankr. LEXIS 1159 (Bankr. D. Nev. Mar. 15, 2019, No. 18-17155-MKN)..... 20

In re SunCruz Casinos, LLC
298 B.R. 821 (Bankr. S.D. Fla. 2003)..... 16

In re Sundance Self Storage-El Dorado LP
482 B.R. 613, fn. 45 (Bankr. E.D. Cal. 2012)..... 20

In re Vanderbilt Minerals, LLC
678 B.R. 461 (Bankr. N.D.N.Y. 2026)..... 15

In re Wireless Sys. Sols. LLC
675 B.R. 451..... 6

In re Woodson
(9th Cir. 1988) 839 F.2d 610..... 13

Merriman v. Fattorini LLP (In re Merriman)
616 B.R. 381 (B.A.P. 9th Cir. 2020)..... 8

Official Comm. of Unsecured Creditors v. Clark (In re Nat'l Forge Co.)
304 B.R. 214 (Bankr. W. D. Pa. 2004) 15, 16

Tevis v. Wilke, Fleury, Hoffelt, Gould & Birney, LLP
247 B.R. 679 (B.A.P. 9th Cir. 2006) 13

California Statutes

Code of Civil Procedure section 437c(b) 6

Civil Code §§ 3439 *et seq.* 1, 18

Federal Statutes

11 U.S.C. § 1107(a) 14

11 U.S.C. § 362(d)(1) 10

11 U.S.C. § 544(b) 14

INTRODUCTION

In the event this case is not dismissed prior to the hearing on this motion, Judgment Creditor Eduardo De La Torre requests that the Court grant him relief from the automatic stay to continue his pending case in Orange County Superior Court against Mr. Reddam under California's Uniform Voidable Transactions Act (UVTA, Civil Code §§ 3439 *et seq*.). The case is *De La Torre v. Reddam et al*., Orange County Superior Court Case No. 30-2024-01421309.

For the reasons stated in De La Torre's pending Motion to Dismiss, De La Torre submits that CashCall filed this case in bad faith to enable Mr. Reddam to avoid the impending UVTA trial, to divert the fraudulent transfer claim against Mr. Reddam into the hands of CashCall itself as debtor in possession, and to stall the CFPB in collecting its Judgment directly from assets and real estate Mr. Reddam pledged in return for a stay of enforcement pending appeal. Dkt. 127.

If the Court denies De La Torre's Motion to Dismiss, he alternatively requests that the Court lift the stay against the UVTA case and allow his UVTA case to go forward against Mr. Reddam. The De La Torre Class holds virtually 100% of the unsecured claims against CashCall, once the CFPB and the Skadden firm are removed from the picture, as they should be. Levy Dec. ¶¶ 49-51. Both of them have direct recourse against CashCall's co-debtor, Mr. Reddam, and do not need to proceed against CashCall or to recover out of a fraudulent transfer case against him. *Ibid.*

De La Torre's counsel will not charge the estate for past or further pursuit of the UVTA case and will look solely to the court in the De La Torre Class Action for compensation, from out of the recovery of the Class Judgment. Levy Dec. ¶¶ 39, 40. They will submit, as a condition of relief from stay, to this Court's jurisdiction over the gross proceeds from a UVTA Judgment or settlement. *Ibid*.

On September 9, before the Allen Matkins retention application was filed, De La Torre's counsel proposed to Mr. Carroll that CashCall select De La Torre's counsel to take the fraudulent transfer case forward on this basis, as an alternative to hiring conflicts counsel on an hourly basis. Levy Dec. ¶ 41 & Ex. 18. Counsel received no substantive response to this proposal, other than that CashCall had already decided to hire Allen Matkins. *Id.* Ex. 19.

FACTS

Eduardo De La Torre is the class representative in the certified class action *De La Torre v. CashCall, Inc.*, San Mateo Superior Court Case No. 19CIV01235, filed on March 7, 2019. Levy Dec. ¶ 3 & Ex. 1. In the De La Torre Class Action, Mr. De La Torre alleged that CashCall had violated the California Unfair Competition Law by making $2,600 installment loans at 96% and 135% interest to subprime borrowers between 2004 and July 2011. *Id*. Ex. 1 (¶ 1). The court certified the De La Torre's Class by Order dated January 16, 2020. Levy Dec. ¶ 6.

The case proceeded to a bench trial that began on March 8, 2021. Levy Dec. ¶ 7. The trial extended over 13 days; testimony concluded on May 14, 2021. *Ibid*. An extended delay in obtaining trial testimonial transcripts delayed post-trial briefing. *Ibid*. On August 31, 2021, the court approved the parties' stipulation calling for simultaneous post-trial briefs to be filed on September 20 and October 4, with closing oral arguments to be held on November 1. *Ibid.*

On September 14, 2021, CashCall received a large settlement payment in its legal malpractice case against the law firm of Katten Muchin Rosenman LLP for allegedly providing negligent advice to CashCall in establishing a national lending program predicated on tribal immunity from state usury laws. Levy Dec. ¶ 8 & Ex. 9 (¶¶ 4, 6); Dkt. 3 (¶ 30).

Six weeks later and five days before the November 1 closing arguments in the De La Torre Class Action—on October 26, 2021—CashCall CFO Delbert Meeks paid a $45 million distribution to Mr. Reddam out of the proceeds of the Katten settlement. Levy Dec. Ex. 9 (¶ 23); Ex. 20 (130:6-17; 131:1-25).

The court heard closing arguments in the Class Action on November 1, 2021. Levy Dec. ¶ 10. On January 20, 2022, the court issued a Tentative Decision in favor of the Class and against CashCall. *Id*. ¶ 11 & Ex. 2. On November 7, 2023, after extended proceedings under California's Statement of Decision rules, the court issued its final "Amended Statement of Decision" and final "Amended Judgment." *Id*. ¶ 12 & Ex. 3, 4.

In the Amended Statement of Decision, the trial judge found CashCall's lending practices unconscionable, an "attempt to reap money through onerous loan contracts preying upon financially desperate people who were not creditworthy," and awarded restitution to members of

the Class of California borrowers. Levy Dec. ¶ 4 & Ex. 4 (pp. 37-39). The Amended Judgment awards a money restitution judgment against CashCall in favor of the Class in the amount of $245,515,389, based on expert testimony during trial to the total payments made by Class members in excess of the $2,600 loan principal. *Ibid.*

The beneficiaries of the Class Judgment are the members of the Class of CashCall borrowers. Levy Dec. ¶ 15 & Ex. 3. The Judgment requires CashCall to pay restitution to Class members who paid CashCall more than the principal amount of their loans. *Ibid*.

On November 29, 2023, CashCall appealed the Class Judgment to the California First District Court of Appeal, Case No. A169205. Levy Dec. ¶ 16. On December 10, 2025, the Court of Appeal held closing arguments. *Ibid.* On February 27, 2026, the Court of Appeal issued an unpublished opinion affirming the Amended Judgment against CashCall in full. *Ibid*

The Court of Appeal denied CashCall's Petition for Rehearing, and the California Supreme Court denied CashCall's Petition for Review. Levy Dec. ¶ 17. The Class Judgment became final on June 15, 2026. *Ibid.*

Notwithstanding the finality of the Class Judgment, CashCall has improperly scheduled the Cash Call Judgment as contingent and disputed. Dkt. 88 (p. 19); Dkt. 124 (p. 10).

Even though CashCall did not post an appeal bond to stay enforcement of the Judgment pending appeal or since then, the Class has been unable to collect any of the Judgment from CashCall. Levy Dec. ¶ 18.

Class Counsel pursued post-judgment enforcement of judgment discovery from CashCall. Levy Dec. ¶ 19. Through that discovery, counsel discovered the October 2021 $45 million distribution to Mr. Reddam. *Ibid*.

Based on the post-judgment discovery, on August 21, 2024 Mr. De La Torre filed his UVTA case in Orange County Superior Court, against CashCall and Mr. Reddam, *De La Torre v. Reddam et al*., Orange County Superior Court Case No. 30-2024-01421309. Levy Dec. ¶ 20 & Ex. 5. The complaint challenges the $45 million shareholder distribution CashCall made to Mr. Reddam in October 2021 as a fraudulent transfer. *Id.* (¶¶ 18, 24-26). The UVTA action is the case referenced in Mr. Reddam's Declaration in Support of CashCall's First Day Motions and is

the "Fraudulent Transfer Action" referenced in the DIP Financing. Dkt. 3 (¶ 31); Dkt. 100-1 (p. 4).

In the UVTA case, Mr. De La Torre seeks to recover the entire distribution from Mr. Reddam, plus prejudgment interest, and to apply it against the De La Torre Class Judgment. Levy Dec. ¶ 20 & Ex. 5 (p. 8). The UVTA case remains pending. Levy Dec. ¶ 36.

The UVTA complaint states two Causes of Action. Levy Dec. Ex. 5. The central issue on the First Cause of Action for Actual Fraudulent Transfer is whether CashCall made the $45 million distribution to Reddam with "actual intent to hinder, delay, or defraud creditors," in violation of California Civil Code section 3439.04(a)(1). *Id*. (¶¶ 28-31). The central issue on the Second Cause of Action for Constructive Fraudulent Transfer under sections 3439.04(a)(2) and 3439.05 is whether CashCall was insolvent at the time it made the distribution. *Id*. (¶¶ 32-35).

CashCall and Mr. Reddam jointly answered the UVTA complaint and jointly defended the UVTA case, represented by the Manatt Phelps law firm, which is representing CashCall in this bankruptcy case. Levy Dec. ¶ 24 & Ex. 6. Their joint Answer states that "Defendants … deny that Plaintiff was injured, harmed, or damaged in the manner or sums alleged, or at all, by the conduct of Defendants, or that Plaintiff is entitled to any relief, whether equitable or legal." *Id*. Ex. 6 (p. 2). They also allege "The transfer alleged in the complaint was made in good faith for reasonably equivalent value." *Ibid.*

On January 22, 2025, CashCall and Mr. Reddam filed a joint Case Management Conference Statement, stating their key defense, that the distribution was made to satisfy Mr. Reddam's state and federal tax obligations:

> CashCall, Inc. is an S Corporation. John Paul Reddam is its sole shareholder and is responsible for paying taxes. The distribution to Reddam in October 2021 was to satisfy state and federal tax obligations. CashCall was not insolvent at the time of the distribution.

Levy Dec. ¶ 25 & Ex. 7 (p. 2).

On November 3, 2025, CashCall and Mr. Reddam filed a motion for summary judgment in the UVTA case, asserting

> there is no triable issue as to any material fact and … Defendants are entitled to judgment as a matter of law. The sole transfer at issue in the Complaint cannot be voided under the UVTA because CashCall, the transferor, did not intend to hinder, delay, or defraud Plaintiff by making the transfer and there is no factual basis to impute fraud to CashCall.

Levy Dec. ¶ 27 & Ex. 8 (2:9-13).

In support of the motion, Manatt Phelps prepared and filed the following witness declarations on behalf of CashCall and Mr. Reddam:

- A Declaration by Delbert O. Meeks, who was and remains CashCall's CFO as well as the CFO of Absolutely Zero (Levy Dec. ¶ 28 & Ex. 9; Ex. 20 (14:7-17, 15:24-16:15); Ex. 21, 22; Dkt. 124 (p. 27));
- A Declaration by Mr. Reddam (*Id*. ¶ 29 & Ex. 10);
- A Declaration by Elizabeth Emrick, Mr. Reddam's personal tax and financial assistant (*Id*. ¶ 30 & Ex. 11).

Both the Meeks and Reddam declarations used identical language in asserting that the De La Torre Class Action "played no role" in the $45 million distribution. Levy Dec. Ex. 9 (¶ 13); *id*. Ex. 10 (¶ 14).

The Meeks declaration summarily stated that CashCall was solvent at the time of the distribution. Levy Dec. Ex. 9 (¶ 10).

In support of the motion, on behalf of CashCall and Mr. Reddam, Manatt Phelps also prepared and filed a "Separate Statement of Undisputed Material Facts" in support of the motion, as required by California Code of Civil Procedure section 437c(b). Levy Dec. ¶ 31 & Ex. 12. The Separate Statement stated that the following material facts were indisputable:

> 24. The amount of the Tax Distribution was calculated by applying the maximum California and federal tax rates to CashCall's net income as of September 30, 2021. 30, 2021. (Meeks Decl. ¶ 8; Emrick Decl.. ¶ 12)
>
> 25. The San Mateo Litigation played no role in CashCall's decision to make the Tax Distribution to Reddam or the amount of the Tax Distribution. (Meeks Decl. ¶ 13; Reddam Decl. ¶ 14)

> 27. At the time of the Tax Distribution and through the end of 2021, the total sum of CashCall's debts was not greater than the total sum of its assets. (Meeks Decl. ¶ 10)

Ex. 12 (p. 8).

A fraudulent transfer is rarely proven out of the mouths of defendants, but instead by circumstantial evidence showing their intent. "Rarely will a fraudster admit outright to the commission of a devious act. A transferor's intent must therefore be gleaned and deduced through the consideration of circumstances surrounding a transfer." *In re Wireless Sys. Sols. LLC* 675 B.R. 451, 462 (Bankr. E.D.N.C. 2025). Because intent to intent to hinder, delay or defraud creditors is rarely admitted, courts can infer intent from the circumstances surrounding the transfer, taking particular note of certain recognized indicia or "badges of fraud." *Filip v. Bucurenciu*, 129 Cal.App.4th 825, 834 (2005); *Deitsch Plastic Co. v. Generations Re Ventures LLC* 2025, U.S. Dist. LEXIS 106519 at *10 (C.D. Cal. Apr. 17, 2025).

Mr. De La Torre's counsel opposed CashCall's and Mr. Reddam's joint motion. Levy Dec. ¶ 32. In opposition, De La Torre's counsel submitted an opposition brief, a response to CashCall's Separate Statement with additional disputed facts, and a Declaration by Allen Pfeiffer, a valuation expert with Kroll.[1] Copies of the public (redacted) versions of these filings are submitted as Exhibits 13, 14, and 15, respectively to the declaration supporting this motion. Levy Dec. ¶¶ 32-34.

De La Torre's opposition showed circumstantial evidence that Mr. Meeks made the distribution with actual intent to avoid payment to the De La Torre Class. As to whether the distribution was a legitimate tax distribution or was instead a subterfuge for getting $45 million from the Katten settlement out of CashCall to hinder, delay, or defraud the De La Torre Class, De La Torre showed (among other things) that:

- Mr. Meeks did not consult Mr. Reddam's tax advisers about the tax necessity or amount of a tax distribution (other than simply to obtain income tax rates for his calculations). Levy Dec. Ex. 14 (¶¶ 43, 51).

[1] A lengthy declaration submitting other opposition evidence was also filed, but it is not being included in support of this motion due to its length.

- Mr. Reddam did not owe any tax payment at the time of the distribution, and had none due until January 2022. Levy Dec. Ex. 14 (¶¶ 51-56).
- The amount of the distribution alone was grossly in excess of Mr. Reddam's total actual income tax payments on account of the year 2021 as a whole. Levy Dec. Ex. 14 (¶ 45).

De La Torre presented the following deposition testimony from Mr. Meeks to the court:

> Q. Did you know when Mr. Reddam's estimated tax payment was due at this time in October of 2021?
>
> A. I do not know the date -- the exact date.
>
> Q.· Did you have any concern that Mr. Reddam was going to be penalized for making a late estimated tax payment?
>
> A. *My concern is getting him the money.· His -- and then his work starts with his tax person to determine the time, dates, and the payments*.
>
> Q. Did you check to see when his estimated tax payment was due?
>
> A. It is not under my privy.
>
> Q. And I take it from your testimony, you didn't contact Mr. McGrath [CashCall's and Mr. Reddam's CPA and tax preparer] in connection with this distribution to ask him how much Mr. Reddam would owe in estimated taxes?
>
> A. No.

Levy Dec. Ex. 20 (131:9-25, emphasis added).

As to the issue of CashCall's insolvency, De La Torre's opposition presented Mr. Pfeiffer's expert declaration attesting that CashCall was insolvent at the time of the distribution based on applying the "probability discount rule" to CashCall's liabilities. Levy Dec. Ex. 15 (¶¶ 19-21).

On July 10, 2026, the court denied Cash Call's and Mr. Reddam's summary judgment motion. Levy Dec. ¶ 25 & Ex. 16. The court found that there were triable issues of fact as to CashCall's intent to hinder, delay or defraud, and as to its insolvency.

Ten days later, CashCall filed its Chapter 11 Petition, apparently to seize control over De La Torre's UVTA claim against Mr. Reddam, claiming that, as debtor in possession, it is entitled to pursue the same fraudulent transfer claim against Mr. Reddam that it had jointly defended with him in the UVTA case and asserted was baseless.

When CashCall filed this case, the UVTA case was poised to go to jury trial in just three months, on October 12, 2026. Levy Dec. ¶ 37. A jury trial had been timely demanded. *Ibid*. The case was substantially prepared for trial, except for expert discovery, some remaining fact discovery, and compliance with the court's pretrial requirements. *Ibid.*

Over the past two years, De La Torre's counsel has invested heavily in the Orange County case, in both time and expense. Levy Dec. ¶ 38. They have invested over 500 hours and $125,000 in costs and expenses in the UVTA case to date. *Ibid.* They have pursued document and other discovery, taken depositions from the five key witnesses, retained a valuation expert, successfully opposed CashCall's and Mr. Reddam's summary judgment motion, and nearly completed trial preparation. Levy Dec. ¶¶ 37. 38, 42, 43, 44, 45.

Counsel has pursued all of this litigation—both in the Class action and in the UVTA case—based on the San Mateo trial judge's preliminary award of a 20% common fund fee based on collections for the Class. Levy Dec. ¶ 39 & Ex. 17. They have no other contingency fee or hourly fee arrangement for the UVTA case. *Ibid.* Counsel propose to continue the UVTA litigation on this same basis, without any fees charged to the estate. Levy Dec. ¶ 40.

ARGUMENT

A. The Court Should Grant De La Torre Relief from the Automatic Stay Based on the *Kronemyer* Factors

Section 362(d)(1) of the Bankruptcy Code provides, in relevant part, that "[o]n request of a party in interest and after notice and a hearing, the court shall grant relief from the stay … for cause." 11 U.S.C. § 362(d)(1). Whether cause exists rests in the sound exercise of discretion of the bankruptcy court. *Merriman v. Fattorini LLP (In re Merriman),* 616 B.R. 381, 387 (B.A.P. 9th Cir. 2020); *In re Kronemyer*, 405 B.R. 915 (B.A.P. 9th Cir. 2009).

In assessing whether cause exists for relief from stay to allow state court proceedings to continue, the courts in this Circuit consider

(i) judicial economy,

(ii) the expertise of the state court,

(iii) prejudice to the parties, and

(iv) whether exclusively-bankruptcy issues are involved.

In re Kronemyer, 405 B.R. at 921.

These factors are not exclusive, and the courts have latitude in granting relief from stay. *Merriman*, 616 B.R. at 389-90.

1. Judicial Economy Favors Allowing the Existing UVTA Case to Proceed Instead of Having the Debtor Start a New Fraudulent Transfer Case

De La Torre filed his UVTA case over two years ago, in August 2024. Levy Dec. ¶ 20 & Ex. 5. Over the last two years, the parties have substantially completed pre-trial preparation except for expert discovery this case stayed. Levy Dec. ¶¶ 37. Only a small amount of fact discovery remains, also stayed by the filing of this case. *Ibid*. Similarly, compliance with the court's pretrial requirements also remains. *Ibid*. Otherwise, the case is ready for trial. *Ibid*.

De La Torre's counsel has completed pre-filing investigation, discovery and depositions, expert witness retention, and successfully opposed the defendants' summary judgment motion. Levy Dec. ¶ 38. This work required counsel to research the applicable law, develop and marshal evidence in support of the claim, and retain a valuation expert. *Ibid*. As their opposition to the defendants' summary judgment motion shows, counsel is intimately familiar with the evidence and legal issues and need not devote time to duplicating that work, as new hourly rate counsel would have to. *Ibid*. & Ex. 13.

De La Torre's counsel took five depositions in the case, of Mr. Reddam himself, CashCall's CFO (Delbert Meeks), CashCall's Controller (Shawna Parks), Mr. Reddam's personal financial professional (Elizabeth Emrick), and CashCall's and Mr. Reddam's tax accountant (Michael McGrath). Levy Dec. ¶ 43.

They obtained over 7,200 pages of documents in response to plaintiff's document requests, including tax documents produced by Mr. Reddam. Levy Dec. ¶ 44.

They retained a valuation expert, Allen Pfeiffer, to opine on insolvency issues. Levy Dec. ¶ 45 & Ex. 15.

They successfully opposed defendants' summary judgment motion. Levy Dec. ¶ Ex. 16.

They brought the case to the verge of a jury trial on October 12, 2026. Levy Dec. ¶ 37.

In contrast, counsel in a new fraudulent transfer action brought in this bankruptcy would have to reinvent the wheel—reviewing and analyzing all discovery, testimony, document productions, and depositions, retaining expert witnesses, independently researching the law applicable to the claim in light of the present facts, filing a new case, and taking all steps necessary to prepare the new case for trial. To a great extent, they would have to duplicate work already completed by De La Torre's counsel. That process would result in new counsel charging the estate and creditors significant hourly fees plus expenses for work already completed in the UVTA case, at the expense of and against the best interests of the creditors (the De La Torre Class almost entirely), who will end up bearing those fees and expenses as they reduce the recovery for creditors. In stark contrast, De La Torre's counsel would not charge any fees or costs to the bankruptcy estate, thereby significantly enhancing the return to creditors,.

The Allen Matkins firm proposes to charge the estate hourly rates of $896.75 for Mr. Fates and $715.50 for Mr. Mina. Dkt. 138 (¶ 16). Allen Matkins proposes to charge for

- analyzing potential avoidance claims against J. Paul Reddam, the Debtor's former principal, and entities affiliated with or related to him;
- developing avoidance claims and related causes of action against J. Paul Reddam and entities affiliated with or related to him;
- prosecuting avoidance claims and related causes of action against J. Paul Reddam and entities affiliated with or related to him;
- appearing before this Court and any appellate courts in connection with the foregoing matters; and
- performing other necessary legal services and providing all other necessary legal advice to the Debtor in connection with the foregoing matters.

Dkt. 138 (¶ 12).

Most of that expense as to the central $45 million fraudulent transfer claim would be avoided by granting De La Torre relief from stay. In a letter emailed to Mr. Carroll on September 9, De La Torre's counsel so proposed. Levy Dec. ¶ 41 & Ex. 18. The only reply received was

that CashCall had already chosen Allen Matkins. *Id*. & Ex. 19. Mr. Jalbert countersigned the Allen Matkins's retainer letter the same day, and the engagement remained expressly "subject to Bankruptcy Court approval. Dkt. 138-3 (p. 6). The Allen Matkins retention application was not filed until September 16 and has not yet been approved. Dkt. 138.

2. The State Court Has Expertise In Interpreting and Applying The California UVTA

The Orange County Judge, the Honorable Nathan Vu, is singly assigned to the UVTA case and has already analyzed and ruled on a major dispositive motion and set the UVTA case for trial. The case presents an issue of state law under the California UVTA. There is a line of California appellate decisions interpreting and applying the California UVTA and its predecessor, the Uniform Fraudulent Transfers Act. E.g., *Aghaian v. Minassian* 59 Cal.App.5th 447 (2020); *Chen v. Berenjian* 15 Cal.App.5th 811 (2019); *Filip v. Bucurenciu* 129 Cal.App.4th 825 (2005); *Annod Corp. v. Hamilton* & *Samuels*,100 Cal.App.4th 1286 (2002).

In keeping with the body of California UVTA case law, it is appropriate that the state courts and interpret and apply the California UVTA to this case.

3. Allowing the UVTA Case to Proceed Will Avoid Significant Attorney's Fees for the Estate, Capitalize on the Already Completed Trial Preparation in the UVTA Case, and Be in the Best Interests of Creditors

As already pointed out, the estate will benefit from avoiding duplicate and unnecessary work and attendant hourly fees by new counsel. The Orange County Court and the parties have already invested heavily in the UVTA case.

De La Torre's counsel have invested over 500 hours and $125,000 in costs and expenses in the UVTA case to date. Levy Dec. ¶ 38.

Allowing relief from stay will not prejudice the debtor in possession and will be in the best interests of creditors:

- Relief from stay will entirely avoid creditors having to bear the hourly fees to be charged by proposed conflicts counsel, Allen Matkins, much of this for duplicative work. This benefits all creditors, but almost entirely to the De La Torre Class. Levy Dec. ¶¶ 49-51.

- De La Torre's counsel have proven themselves able and qualified to proceed with trial of the case. Their summary judgment opposition papers amply demonstrate this. Levy Dec. Ex. 13, 14, 15.
- De La Torre's counsel successfully litigated the Class Action against CashCall in federal court, the Ninth Circuit, the California Supreme Court, the San Mateo Superior Court, the First District Court of Appeal, and the California Supreme Court. Levy Dec. ¶¶ 3-17. The results of this nearly 20-year effort are clear: a successful trial in which the trial judge awarded $245 million in restitution, and affirmance in full on appeal.
- The Court and the estate should capitalize on counsel's investment and advantages and allow De La Torre's counsel to proceed against Mr. Reddam for the benefit of the estate and to continue as they vigorously have been in the pending UVTA case.

4. Bankruptcy Issues Are Not Involved

The UVTA is a California state law. Although the Bankruptcy Code enables a debtor in possession to pursue state and federal fraudulent transfer remedies, the issues are not exclusive to the bankruptcy courts. The UVTA arises under state, not federal law, and the California courts have an established jurisprudence under the UVTA and its predecessor, the UFTA.

In sum, all of the *Kronemyer* factors uniformly and strongly militate in favor of granting relief from stay.

B. CashCall's Adverse Interests Disable It From Representing the Estate and the Best Interests of Creditors on the Fraudulent Transfer Claim

In addition to the *Kronemyer* factors, there are additional compelling reasons why De La Torre, not the debtor, should pursue the fraudulent transfer claim for the benefit of the creditors.

1. The Debtor In Possession Has Disabling Adverse Interests in Pursuing or Settling the Fraudulent Transfer Claim

CashCall centers its Chapter 11 around the $45 million fraudulent transfer claim against Mr. Reddam. Dkt. 6 (¶¶ 6, 9); Dkt. 4 (¶ 9). CashCall's only other material asset is its accounts receivables, consisting of a $1.5 million collection portfolio of apparently defaulted loans and a $3.0 million account receivable from Absolutely Zero. Dkt. 88 (pp. 12-17); Dkt. 124 (pp. 3-8);

Dkt. 6 (¶¶ 6, 9); Dkt. 4 (¶ 9).

By filing this case, CashCall gained the right to pursue Mr. Reddam for the $45 million distribution that De La Torre had already been actively pursuing for two years before this case was filed. 11 U.S.C. §544(b).

A debtor in possession stands in the same position as a Chapter 7 Trustee and owes a fiduciary duty to creditors to act in their best interests. 11 U.S.C. § 1107(a).

> As debtor in possession he is the trustee of his own estate and therefore stands in a fiduciary relationship to his creditors. As such, Woodson is required to turn square corners and avoid conduct that would prejudice the rights of those whose interests he is required to protect.

In re Woodson (9th Cir. 1988) 839 F.2d 610, 614, footnote citing authority omitted.

CashCall's alignment with Mr. Reddam in opposing the UVTA case is an interest adverse to the estate and the best interests of creditors. An "adverse interest" is the

> (1) possession or assertion of *an economic interest that would tend to lessen the value of the bankruptcy estate*; or
>
> (2) possession or assertion of *an economic interest that would create either an actual or potential dispute in which the estate is a rival claimant*; or
>
> (3) possession of *a predisposition under circumstances that create a bias against the estate*.

Dye v. Brown (In re AFI Holding, Inc.), 355 B.R. 139, 149 (B.A.P. 9th Cir. 2006), emphasis added; see also *Tevis v. Wilke, Fleury, Hoffelt, Gould & Birney, LLP*, 247 B.R. 679, 687-88 (B.A.P. 9th Cir. 2006).

By retaining counsel, appearing in the UVTA case and joining Mr. Reddam in actively defending and opposing it for two years, CashCall asserted "an economic interest that would tend to lessen the value of [the fraudulent transfer claim]," asserted "an economic interest that would create either an actual or potential dispute [as to the estate's recovery on the fraudulent transfer claim]", and evidenced "a clear predisposition under circumstances that create a bias against the estate."

CashCall's adverse interest is evidenced by

- Joining forces with Mr. Reddam in denying liability in the UVTA case;
- Having common counsel with Mr. Reddam prepare CashCall's principal witnesses at

depositions in the UVTA case and represent them at their depositions—Mr. Meeks, Mr. Reddam, and Ms. Emrick.

- Filing a summary judgment motion in the UVTA case, including submitting the declarations of Mr. Meeks, Mr. Reddam, and Ms. Emrick, denying liability, and maintaining that there can be no genuine dispute that the central predicates to liability are *absent*.

CashCall has prejudiced any attempt by it to pursue or settle the fraudulent transfer claim in the best interests of creditors. CashCall is burdened by the positions it has consistently taken in the UVTA case, by its filings in that case, and by the testimony it has prepared and submitted in support of those positions, both at depositions and in its summary judgment declarations. Mr. Reddam can have CashCall's joint defense of the UVTA case admitted in evidence in support of his defense in any trial of the fraudulent transfer claim.

The admission of a party opponent (CashCall and its witnesses) is admissible against CashCall. Fed. R. Ev. 801(d). "If a party's claim, defense, or potential liability is directly derived from a declarant or the declarant's principal, a statement that would be admissible against the declarant or the principal under this rule is also admissible against the party." Rule 801.

CashCall's admissions are admissible in Mr. Reddam's favor in any fraudulent transfer action against him brought by CashCall. They are not admissible against Mr. De La Torre in the UVTA case because they are not admissions by a party opponent.

Any settlement by the debtor in possession would therefore reflect a discount for CashCall's summary judgment filings in the UVTA case, including the adverse declarations prepared and submitted in support of CashCall's unsuccessful motion with Mr. Reddam asserting that the claim the debtor in possession would now pursue is devoid of any merit.

CashCall's common cause with Mr. Reddam in opposing the UVTA case is an interest adverse to the estate and the best interests of creditors. In *Dye*, the Chapter 11 trustee had previously represented both an insider of the debtor and an investor in one of debtor's entities as an attorney. The bankruptcy court held that Dye's pre-petition representation disqualified her as trustee and warranted her removal:

> Whether or not, ultimately we'll never know, the estate would have had any claims against Meister and against Eriksen or - in the form of a claim to undue [sic] or attack the agreement and the release as in and of itself an avoidable transfer or to pursue claims against Meister for his role in the conduct of business by the AFI entities, *the fiduciary of the bankruptcy estate who has to make business decisions about whether [or] not to pursue those claims and - investigate those claims should be completely free of any possible influence with regard to making decisions against parties that she represented as counsel pre-petition, and that was not the case here.* Both clients had a direct interest in the debtor and this indeed created a material conflict of interest for Dye.

Id. at 146, emphasis added. The Bankruptcy Appellate Panel affirmed:

> A trustee/fiduciary must be free from any hint of bias. All of this evidence fits within the parameters of a materially adverse interest based on either an appearance of impropriety or a potential conflict of interest. Either is a viable cause for removal.

Id. at 153-154, emphasis in original.[2]

Here, likewise, CashCall is acting as trustee for creditors and, as such, stands in a fiduciary relationship to creditors. CashCall's investigation and pursuit of the fraudulent transfer claim "should be completely free of any possible influence with regard to making decisions against [Mr. Reddam],""free from any hint of bias [in favor of Mr. Reddam]," and "any appearance of impropriety or conflict of interest."

In *Official Comm. of Unsecured Creditors v. Clark (In re Nat'l Forge Co.)*, 304 B.R. 214, 222 (Bankr. W. D. Pa. 2004), the court held that the debtor in possession's conflicts of interest disqualified it from pursuing a fraudulent conveyance claim against insiders:

> Debtors' management has a conflict of interest in pursuing the fraudulent conveyance action. Key Employees received a benefit from the Redemption Transaction and are named as the Individual Defendants to the Complaint. The Creditors' Committee is the only appropriate party to pursue the cause of action.

[2] *See also In re Vanderbilt Minerals, LLC*, 678 B.R. 461, 470 (Bankr. N.D.N.Y. 2026) (denying retention of debtor's counsel based on the law firm's prior representation of the debtor's affiliates; "The timeline demonstrates Jones Day was actively representing the Debtor's affiliates while exploring and recommending legal strategies and actions that may have negatively impact[ed] this estate, including, and perhaps not limited to, setoffs and potential asset transfers. The Court should not have to assess the merits and propriety of those transactions to find Jones Day without conflict."); *In re Black & White Stripes, LLC*, 623 B.R. 34, 52 (Bankr. S.D.N.Y. 2020)(same; "And it is particularly concerning where these potential [fraudulent transfer] claims would be against the Cushner Firm's former clients in the State Court Action, which raised substantially the same issues. However brief the Cushner Firm's role in the State Court Action, that representation undermines the Firm's ability to perform as faithful bankruptcy counsel to B&W and Eastern in their chapter 11 cases. Accordingly, the Retention Application must be denied.")

Id. at. 222; see also *In re SunCruz Casinos, LLC*, 298 B.R. 821, 830 (Bankr. S.D. Fla. 2003) ("The enumerated conflicts of interest suffered by the Boulis Estate interfere with its ability to carry out the fiduciary obligations of a debtor in possession").

2. The Debtor In Possession's Fraudulent Transfer Claim Is Subject to Statute of Limitations Defenses that Do Not Apply in the UVTA Case

Mr. Reddam has statute of limitations defenses against the debtor in possession that are not applicable to the UVTA case. CashCall's distribution to Mr. Reddam occurred in October 2021, well over four years prior to the date this case was filed. Levy Dec. Ex. 20 (130:6-17; 131:1-25).

The UVTA imposes a general four-year statute of limitations. Cal. Civ. Code § 3439.09(a),(b). De La Torre's UVTA case was filed in August 2024, well within the applicable four-year limitations period.

The debtor in possession's claim under section 544(b) is subject to statute of limitations defenses because the applicable state law limitations periods had run before July 20, 2026, the date this case was filed.

As to actual fraud claims, section 3439.09(a) provides that action must be brought "not later than four years after the transfer was made or the obligation was incurred or, if later, not later than one year after the transfer or obligation was or could reasonably have been discovered by the claimant." CashCall could not claim discovery tolling because CashCall itself made the transfer in 2021.

As to constructive fraud, the UVTA does not allow any discovery tolling. The action must be brought "not later than four years after the transfer was made or the obligation was incurred." Civil Code § 3439.09(b). Therefore, any constructive fraud claim by the debtor in possession would also be time-barred.

Under section 548, there is a two-year look back period. This, too, had long expired as of the July 2026 filing date. CashCall is not entitled to any equitable tolling because it had full knowledge of the distribution at the time it was made and denied that it was voidable for nearly two years in the UVTA case.

Statute of limitations issues in any fraudulent transfer action by CashCall against Mr. Reddam will significantly reduce the settlement value of its fraudulent transfer case.

3. The DIP Lender's Leverage Over CashCall Creates an Interest Adverse to Creditors' Interests in Relation to Pursuit of the Fraudulent Transfer Claim

The DIP financing in this case is distinctive not because it is being provided by an insider, but because it is being provided by the insider who is the target of the fraudulent transfer claim that debtor identified as the centerpiece of this case at the time it was filed. Dkt. 6 (¶¶ 6, 9); Dkt. 4 (¶ 9); Dkt. 88 (pp. 12-17); Dkt. 124 (pp. 3-8). Because of this distinctive feature, the DIP financing creates an adverse interest of CashCall against the estate and the best interests of creditors with respect to the pursuit and settlement of the fraudulent transfer claim.[3] Absolutely Zero is a corporation indirectly owned entirely by Mr. Reddam. Mr. Reddam is the 100% shareholder of Ralis Services Corp. Levy Dec. Ex. 20 (14:7-17, 15:24-16:15). Ralis in turn is the 100% shareholder of the DIP lender, Absolutely Zero. *Ibid.*

Delbert Meeks, CashCall's CFO, who authorized the $45 million distribution to Mr. Reddam, is also the CFO of Absolutely Zero and the CEO of its parent, Ralis Services Corp. Levy Dec. Ex. 9 (¶¶ 7-9; Ex. 20 (130:6-17; 131:1-25); Ex. 21, Ex 22; Dkt. 124 (p. 26).

Ordinarily, DIP financing provided by an insider would not necessarily create interests adverse to creditors. But here, there is the added factor that the financing is provided by an entity wholly owned and controlled by the very insider who is the target of the $45 million fraudulent transfer claim, which has been identified as the key "asset" of the estate. Dkt. 6 (¶¶ 6, 9); Dkt. 4 (¶ 9); Dkt. 88 (pp. 12-17); Dkt. 124 (3-8). Because repayment of the DIP financing depends substantially, if not entirely, on recovery in the fraudulent transfer case the principal behind the DIP lender, the DIP financing creates an interest adverse to the estate and the best interests of creditors.

[3] De La Torre and the CFPB, representing 99% of the unsecured claims against the estate, objected to the DIP Financing. Dkt. 88 (pp. 19-20). No creditor supported the DIP financing. The US Trustee also objected to it.

The DIP lender holds the leverage of freezing or threatening to freeze further funding, and/or imposing a higher default interest rate, based on the occurrence of any Event of Default. Dkt. 106 (pp. 6, 12). An Event of Default has already occurred due to the filing of the Motion to Dismiss (Dkt. 127), triggering that leverage. *Id*. (p. 13 [Events of Default include "[t]he Chapter 11 Case shall be converted to a case under Chapter 7 of the Bankruptcy Code or be dismissed, or a motion requesting such relief shall have been filed by any party"].) Other Events of Default may occur in the future.

The DIP financing will be used to pay compensation to the Chief Restructuring Officer, the Independent Director, the proposed Counsel for the Debtor, and the proposed conflicts counsel, Allen Matkins. Dkt. 106 (pp. 6-7 ["Use of Proceeds].) If the DIP funding is placed in jeopardy due to the occurrence of Events of Default or for other reasons, these recipients stand to be financially compromised. Each has a direct personal interest in seeing the fraudulent conveyance claim resolved on terms that avoid default and termination of the DIP credit line and assure their payments through the DIP financing. This includes Allen Matkins.

The debtor in possession has claims back against the DIP lender and other related insider entities that actually or potentially create adverse interests. These include:

- An account receivable of the Debtor for approximately $3 million due from the DIP lender, Absolutely Zero. Levy Dec. ¶ 47.
- Actual or potential avoidance claims against the parent corporation of the DIP lender, Ralis Services Corporation, and the DIP lender itself. Dkt. 88 (pp. 25-26, 37-38); Dkt. 124 (pp. 28-29).
- Actual or potential avoidance claims against other entities owned directly or indirectly by Mr. Reddam, including Servicing Solutions and Rebate Media Buyers. Dkt. 88 (pp. 25-26, 37-38); Dkt. 124 (pp. 28-29).

The Debtor attempts to compartmentalizes the fraudulent transfer claim against Mr. Reddam from other claims, such as insider preference claims, that the Debtor has or may have against related parties, including Absolutely Zero, Ralis Services Corp., Servicing Solutions, and Rebate Media Buyers. Compartmentalization of the fraudulent transfer claim is not possible, though, because all claims as between the debtor in possession, on the one hand, and Mr. Reddam, Absolutely Zero, Ralis, and Mr. Reddam's other captive entities can be brought into

negotiations over the fraudulent transfer claim and bargained to reduce his fraudulent transfer liability.

This interferes with creditors' independent representation on the fraudulent transfer claim. This interference is eliminated by allowing De La Torre relief from stay to pursue his UVTA case, independent of other claims involving Mr. Reddam and his captive entities, subject to Order of this Court.

For example, the $3 million account receivable from Absolutely Zero could be traded off against the fraudulent transfer liability. The estate could accept a lower fraudulent transfer settlement in exchange for forgiving or reducing the account receivable. Likewise, the potential avoidance claims against other insiders Mr. Reddam controls—Ralis Services Corp. (the parent of Absolutely Zero), Servicing Solutions, and Rebate Media Buyers—could be brought into play in negotiations and potentially result in a lower settlement of the fraudulent transfer claim.

These adverse interests are compounded by the Marshak Hays firm's joint representation of both Absolutely Zero as DIP lender and Mr. Reddam as defendant on the fraudulent transfer claim. Dkt. 161. Representing both the DIP Lender and the fraudulent transfer defendant, Marshak Hays owes concurrent duties to both the lender and the fraudulent transfer defendant, and could negotiate for a lower settlement of the fraudulent transfer claim in exchange for concessions to CashCall from the DIP lender.

4. Conflicts Counsel Does Not Cure the Adverse Interests of the Debtor in Possession It Seeks to Represent

The Manatt Phelps firm offers the retention of Allen Matkins as conflicts counsel on the fraudulent conveyance claim as a panacea to its disqualifying conflicts of interest under California Rules of Professional Conduct 1.7 and 1.9. Regardless of whether conflicts counsel solves Manatt's conflict of interest issues, the retention of conflicts counsel does not eliminate the adverse interests identified above.

Counsel for the debtor in possession represents *the estate* and not the debtor individually, and accordingly owes fiduciary duties to serve the best interests of creditors. *Everett v. Perez (In re Perez)*, 30 F.3d 1209, 1219 (9th Cir. 1994); *In re Sundance Self Storage-El Dorado LP*, 482

B.R. 613, 630, fn. 45 (Bankr. E.D. Cal. 2012) (the attorney for a debtor in possession is a fiduciary of the estate); *In re Rosenblum*, 2019 Bankr. LEXIS 1159 (Bankr. D. Nev. Mar. 15, 2019, No. 18-17155-MKN), at *13.

Accordingly, Allen Matkins's professional disinterestedness cannot cure *CashCall*'s adverse interestedness explained above. Allen Matkins is representing *a client* whose interests are adverse to creditors, even if Allen Matkins had no disqualifying conflict itself. See pp. 12-16, above.

Even assuming that Manatt Phelps is not disqualified under CPC Rules 1.7 and 1.9, retention of conflicts counsel does not eradicate Manatt's conflicts as to the fraudulent transfer claim. Manatt's services to the debtor in possession include "advising the Debtor in connection with its rights, powers, and duties as debtor-in possession" and "prosecuting actions on behalf of the Debtor… and representing the Debtor's interest in negotiations concerning litigation in which the Debtor is involved." Dkt. 42-1 (p. 3).

As explained above, the offsetting claims between CashCall and Mr. Reddam and his controlled entities, including the DIP lender, cannot be compartmentalized as Manatt Phelps and Allen Matkins propose. If Manatt revises its retainer agreement to exclude any services in connection with avoidance claims against Mr. Reddam and his controlled entities, and Allen Matkins has sole professional responsibility for those claims, Manatt still remains responsible for advising the debtor generally on a Chapter 11 plan. Dkt. 42-1 (p. 3); services include "negotiating and preparing a plan of reorganization and all related documents;" "advising the Debtor in connection with any sale of assets and/or plan of reorganization"). Those services must take resolving claims against Mr. Reddam and related entities into account, as well as the $3 million account receivable from Absolutely Zero. As explained above, those services cannot be compartmentalized from negotiations with Mr. Reddam on the fraudulent transfer action and from potential discussions and negotiations with the Marshak Wood firm relating to the DIP financing.

Because the fraudulent transfer claim cannot be compartmentalized, the Court is not in a position to detect or to protect creditors against breaches in any supposed wall erected between Manatt Phelps and the fraudulent transfer claim.

CONCLUSION

Mr. De La Torre respectfully requests that the Court grant relief from stay to assure independent pursuit of the fraudulent transfer claim against Mr. Reddam. Unlike CashCall, Manatt Phelps, and Allen Matkins, Mr. De La Torre is not burdened by the record favorable to Mr. Reddam that CashCall indelibly inscribed in the UVTA case. Instead, as his summary judgment opposition shows, Mr. De La Torre has filed an unquestionably timely UVTA case, taken an entirely independent and vigorously adversarial position against Mr. Reddam, addressed and controverted CashCall and Mr. Reddam's summary judgment evidence, defeated that motion in the face of that evidence, and now stands in a unique position to pursue the fraudulent transfer claim against Mr. Reddam in the best interests of creditors.

His counsel will submit any settlement or recovery to the jurisdiction of this Court and will not charge the estate any fees for its past or future services in the UVTA litigation.

Respectfully submitted,

Dated: September 28, 2026

LAW OFFICE OF ARTHUR D. LEVY



By:
Arthur D. Levy

Attorney For Creditor
EDUARDO DE LA TORRE