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UNITED STATES BANKRUPTCY COURT

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

In re: CASHCALL, INC., Debtor.	Case No. 26-03102-JBM11 Chapter 11 **DEBTOR'S OPPOSITION TO CREDITOR EDUARDO DE LA TORRE'S MOTION TO DISMISS** Date: November 4, 2026 Time: 10:00 A.M. Place: Courtroom 118 Dept: 2 Judge: Hon. J. Barrett Marum

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I. INTRODUCTION

In his Motion to Dismiss ("Motion"), Judgment Creditor Eduardo De La Torre ("Movant") fails to carry his burden of establishing that this chapter 11 case was commenced solely to achieve an objective outside the legitimate scope of the bankruptcy laws and therefore fails to show that this case should be dismissed for cause. Dkt. No. 127. Movant repeatedly points to irrelevant evidence related to CashCall, Inc.'s (the "Debtor") founder John Paul Reddam. As this Court has already found, "Reddam's control of the Debtor has been extinguished." Reddam's prior actions and relationship with the Debtor are therefore irrelevant to whether the Debtor filed this case in bad faith. Movant likewise relies on a selective set of circumstantial factors, while ignoring the plain facts that the Debtor is insolvent, has limited available cash and has numerous other creditors. Ninth Circuit precedent requires the Debtor's complete circumstances to be considered in deciding whether to dismiss for cause and precludes any one factor from being dispositive. When the Debtor's complete circumstances are considered, Movant fails to meet his burden of showing that for-cause dismissal is warranted. Dissatisfied with the automatic stay imposed in the Fraudulent Transfer Case pursuant to 11 U.S.C. § 362(a), Movant filed the present Motion in an attempt to grab assets from the Debtor for himself. But the fact that this bankruptcy case may not be ideal for Movant *personally* is unavailing. The Debtor's duty is to find the best resolution for *all creditors* and Movant presents no facts or arguments showing that the Debtor filed this bankruptcy petition for any improper purpose. *See In re Sullivan*, 522 B.R. 604, 613, 617 (9th Cir. Bankr. 2014) ("Keeping the Appellees from seizing all liquid assets ahead of other creditors and bringing preferential transfers back into the estate for the benefit of all creditors not only do not constitute abuses of the bankruptcy process, they achieve primary goals of the bankruptcy process.").

Under certain limited circumstances, courts may dismiss a bankruptcy petition for cause where objective factors indicate that a debtor's purpose in filing bankruptcy is improper. Here, however, Movant has failed to meet his burden of proof in showing that for-cause dismissal of this case is warranted. Rather, Movant attempts to distract this Court with irrelevant arguments and cherry-picked facts, without relevant supporting case law. The evidence, however, is clear: the Debtor is insolvent and filed chapter 11, not to avoid or delay payments of its debts (which it already was unable to pay), but to create an organized process to maximize recovery for its numerous creditors under the protection of

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bankruptcy laws. Dismissal for cause is unwarranted under the law, is unjust at this early stage of the case and would harm the Debtor, the estate and creditors.

II. BACKGROUND

A. The Debtor and Its Business

The Debtor was founded in 2003 for the purposes of issuing consumer loans. At its peak in February 2007, the Debtor had as many as 1,129 employees. Over the course of its business, certain industry and economic conditions eventually made the Debtor's then-current models unworkable and forced the Debtor to pause originating loans in 2021. In March 2024, the Debtor resumed originating California loans and continued these operations until shortly before the Petition Date. In June 2026, conditions again became increasingly untenable and the Debtor was forced to lay off its staff and pause lending.

B. Pre-Petition Litigation

Several litigations put additional stress on the Debtor, which further jeopardized its business. These two long running cases involved novel and complex issues of state and federal law, and were litigated up to the California and United States supreme courts. Unfortunately, however, each ultimately resulted in a large judgment against the Debtor and appeals have been exhausted.

Before the CFPB action, the Debtor sought legal advice regarding the legality of its Tribal Lending Model. The model nevertheless resulted in a substantial judgment against the Debtor. In 2017, the Debtor and Reddam filed a legal malpractice action against former outside counsel concerning that advice; the action settled in 2021. Thereafter, the Debtor made a distribution to Reddam, which became the subject of litigation against Reddam (the "Fraudulent Transfer Case").

C. Chapter 11 Proceedings

In the second quarter of 2026, the Debtor recognized that it could no longer continue in its present form and sought assistance from outside advisors. The Debtor and its advisors determined that it had no alternative but to commence this chapter 11 case, and that these proceedings were the best option to provide benefit to the Debtor's creditors. The Debtor appointed two highly experienced restructuring professionals, Leslie Gladstone and Craig Jalbert, as Chief Restructuring Officer and Independent Director, respectively, to support the Debtor through these proceedings. The Debtor filed its chapter 11

Petition and first day motions on July 20, 2026, including the DIP Financing Motion. At the first day hearing, the Court granted the motion on an interim basis. Dkt. No. 25. After extensive arguments and hearings, the Court granted the motion with modifications on September 14, 2026. Dkt. No. 126. The Court found the "Debtor met its burden for approval of DIP financing under § 364(c)" and concluded "the modifications to the finance terms and actions undertaken by the Debtor, Reddam, and Absolutely Zero sanitized the issues with the DIP financing agreement." Dkt. No. 126 at 15.

On September 14, 2026, Movant filed the Motion. Dkt. No. 127. On September 30, 2026, Creditor Consumer Financial Protection Bureau joined the Motion in part. Dkt. No. 178.

III. LEGAL STANDARD

Movant principally relies on *In re Marsch* for the proposition that, in the Ninth Circuit, bankruptcy petitions that are filed "in bad faith" can be dismissed. 36 F.3d 825, 828 (9th Cir. 1994); Motion at 8-9. But that mischaracterizes the Ninth Circuit standard. As the Ninth Circuit explained, "[t]he term 'good faith' is somewhat misleading. Though it suggests that the debtor's subjective intent is determinative, this is not the case." *In re Marsch*, 36 F.3d at 828. Rather, the Ninth Circuit has explained that courts that have dismissed cases pursuant to 11 U.S.C. § 1112(b) have done so where debtors have filed a bankruptcy petition in order to achieve objectives falling outside of the legitimate scope of the bankruptcy laws. *Id*. "The test is whether a debtor is attempting to unreasonably deter and harass creditors or attempting to effect a speedy, efficient reorganization on a feasible basis." *Id*.

Courts in this Circuit have further explained that "'good faith" is a term art, not a determination of the subjective intent, it is only found when a debtor "seek[s] to achieve objectives outside the legitimate scope of the bankruptcy laws." *In re Liberate Techs*., 314 B.R. 206, 211 (Bankr. N.D. Cal. 2004) (citing *In re Marsch*, 36 F.3d at 828). Movant's motion, however, is primarily based on a biased narrative of the Debtor and its founder's business throughout the years—a narrative that is both unfounded and irrelevant to the narrow issue here. Motion at 3-8. The Debtor's purity is only relevant to their genuine desire to seek relief under the Bankruptcy Code for rehabilitation and reorganization – which is clearly present here. *In re Sullivan,* 522 B.R. at 617 ("Good faith is lacking only when the debtor's actions are a clear abuse of the bankruptcy process.").

More importantly, Movant ignores the fact that the Debtor is now wholly operated and controlled

by two independent restructuring professionals, since Mr. Reddam has resigned and is no longer involved in management.

Movant also misstates the burden of persuasion applicable to his Motion, attempting to place it on the Debtor. *See* Motion at 12. However, it is "[t]he moving party [that] bears the burden of establishing by a preponderance of the evidence that cause exists for relief under section 1112(b)." *In re Hawkeye Ent., LLC,* No. 1:23-BK-11501-MB, 2024 WL 1528460, at *4 (Bankr. C.D. Cal. Apr. 8, 2024)(citing *In re Sullivan*, 522 B.R. at 614).

Overall, in order to dismiss a bankruptcy for bad faith, the moving party must present substantial evidence, based on the specific context. A "finding of bad faith is made on a case-by-case basis, there is no list of factors that must be present in each case to make the finding, and the weight given to any factor depends on the circumstances of the individual case." *In re Hawkeye Ent., LLC*, 2024 WL 1528460, at *4; *In re Marshall*, 298 B.R. 670, 675 (Bankr. C.D. Cal. 2003) ("the court must take into account the totality of the debtor's circumstances" when considering whether a debtor acted in good faith).

IV. MOVANT OVERRELIES ON AND MISAPPLIES THE ST. PAUL FACTORS.

In the Ninth Circuit, whether a case must be dismissed for cause under 11 U.S.C. § 1112(b) is a question of fact holistically evaluated based on a variety of factors. Following are some of the non-exclusive factors that courts examine in determining whether for-cause dismissal is required: (1) the debtor has only one asset; (2) the debtor has an ongoing business to reorganize; (3) there are any unsecured creditors; (4) the debtor has any cash flow or sources of income to sustain a plan of reorganization or to make adequate protection payments; and (5) the case is essentially a two-party dispute capable of prompt adjudication in state court. *St. Paul Self Storage Ltd. Partnership v. Port Authority*, 185 B.R. 580, 582-83 (9th Cir. Bankr. 1995). Ultimately, whether dismissal is warranted is a fact-intensive inquiry made on a case-by-case basis, with no single factor requiring dismissal. *In re Hawkeye Ent., LLC*, 2024 WL 1528460, at *4.

In examining these factors, Movant misconstrues and leaves out key facts relevant to the inquiry, and takes a rigid formalist approach to examining the *St. Paul* factors. When the relevant facts are examined as a whole, however, it is clear that Movant has not met his burden of showing that the Debtor

commenced this case for impermissible purposes.

A. The *St. Paul* Factors Disfavor Dismissal

1. The Debtor has More Than One Asset.

Movant asserts Debtor has one asset, the fraudulent transfer claim. Motion at 12. This is incorrect. Indeed, Movant acknowledges additional assets in both business operations and collections beyond the fraudulent transfer claim amounting to $4.55 million. *Id*. More importantly, as described in detail in the declaration of Peter Hurwitz, the Debtor has many other assets. Dkt. No. 196. But even if this Court treats this action as essentially a single asset case, dismissal is not appropriate.

2. Potential to Reorganize.

The Debtor also filed this chapter 11 with a genuine potential of revival, as the Debtor has previously repeatedly paused lending activities and then successfully began re-issuing loans. Among other times, in 2021, industry and economic factors forced the Debtor to pause originating loans. Then, in March 2024, the Debtor resumed originating loans and continued these operations until shortly before the Petition Date. Additionally, the Debtor engaged restructuring professionals to determine whether a return to operations is possible. Under the lead of these restructuring professionals, the Petition was filed with the intent to reorganize and emerge from chapter 11.

Rather than looking at this history of revival, however, Movant points to irrelevant facts concerning Reddam's past willingness to provide unsecured credit to the Debtor. Motion at 13. Movant claims, as a result, that "Reddam has no confidence in restructuring CashCall." *Id*. As this Court is aware, DIP loans are almost always provided on a secured basis. Thus, this allegation certainly has no relevance. In addition, Reddam is no longer in control of the Debtor, and his intentions are irrelevant. Moreover, even if Reddam were in control of the Debtor, Movant cites no caselaw explaining how Reddam's prior lending history is in any way related to the Debtor's ability to reorganize, and therefore whether this proceeding was filed in bad faith. Movant therefore fails to carry his burden.

3. Numerous Unsecured Creditors Exist.

Courts recognize the absence of unsecured creditors as evidence that a chapter 11 petition was filed in bad faith. *See In re Chinichian*, 784 F.2d 1440, 1445 (9th Cir. 1986) (finding bad faith based, in part, on the listing of only two unsecured creditors); *In re Little Creek Dev. Co.*, 779 F.2d 1068, 1073

(5th Cir. 1986) (finding bad faith where "there are only a few, if any, unsecured creditors"); *In re Jet Sales W. LLC*, No. 20-12179-TA11, 2021 WL 6013541, at *5 (Bankr. D.N.M. Dec. 15, 2021) (denying motion to dismiss because seven unsecured creditors was "substantial" and "weigh[ed] against a finding of bad faith").

Movant's insistence that he is the only "significant" creditor is unfounded. Motion at 13-14. Seven non-insider creditors are listed on the Schedules (not including Movant or the CFPB) and 57 unsecured creditors filed proofs of claim. Other courts have found that just seven unsecured creditors were enough to indicate a filing in good faith. *In re Jet Sales W. LLC*, 2021 WL 6013541, at *5. Here, the presence of 64 unsecured creditors strongly weighs against dismissal for cause.

4. The Debtor Has Cash Flow.

Movant fails to carry his burden of proving that the Debtor lacks sufficient cash flow. Courts treat evidence of income and property as supporting a good faith chapter 11 filing. *See In re Bowers Inv. Co., LLC*, 553 B.R. 762, 771 (Bankr. D. Alaska 2016) (denying dismissal where the debtor had a regular income stream and property with equity). Movant's ***entire*** argument on this point is a single sentence asserting that "[c]learly, [the Debtor] has virtually no operating cashflow." Motion at 14 (citing Dkt. No. 75 at 2). That pronouncement is both misleading and insufficient to carry his burden of persuasion. As explained above, the Debtor originated loans as recently as March 2026 and continues to collect payments on multiple loans. Movant's own cited evidence identifies $323,562 in total receipts—including loan-payment income—during the 12-day period covered by the operating report. Dkt. No. 75 at 2. The Debtor continues to receive income, including $72,712 in total receipts in August 2026. Dkt. No. 172 at 2.

More importantly, however, the Debtor has obtained DIP Financing to allow it to operate in chapter 11.

5. This is Not a Two-Party Dispute.

Courts consider two-party disputes as evidence of bad faith where "it is an apparent two-party dispute that can be resolved *outside the Bankruptcy Court's jurisdiction*." *In re Sullivan*, 522 B.R. at 616 (emphasis in original). Nonetheless, "[p]etitions in bankruptcy arising out of a two-party dispute do not per se constitute a bad-faith filing by the debtors." *Id.* (emphasis in original); *see also In re Hawkeye*

Ent., LLC, 2024 WL 1528460, at *6.

As described above, Movant is plainly not the only creditor at issue. Movant asks the court to ignore this, arguing that all other creditors should be discounted as these are insiders, joint and several liabilities, or parties that have not recently sought to collect. Motion at 13-14.

These assertions are both unfounded and fail to transform this into a two-party dispute. First, "[e]ven debts held by insiders are debts for purposes of demonstrating good faith." *In re Hawkeye Ent., LLC*, 2024 WL 1528460, at *5. Furthermore, whether the liabilities are joint and several, they are liabilities of the Debtor nonetheless, and do not indicate that this Petition was filed in bad faith. Nor does Movant cite to any case which holds joint and several debts should be ignored. Movant also fails to present any evidence to justify disputing the other creditors' claims. *See In re Sullivan*, 522 B.R. at 617 (reversing dismissal for bad faith where movant failed to present any evidence of illegitimate creditors). The fact that Movant is the largest creditor has failed to persuade other courts in this circuit of bad faith. *Id.*; *In re Rosenblum*, 608 B.R. 529, 540 (Bankr. D. Nev. 2019).

B. <u>Additional Facts Show the Debtor Filed Chapter 11 in Good Faith</u>

1. The Debtor is Insolvent.

In seeking to mischaracterize the Debtor's efforts, Movant ignores the most axiomatic evidence of good faith: insolvency. Courts have consistently made clear that a case should not be dismissed where the Debtor is insolvent. "The most conspicuous element of the good faith requirement is that the debtor need Chapter 11 relief . . . [w]here the debtor is insolvent, a petition will almost invariably be consistent with the objectives of the bankruptcy laws." *In re Liberate Techs*., 314 B.R. at 211 (dismissed where debtor was solvent). Here, it is undisputed the Debtor is insolvent and in need of the Court's rehabilitation and restructuring. Dkt. No. 3 at ¶33; Dkt. No. 6 at ¶ 9; Dk. No. 67 at 1. Indeed, Movant specifically acknowledges that the Debtor is insolvent. Motion at 7.

2. Dismissal for Cause at this Stage Would Be Unjust.

The bankruptcy process is designed to provide breathing room for debtors. Thus, courts are reluctant to dismiss a bankruptcy that has been recently filed, especially where a plan has not yet been filed. *See In re Sullivan*, 522 B.R. at 619 (reversing dismissal for cause, in part, because "determining the facial non-confirmability of an unfiled plan so early in the case and absent a fully developed record

is not supportable"); *In re Rosenblum*, 608 B.R. at 538 (declining to dismiss for bad faith where bankruptcy had been "pending for a little more than two months"); *cf. In re Can-Alta Props., Ltd.*, 87 B.R. 89, 93 (9th Cir. Bankr. 1988) (reversing order lifting stay based on bad faith where record was undeveloped and debtor had not had the opportunity to amend or respond to creditors' concerns).

Similar to *Rosenblum*, this Motion was filed less than two months after the Petition Date and several months prior to the Debtor's deadline to submit a plan. *See* 608 B.R. at 538. Dismissing the petition at this stage, before the Debtor has an opportunity to file a plan and address any concerns, would be unjust.

3. The Debtor Is Not Using This Bankruptcy As a Litigation Tactic.

Movant alleges that the Debtor improperly seeks to use this bankruptcy as a litigation tactic. Motion at 8-11. This is unfounded. The facts here, are distinct from *St. Paul* where "the sole purpose of the bankruptcy was to delay the day of reckoning." *In re St. Paul Self Storage Ltd. P'ship*, 185 B.R. at 584. The purpose of this chapter 11 case is to permit the Debtor to determine if it can profitably restart its business and if not, conduct an orderly liquidation. Courts have repeatedly found this to be a proper purpose of chapter 11. *See, e.g.*, *Carranza v. PCT Int'l Inc.*, No. CV-20-01307-PHX-DJH, 2021 WL 4060551, at *3 n.3 (D. Ariz. Sept. 7, 2021) ("This is in line with the purpose of Chapter 11, which is to allow the Debtor to reorganize its debts and continue to operate its business during the proceedings."); *In re 8787 Ricchi LLC*, No. 25-31144-SGJ11, 2025 WL 2713134, at *7 (Bankr. N.D. Tex. Sept. 23, 2025) ("The Debtor's Chapter 11 Case was filed, and the Plan was proposed, with the legitimate purpose of allowing the Debtor to liquidate its assets including the sale of its business."); *In re Neilson*, No. 17-10631, 2018 WL 6982228, at *3 (Bankr. N.D.N.Y. Aug. 31, 2018), *aff'd sub nom. Neilson v. Est. of Benedict*, No. 1:18-CV-1101, 2020 WL 1140493 (N.D.N.Y. Mar. 9, 2020) ("Within chapter 11, it is proper for a debtor to file a case to either reorganize or to achieve an orderly liquidation and, therefore, a court may be hard pressed to dismiss a case if a debtor pursues either of these purposes.").

Unlike in *St. Paul*, litigation has concluded, and Movant has presented no evidence that Debtor has denied or attempted to re-litigate its current obligations in this chapter 11 case. *See In re Rosenblum*, 608 B.R. at 540-541 (denying motion to dismiss in part for failing to present evidence Debtor sought to re-litigate claims); *In re Madrid*, No. 19-42260-MJH, 2023 WL 3563019, at *8 (Bankr. W.D. Wash. May

18, 2023) (noting no evidence was presented that debtor intended to use bankruptcy to defeat state court action). Instead, there is evidence to contrary: The Debtor filed this bankruptcy precisely to ensure its remaining assets, including its own fraudulent transfer claim, are *fairly distributed* to creditors. *Cf. In re Spenard Ventures, Inc.,* 18 B.R. 164, 168 (Bankr. D. Alaska 1982) ("The inference of a lack of bad faith in filing the petition is strengthened by the fact that no attempt to shelter assets or financial resources.").

V. MOVANT POINTS TO IRRELEVANT AND UNSUPPORTED "ALIGNMENTS" WITH REDDAM

The Debtor's prior "alignment" with Mr. Reddam is wholly irrelevant, and Movant fails to explain how those prior positions, under the control of different officers and directors, require dismissal. As a result, Movant fails to carry his burden of persuasion that the petition should be dismissed for cause.

The alleged reasons cited by Movant are false, misleading, and simply put, do not show that the Debtor filed this case for any reason other than to reorganize or liquidate under chapter 11, exactly as contemplated under the law. Movant does not show that the Debtor filed this case to deter and harass creditors or is attempting in any way to effect a speedy, efficient reorganization.

Nor does Movant cite any cases in support of his proposition that Reddam's alleged "control" is in any way relevant to an inquiry into whether a bankruptcy case should be dismissed for cause under 11 U.S.C. § 1112(b). Even if it were relevant, Movant does not make a showing that Reddam is in fact in control. Movant admits that Reddam is no longer a director of the Debtor. As explained further below, his replacement on the Debtor's board was done for wholly permissible reasons, fully disclosed and doing so resolved any potential conflicts of interest.

A. The Debtor's Prior "Alignment" With Reddam Is Irrelevant

Movant claims that the Debtor's prior positions in alignment with Reddam both in the Fraudulent Transfer Case and in opposition to the CFPB collecting a judgment from Reddam show that the Debtor is presently unable to represent the interests of its creditors, and that the bankruptcy must therefore be dismissed for cause. Not so. Movant's claims are inaccurate, and even if true, Movant fails to show how they are relevant to the question of whether the bankruptcy case should be dismissed for cause.

First, Movant claims that the Debtor's prior opposition to the Fraudulent Transfer Case and now

seeking to prosecute that case shows that "CashCall is serving and promoting Mr. Reddam's interests, not the interests of creditors." Motion at 17. That claim is illogical, false, and unsupported by any evidence. Rather, the Debtor's reversal of position with respect to the Fraudulent Transfer Case shows that it is faithfully acting as a trustee for the benefit of its creditors, by seeking to maximize recovery of assets.

Movant points to no relevant case law supporting his arguments. That is precisely because the Debtor's changed position shows that the Debtor ***is acting exactly as is required***. The Debtor's prior "alignment" with Reddam is simply irrelevant, says nothing of its good faith in carrying out its duties owed to its creditors, and nothing about whether it "is attempting to unreasonably deter and harass creditors or attempting to effect a speedy, efficient reorganization on a feasible basis." *In re Marsch*, 36 F.3d at 828.

Instead, Movant relies on *In re AFI Holding, Inc*., 355 B.R. 139, 149 (9th Cir. Bankr. 2006) (referred to by Movant as *Dye v. Brown*). *AFI Holding*, however, concerned a petition for removal of a trustee under 11 U.S.C. § 324—it plainly did not concern or even mention whether the debtor's case should be dismissed for cause. *Id.* There, the Bankruptcy Appellate Panel of the Ninth Circuit found that an individual serving as trustee could be removed where there was evidence of an appearance of impropriety and the trustee had failed to disclose all connections to the debtor and related parties. *Id.* at 153-54. Here, the Debtor is under new management, is not controlled by Reddam, and there are no accusations that the Debtor has failed to disclose its prior relationships. In fact, this Court has already found that "Reddam's control of the Debtor has been extinguished" and that "the Debtor is now operated by an independent CRO and its decisions are directed by an independent director." Dkt. No. 126 at 12, 14. The Court also found that the Debtor "has funds to litigate the fraudulent transfer action independent of Reddam"—showing that the Debtor can and will adequately prosecute the fraudulent transfer action without influence from Reddam. *Id*. at 14. This Court even concluded the Debtor's change in management adequately "balanced the Debtor's need to obtain financing to independently evaluate and potentially pursue the claims against Reddam." *Id*. at 15. *AFI Holding* is therefore both factually dissimilar and legally irrelevant.

Failing to plausibly explain why the Debtor should be disqualified based on its prior association

with Reddam, Movant instead points the finger at Manatt, Phelps & Phillips, LLP for having previously represented the Debtor and Reddam in the Fraudulent Transfer Case. Movant fails to cite any cases in which a law firm's prior representations constitute cause for dismissal of a ***client's*** bankruptcy case. Nor does Movant point to any evidence whatsoever that Manatt is not complying with its professional and ethical duties. In any case, the Debtor has engaged special conflicts counsel, Manatt will not represent the Debtor in any matters related to Reddam and Manatt withdrew as counsel for the Debtor and Reddam in the Fraudulent Transfer Case.

Second, Movant claims that the Debtor has "promoted and continues to promote Mr. Reddam's interests in avoiding having to pay the CFPB Judgment, against the best interests of creditors." This argument is irrelevant to whether this case should be dismissed for cause under 11 U.S.C. § 1112(b). Movant cites to no cases, nor even provides explanation as to how this argument relates in any way to whether this case should be dismissed for cause. Accordingly, the Court should disregard these unsupported allegations as irrelevant.

Moreover, as explained above, Reddam no longer controls the Debtor. *See* Dkt. No. 126 at 12, 14. Instead, the Debtor "is now operated by an independent CRO and its decisions are directed by an independent director." *Id*. at 12.

The only facts that Movant points to as evidence that the Debtor continued to promote Reddam's interests with respect to the CFPB judgment are that the Debtor filed "a notice of ***automatic*** stay in the bank's interpleader case." Motion at 20 (emphasis added). But that filing cannot reasonably be construed as ongoing support; it was simply notifying the court of the *automatic* stay that was created upon the filing.

B. The "New Debtor Syndrome" Is Irrelevant

Movant's brief reference to the "new debtor syndrome" fares no better. Movant cites no case law to support his claim that the Debtor is a "revitalized debtor" within the meaning of "new debtor syndrome." This is because that doctrine simply does not apply here.

Movant misunderstands a key element of new debtor syndrome: lien-encumbered property must have been recently transferred to the entity filing bankruptcy for the doctrine to apply. This is precisely what the Fifth Circuit meant when it explained that new debtor syndrome occurs where a "one-asset

entity has been created or revitalized on the eve of foreclosure ***to isolate the insolvent property***." Motion at 21 (quoting *In re Matter of Little Creek Dev. Co.*, 779 F.2d at 1073) (emphasis added).

New debtor syndrome therefore applies where there is a "transfer of distressed . . . property into a newly created or dormant entity, usually a partnership or corporation." *In re Yukon Enters., Inc.*, 39 B.R. 919, 921 (Bankr. C.D. Cal. 1984); *see also In re N.R. Guaranteed Ret., Inc*., 112 B.R. 263 (Bankr. N.D. Ill.), *aff'd*. 119 B.R. 149 (N.D. Ill. 1990) (explaining that in cases where new debtor syndrome has been cited as a cause for dismissal, "the bankruptcy filing was made by an entity to which lien-encumbered property had recently been transferred, and which had few, if any, other assets"); *In re S. Pointe Land, LLC*, No. 26-20306, 2026 WL 2144030, at *8 (Bankr. W.D. La. July 24, 2026) ("Additionally, there is no evidence of a 'new debtor syndrome' or a showing that the Debtor was 'created or revitalized' on the eve of Vanderbilt's foreclosure proceeding to isolate the Debtor's property. To the contrary, since 2018 the property has been in the name of the Debtor, and the Debtor is the owner and lessor of each lot in the Community."). There is no such transfer alleged in this case.

Nor was the Debtor "revitalized" or re-awoken from a dormant state on the eve of bankruptcy. "Revitalized" refers to completely inactive entities that suddenly receive a transfer of distressed property just before filing a petition for bankruptcy. *See In re Eighty S. Lake, Inc*., 63 B.R. 501 (Bankr. C.D. Cal. 1986), *aff'd*, 81 B.R. 580 (B.A.P. 9th Cir. 1987) (finding new debtor syndrome applied where lien-encumbered property was transferred to a company just before bankruptcy filing that previously sat for months as "a wholly inactive corporate shell"). There is no such allegation here. Movant's reference to the Debtor being "revitalized . . . under new management by Mr. Gladstone and Mr. Jalbert" and his speculative arguments related to conflicts are wholly irrelevant to whether an entity has been "revitalized" and received a transfer of assets. Motion at 21.

Movant also admits that new debtor syndrome only applies to a "one-asset entity." Motion at 21 (citing *In re Little Creek Dev. Co*., 779 F.2d at 1073 & n. 3). As explained above, that is not the case here. The Debtor continues to own multiple loans on which it is collecting payments. *See supra* IV.A.1. Movant therefore entirely fails to meet his burden of showing that this case should be dismissed for cause based on the new debtor syndrome.

VI. CONCLUSION

For the foregoing reasons, this Court should deny Movant's Motion to Dismiss with prejudice.

Respectfully submitted,

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