TENTATIVE RULING

ISSUED BY JUDGE J. BARRETT MARUM

Case Name:	CASHCALL, INC.
Case Number:	26-03102-JBM11
Hearing:	November 12, 2026, at 8:30 a.m.
Motion:	JUDGMENT CREDITOR EDUARDO DE LA TORRE'S MOTION TO DISMISS

The Court has reviewed Eduardo De La Torre's Motion To Dismiss ("Motion to Dismiss") (ECF No. 127), as supported by the Declaration of Arthur D. Levy (ECF No. 128), the Consumer Financial Protection Bureau's ("CFPB") Joinder to the Motion to Dismiss (ECF No. 178), the United States Trustee's Response to the Motion to Dismiss (ECF No. 203), the Debtor's Opposition (ECF No. 207), and Creditor De La Torre's Reply (ECF No. 230). For the reasons stated below, the Court **DENIES** the Motion to Dismiss.

Legal Standard

Section 1112(b) provides that "the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, for cause unless the court determines that the appointment under section 1104(a) of a trustee or an examiner is in the best interests of creditors and the estate." The Bankruptcy Code provides a non-exhaustive list of circumstances that constitute cause under § 1112(b)(4). One circumstance that constitutes cause is filing a chapter 11 petition in bad faith, *i.e.*, where there is an absence of good faith. *See Marsch v. Marsch (In re Marsch)*, 36 F.3d 825, 828 (9th Cir. 1994) (per curiam).

Good faith in the context of filing a chapter 11 petition is not dependent on the debtor's subjective intent but rather "encompasses several, district equitable limitations that courts have placed on [c]hapter 11 filings. *In re Marsch*, 36 F.3d at 828. These limitations are premised on the deterrence of "filings that seek to achieve objectives outside the legitimate scope of the bankruptcy laws." *Id*. (citation omitted). "[C]ases filed for a variety of tactical reasons unrelated to reorganization" fall outside the legitimate scope of bankruptcy. *Id*.

In considering whether a chapter 11 debtor filed their petition in good faith, the bankruptcy court examines "whether a debtor 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 (citation omitted). "The existence of good faith depends on an amalgam of factors and not upon a specific fact." *Id*. (quoting *In re Arnold*, 806 F.2d 937, 939 (9th Cir. 1986); *see also In re Orange Cnty. Bail Bonds, Inc.*, 638 B.R. 137, 149 (9th Cir. BAP 2022) ("Bad faith depends on an amalgam of factors and no specific factor is determinative."). This is an inquiry "made on a case-by-case basis; there is no list of factors which must be present in

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each case to make the finding, and the weight given to any factor depends on the circumstances of the individual case." *In re Orange Cnty. Bail Bonds, Inc.*, 638 B.R. at 149 (citation omitted). The bankruptcy court may deny a motion to dismiss based on bad faith where the debtor shows that it has a reorganization plan capable of confirmation. *Id*.

Analysis

Mr. De La Torre asserts that the Debtor filed the chapter 11 petition in bad faith, and he relies on the factors set forth in *St. Paul Self Storage Ltd. Partnership v. Port Authority*, 185 B.R. 580 (9th Cir. BAP 1995), in support of his position. The *St. Paul* factors are as follows:

> (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.

185 B.R. at 582-83.

Mr. De La Torre contends that applied here, all of these factors weigh in favor of finding cause to dismiss based on a bad faith filing; namely that the Debtor only has one asset of value, and any other assets are immaterial or insignificant; that the Debtor no longer has business operations such that there is nothing to reorganize through chapter 11; that the De La Torre Class is the Debtor's main unsecured creditor given that the CFPB has pledged assets securing its judgment; that the Debtor does not have cash flow or income to support a reorganization plan; and that the bankruptcy case is essentially a two-party dispute between the Debtor and the De La Torre Class, which the Orange County Superior Court can quickly adjudicate given the posture of the fraudulent transfer lawsuit.

Mr. De La Torre further argues that the Debtor's historical alignment with Reddam in other court proceedings supports a bad faith finding that mandates case dismissal because the Debtor's positions in those other proceedings have served Reddam's personal interests rather that the bests interests of the Debtor's creditors. And he appears to argue that the Debtor has engaged in new debtor syndrome, based on its presentation as a revitalized debtor under new management – that of its independent director and CRO, whom the Debtor appointed days before petition.

In her Response, the United States Trustee concurs that case dismissal is in the best interests of creditors given that there are no business operations for reorganization. The United States Trustee also highlights that in the two months prior to petition, the Debtor sold a significant portion of its loan portfolio to Absolutely Zero Corporation, which the Court is familiar with from the Debtor's request for DIP financing; Absolutely Zero is the Debtor's DIP lender and another 100% owned Reddam entity. The United States Trustee asserts that the Debtor's sales of its loan portfolio to Absolutely Zero show actions inconsistent with a debtor who intends to seek relief through chapter 11 reorganization. The United States Trustee agrees

that the Debtor's chapter 11 filing "appears to have been filed as a 'litigation tactic' so that the sole shareholder [Reddam] could avoid paying the two biggest judgment creditors – two creditors making up 99% of this estate's creditor body."

The CFPB also supports Mr. De La Torre's Motion to Dismiss but clarifies in its Joinder that the CFPB's judgment is not fully secured by pledged assets, contrary to Mr. De La Torre's arguments in his Motion to Dismiss. The CFPB asserts that the amount in the segregated pledged account is $144 million when the CFPB's judgment is currently more than $182,050,978, comprised of the award, penalty, and post-judgment interest. The CFPB concurs with Mr. De La Torre that the Debtor filed the chapter 11 petition in bad faith, which the CFPB argues was filed solely to preserve Reddam's personal wealth and not in service of the Debtor's creditors or their interests. In support of its position, the CFPB cites to *Banq, Inc. v. Creditor N9 Advisors, LLC*, 2026 WL 2494827 (D. Nev. Aug. 24, 2026), in which the district court affirmed the bankruptcy court's dismissal of a chapter 11 case based on bad faith, where the chapter 11 case was funded by the debtor's controlling shareholder as a litigation tactic to benefit the controlling shareholder.

The Debtor opposes the Motion to Dismiss and argues that the Debtor overly depended on and misapplied the *St. Paul* factors to this case. It argues that the factors do not favor case dismissal, including that the Debtor filed the chapter 11 case with "a genuine potential of revival" and asserts that Mr. De La Torre's arguments bear no relevance to the Debtor's ability or intent to reorganize under chapter 11. The Debtor points out that it has other creditors outside of Mr. De La Torre and the CFPB. The Debtor also disputes that it receives no income, noting that it originated loans as recently as March 2026 and continues to collect on multiple loans in its portfolio. Moreover, it contends that the Debtor's DIP financing provides it with funds to operate in chapter 11. The Debtor also seems to argue that bad faith is negated by the existence of the Debtor's other debts, even if those debts are owed to insiders or based on joint and several liability.

The Debtor asserts that it did not "use this bankruptcy as a litigation tactic" and that the purpose of the filing was "to determine if it [could] profitably restart its business and if not, conduct an orderly liquidation." In addition, the Debtor argues that it is insolvent, which supports a good faith purpose for its chapter 11 petition and that dismissing its case prior to the filing of a chapter 11 plan is inequitable.

Finally, the Debtor argues that its prior "alignments" with Reddam are irrelevant, and no longer exist post-bankruptcy. It also refutes Mr. De La Torre's arguments regarding "new debtor syndrome" as irrelevant.

On Reply, Mr. De La Torre asserts that the Debtor's purpose for filing a chapter 11 petition is evaluated at the time of petition under *In re Marsch*. He asserts that the Debtor does not have to admit to an improper purpose for filing and that Mr. De La Torre has shown that the Debtor filed the chapter 11 petition to protect Reddam's interests rather than its own. He also contends that at the time of filing, Reddam remained in control of the Debtor as CEO, President, and director. Mr. De La Torre argues that the Debtor "is the only party arguing that this case is in the best interests of creditors. No creditor (other than Absolutely Zero) has appeared supporting

this case." ECF No. 230 at 12. And he reiterates that the case is a two-party dispute between Reddam and the De La Torre Class.

Based on careful review and consideration of the Mr. De La Torre's Motion to Dismiss and the papers filed in support of and in opposition thereto, the Court concludes that application of the *St. Paul* factors here does not result in a finding of bad faith filing.

1. The debtor has more than one asset.

The Debtor's most significant asset (but not its only asset) is the fraudulent transfer claim against Reddam, whether under California law or the Bankruptcy Code. Contrary to Mr. De La Torre's argument, under the Bankruptcy Code, this claim does in fact constitute an estate asset; it not simply a power under Chapter 5. The Debtor's other assets include a $1.5 million dollar loan portfolio and $150,000 in cash. In an amended Statement of Financial Affairs, the Debtor listed a total amount of $1,181,235 million in three sales of the Debtor's loan portfolio to Absolutely Zero within two months of petition; its possible that some or all of these transfers are subject to avoidance in bankruptcy and those potential avoidance actions are also assets.

The Debtor does not have just one asset, notwithstanding that its other assets appear to be worth far less than the fraudulent transfer claim compared to the Debtor's liabilities, namely, the De La Torre Class and CFPB judgments. Thus, this factor weighs against a finding of bad faith filing.

2. The debtor has an ongoing business to reorganize.

There is no dispute that the Debtor ceased business operations just prior to its chapter 11 filing. Rather than address potential liquidation through chapter 11, the Debtor briefly contends in its opposition that at the time of petition, it had hopes of reviving its business. This assertion appears inconsistent with the prepetition sale of some of its loan portfolio to Absolutely Zero, coupled with other actions that demonstrate the Debtor's wind down of its business operations, such as vacating its business office and terminating any remaining employees prior to petition. The Court does not find the Debtor's response in this regard particularly convincing.

That said, a chapter 11 plan may provide for liquidation of some or all of the debtor's assets. Indeed, the BAP in *St. Paul* noted that in addition to other facts supporting the debtor's improper filing, it did not "appear that bankruptcy court supervision of Debtor's liquidation [was] necessary." 185 B.R. at 583. That the Debtor does not have ongoing business operations does not preclude it from proposing a plan for an orderly distribution and/or liquidation of assets once the fraudulent transfer action against Reddam concludes as well as any other potential estate claims or actions that may be litigated.

Liquidating chapter 11 cases are not at all uncommon and using chapter 11 to effect an orderly liquidation is a perfectly proper use of the Bankruptcy Code. A debtor who files a chapter 11 case for that purpose does not do so in bad faith. This is particularly true where like here, there are two large judgments against the Debtor for which the Debtor does not presently

have sufficient assets to meet and one creditor who is pursuing the Debtor's major asset for its sole benefit. Thus, this factor weighs against a finding of bad faith filing.

3. Unsecured creditors.

Mr. De La Torre asserts that the De La Torre Class is the only major unsecured creditor. He is wrong – the Debtor's schedules, the claims register, and the record show otherwise. As the CFPB points out, although it has pledged assets, the amount segregated in the pledged account is less than the current amount of the CFPB judgment and, thus, there is a significant possibility that a portion of the CFPB judgment is under secured. This, in and of itself, supports that the Debtor has at least two significant unsecured creditors, even if the remaining unsecured creditors who were scheduled are insiders or related to the Debtor and/or hold de minimums claims. And numerous creditors timely filed claims, as shown by the claims register and as discussed further below. Thus, this is not like in the situation in *St. Paul*, where the debtor only had one creditor – its litigant opponent in an existing state court action. This factor weighs against a finding of bad faith filing.

4. The debtor's cash flow or sources of income to sustain a plan of reorganization or to make adequate protection payments.

Similar to the absence of business operations, there is no dispute that the Debtor has little to no cash flow or sources of income. This is supported by the Debtor's September 2026 Monthly Operating Report, which shows that the Debtor's gross profit for the month was $9,653. ECF No. 238, Part 4(c). Clearly the Debtor's monthly collection on its loan portfolio is not significant enough to sustain ongoing payments to creditors under a reorganization plan. But, as also stated, the Debtor may file and seek to confirm a plan that does not rely on cash flow or future income for creditor distribution. Thus, this factor is neutral or weighs slightly against a finding of bad faith filing.

5. The case is essentially a two party dispute capable of prompt adjudication in state court.

Mr. De La Torre contends that the bankruptcy case is essentially a two-party dispute; but the CFPB's active participation in the case negates this argument. To this point, Mr. De La Torre's action against the Debtor is not the only proceeding against the Debtor. If the state court resolved the UVTA proceeding tomorrow, the CFPB action against the Debtor would remain. As such, it is not true that the bankruptcy case is essentially a two-party dispute between the Debtor and the Mr. De La Torre Class that the Orange County Superior Court can promptly adjudicate.

Mr. De La Torre's argument under this factor also ignores the fact that although Mr. De La Torre is the class representative in which the class obtained a judgment in 2022 against the Debtor, the claims register reflects that other unsecured creditors have filed proofs of claims. Based on the Court's review, this includes both individuals and various taxing and revenue governmental agencies. The amounts of these claims are substantially less than those of the De La Torre Class and the CFPB's judgments/claims; but, notwithstanding, constitute other general unsecured creditors. Thus, this factor weighs against a finding of bad faith filing.

In sum, applied here, the *St. Paul* factors do not support a finding of bad faith filing such that the Court must dismiss the chapter 11 case.

The *St. Paul* case is also distinguishable from the facts in this case. There, the bankruptcy court determined that the debtor filed its chapter 11 petition in bad faith based on its finding that the debtor used the chapter 11 filing as an improper litigation tactic against the debtor's sole creditor in an existing state court action. *In re St. Paul Self Storage Ltd. P'ship*, 185 B.R. at 583. The debtor filed the bankruptcy petition on the eve of a hearing on the creditor's discovery motion in state court, in which the creditor sought to compel the attendance of the debtor's principal at a deposition in preparation for trial. *Id*. at 582. At the time of petition, the debtor had not operated its business for three years. *See id*. at 581-82. The debtor's sole asset was its claim against the creditor and de minimis personal property. *Id*. at 582. The debtor scheduled no other creditors or debts that did not belong to professionals or insiders. *Id*. It filed the chapter 11 case simply to stop the state court proceeding. Thus, the bankruptcy court correctly determined that the debtor had no reasonable, proper purpose for a chapter 11 case. For the reasons stated above, this is not the case here.

In re Banq Inc., 2026 WL 2494827 (D. Nev. Aug. 24, 2026) is also distinguishable. In *Banq*, the district court affirmed the bankruptcy court's determination of bad faith filing and dismissal of the debtor's chapter 11 case under § 1112(b). *Id*. at *1, 5. The bankruptcy court found that the debtor was not "in need of reorganization or financial restructuring," noting that the debtor had been nonoperational in the two years prior to petition, during which time the debtor had been embroiled in litigation between its current and former executives (directors and officers). *Id*. at *3. It determined that based on the totality of the circumstances, the debtor had not filed the chapter 11 petition for the purpose of reorganization, but rather to insulate its current executives "from liability, and to gain an advantage in pending litigation." *Id*.

Applying the *St. Paul* factors, the district court in *Banq* affirmed. It noted the bankruptcy court's findings that the debtor's claims against its former executives constituted the majority of the debtor's assets, which would almost entirely fund any reorganization plan, notwithstanding "some additional negligible assets and cash." *Id*. at *4-5. The court also found that the debtor had been nonoperational for nearly two years prior to the petition date and that it lacked cash flow or income to fund a plan given that its only funds were subject to the control of the debtor's current principal, who had advanced a secured loan to the debtor through a special-purpose entity that the principal formed to fund the claims against the debtor's former executives – parties adverse to the debtor's current principal. *Id*. at *5, 9.

The debtor's proposed reorganization plans centered on its pursuit of those claims, which would be funded by another post-petition loan from the special-purpose entity, and that the debtor's reorganization plans included releases for the debtor's board of directors. *Id*. at *2-3, 5. Those plan releases, the bankruptcy court determined, served to release the debtor's principal and its current board of directors from derivative claims alleged against the current principal, an issue that was on appeal in a state court proceeding at the time of petition. *See id*. at *5. Even if it did not, the bankruptcy court found that the debtor's principal controlled the debtor's litigation funding and that it was unlikely that the debtor's principal would direct the debtor to pursue

derivative claims against himself, while the debtor intended to continue its pursuit of claims against its former executives. *Id*.

Here, again, there is no question that the Debtor's major asset is the fraudulent transfer action or claim against Reddam. But as the district court stated in *Banq*, the Court is not required to apply the first *St. Paul* factor in the literal sense. As noted above, here, the Debtor has other assets even if those assets are significantly less in value than the face value of the fraudulent transfer action or claim against Reddam.[1]

Moreover, unlike in *Banq*, here, the Debtor's claim that is its major asset is a claim against the Debtor's former principal – an asset no longer subject to control by that same principal in terms of litigation strategy or funding.[2] It also appears that the Debtor may have avoidance actions against Absolutely Zero; that issue is not before the Court, however, and the Court merely makes an observation that other Chapter 5 claims may exist. Thus, that what appears to be the Debtor's major asset at this juncture in time is its claim against Reddam is not dispositive as to bad faith in this case.

The Debtor has not proposed a plan yet and thus the additional grounds for the bankruptcy court's finding of bad faith filing in *Banq* are not present here. The Court notes, however, that generally it will not approve a plan that provides for releases, indemnification, or injunctions to third parties not before the Court, and which are inconsistent with binding Supreme Court and Ninth Circuit precedent; particularly under the facts and circumstances present in this matter.

Finally, the Court does not agree with De La Torre's arguments regarding conflicts of interest and new debtor syndrome. That the Debtor previously took litigation positions that benefitted or aligned with Reddam may impact other issues; but it does not speak directly to whether the Debtor filed the chapter 11 petition for an improper purpose. Nor does the Debtor's appointment of an independent director and CRO just prior to the chapter 11 filing mean that the Debtor engaged in new debtor syndrome. The Debtor existed prior to the appointment of an independent director and CRO, and it brings its existing assets and liabilities to this case.

Conclusion

The Court is sympathetic to the creditors' frustrations here; the Debtor's two largest creditors hold large judgments against the Debtor, judgments that the Debtor has challenged through various appeals in other proceedings outside of this Court. The timing of this chapter 11 petition reflects that it came on the heels of an adverse ruling against the Debtor and Reddam on a joint motion for summary judgment in the state court proceeding, resulting in that matter proceeding to trial. These optics do not favor the Debtor and certainly appear to provide support for the argument that the Debtor's chapter 11 petition was a litigation tactic against Mr. De La Torre and the CFPB.

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[1] It is not clear yet what the fraudulent transfer lawsuit is worth as it has yet to be adjudicated.

[2] While the CFPB has raised questions regarding control of the Debtor's positions in litigation against it, the record before the Court shows the Debtor's proposed special litigation counsel has taken control of the fraudulent transfer lawsuit.

As noted above, however, distinctions exist between this case and the bad faith dismissal cases under § 1112(b), both at the time of filing and at present. The Court cannot conclude that the Debtor is incapable of achieving any legitimate reorganization objectives under the Bankruptcy Code. Nor can the Court ignore the Debtor's other creditors. The Court, however, will expect the Debtor's CRO and Independent Director to ensure that the Debtor's reorganization efforts remain on track and are based on the best interests of the bankruptcy estate and the Debtor's creditors, rather than Reddam's interests or the interests of Reddam controlled or owned entities. The professionals in this case will also be charged with maintaining cost-effective administrative fees and expenses to maximize the eventual distribution to creditors. The Court will not be sympathetic to an administratively insolvent estate.

Based on the facts and circumstances in this case at present, the Court does not find that the Debtor filed its chapter 11 petition for an improper purpose. Thus, it will **DENY** the Motion to Dismiss.