MICHAEL A. SWEET (SBN 184345)
msweet@foxrothschild.com
JACK PRAETZELLIS (SBN 267765)
jpraetzellis@foxrothschild.com
NOAH THOMAS (SBN 358134)
nthomas@foxrothschild.com
FOX ROTHSCHILD LLP
345 California Street, Suite 2200
San Francisco, California 94104
Telephone: (415) 364-5540
Facsimile: (415) 391-4436

Counsel to the Official Committee of Unsecured Creditors

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

In re: Pacific Capital Funding Group Inc., Debtor In re: Pacific Capital Funding Group Inc. Pacific Private Money Group LLC Private Money Management Group LLC Pacific Mortgage Capital, LLC Pacific Note Fund Management Group LLC Pacific Private Money, Inc. Pacific Private Money Partners LLC Arrival Home Loans LLC Pacific Private Money Fund 1 LLC Pacific Southwest Note Fund LLC Pacific Freedom Fund LLC Pacific Opportunity Fund LLC Arrival Fund I, LLC Affects: ☐ Pacific Capital Funding Group Inc. ☐ Pacific Private Money Group LLC ☐ Private Money Management Group LLC ☐ Pacific Mortgage Capital, LLC	Case No. 26-30538 Chapter 11 Jointly Administered with: Case No. 26-30538 (WJL) Case No. 26-30535 (WJL) Case No. 26-30544 (WJL) Case No. 26-30539 (WJL) Case No. 26-30540 (WJL) Case No. 26-30533 (WJL) Case No. 26-30536 (WJL) Case No. 26-30543 (WJL) Case No. 26-30534 (WJL) Case No. 26-30541 (WJL) Case No. 26-30532 (WJL) Case No. 26-30537 (WJL) Case No. 26-30542 (WJL) **MOTION FOR ENTRY OF AN ORDER SUBSTANTIALLY CONSOLIDATING THE DEBTORS' ESTATES AND FOR RELATED RELIEF; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF** Judge: Hon. William J. Lafferty, III

☐ Pacific Note Fund Management Group LLC ☐ Pacific Private Money, Inc. ☐ Pacific Private Money Partners LLC ☐ Arrival Home Loans LLC ☐ Pacific Private Money Fund 1 LLC ☐ Pacific Southwest Note Fund LLC ☐ Pacific Freedom Fund LLC ☐ Pacific Opportunity Fund LLC ☐ Arrival Fund I, LLC ☒ All Debtors	Status Conference: Date: November 18, 2026 Time: 10:30 a.m. Place: Courtroom 220 (In Person or via Zoom) 1300 Clay Street, Oakland, CA 94612

MOTION

The Official Committee of Unsecured Creditors (the "Committee") in the above-captioned jointly administered chapter 11 cases of Pacific Capital Funding Group Inc. and its affiliated debtors (collectively, the "Debtors") will and hereby does move for entry of an order substantively consolidating the Debtors' Estates and for related relief (the "Motion").

The Motion seeks an order (i) substantively consolidating the Debtors' estates, effective as of the Petition Date, (ii) preserving the Debtors' estate avoidance actions for prosecution on behalf of the consolidated estate, and (iii) granting such other and further relief as the Court deems just and proper. The basis for the Motion is that creditors dealt with the Debtors as a single economic unit and did not rely on their separate identity in extending credit, and/or that the affairs of the Debtors are so entangled that consolidation will benefit all creditors. *See In re Bonham*, 229 F.3d 750, 766 (9th Cir. 2000); see also 11 U.S.C. § 105(a).

///

///

///

///

///

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 2 of 34

The Motion is based on this Motion, the Memorandum of Points and Authorities in support (including the request for judicial notice contained therein), the Declaration of Kristen Rivera in support, the papers and records on file in these Bankruptcy Cases and such further evidence and argument as may be presented at the hearing on the Motion.

Respectfully submitted,

Dated: November 4, 2026

FOX ROTHSCHILD LLP

/s/ Jack Praetzellis
Michael A. Sweet
Jack Praetzellis
Noah Thomas
Counsel to the Official Committee of Unsecured Creditors

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 3 of 34

TABLE OF CONTENTS

Page

I. INTRODUCTION 6

II. STATEMENT OF FACTS 7

III. LEGAL STANDARD 10

A. The Court Has Authority to Order Substantive Consolidation Under Section 105(a) and Its General Equitable Powers. 10

B. The Controlling Ninth Circuit Test: *Bonham*. 11

C. The Court Weighs Disregard of Formalities and Commingling Against the Balance of Benefits and Harms, With the Sole Aim of Fairness to All Creditors. 11

D. Supplemental Factors Courts Consider in Applying *Bonham*. 12

E. Ponzi Schemes Often Militate in Favor of Substantive Consolidation 13

IV. ARGUMENT 13

A. The Debtors' Affairs Are So Entangled That Consolidation Will Benefit All Creditors. 13

1. The Debtors Were Subject to Common Ownership and Centralized Control. 14
2. The Debtors' Books and Records Do Not Reliably Reflect Each Entity's Separate Assets and Liabilities. 15
3. The Debtors Disregarded Corporate Formalities. 17
4. The Debtors' Finances Were Commingled Through Extensive, Largely Undocumented Intercompany and Related-Party Transfers. 19
5. The Time and Expense Required to Attempt Disentanglement Would Threaten Creditor Recoveries, and An Accurate Allocation May Not Even Be Possible. 20
6. The Ponzi-Type Characteristics of the Debtors' Operations Reinforce the Conclusion That Their Affairs Are Hopelessly Entangled. 22

B. Creditors Dealt With the Debtors as a Single Economic Unit. 23

C. Substantive Consolidation Will Benefit the Creditor Body as a Whole, and Its Benefits Outweigh Any Harm. 24

1. Consolidation Will Avoid the Cost, Delay, and Uncertainty of Disentanglement. 24
2. Consolidation Will Produce an Equitable Distribution to Similarly Situated Investors. 25
3. Consolidation Will Streamline Administration and Claims Reconciliation. 25
4. No Creditor Will Suffer Cognizable Harm. 26

V. CONCLUSION 27

TABLE OF AUTHORITIES

Page(s)

Cases

In re Aroonsakool,
2014 WL 1273696 (B.A.P. 9th Cir. Mar. 28, 2014) 12

In re Augie/Restivo Baking Co.,
860 F.2d 515 (2d Cir. 1988) 11, 12

In re Auto-Train Corp.,
810 F.2d 270 (D.C. Cir. 1987) 12

In re Bonham,
229 F.3d 750 (9th Cir. 2000) ..... *passim*

In re Clark,
548 B.R. 246 (B.A.P. 9th Cir. 2016) 11, 16, 20, 23

In re EPD Inv. Co.,
114 F.4th 1148 (9th Cir. 2024) 13, 22

In re Meruelo Maddux Props., Inc.,
667 F.3d 1072 (9th Cir. 2012) 12

Official Comm. of Unsecured Creditors v. Roman Catholic Bishop of Oakland (In re Roman Catholic Bishop of Oakland),
2025 WL 1030162 (Bankr. N.D. Cal. Apr. 4, 2025) 10

In re Owner Mgmt. Serv., LLC,
530 B.R. 711 (Bankr. C.D. Cal. 2015) ..... *passim*

In re SK Foods, L.P.,
499 B.R. 809 (Bankr. E.D. Cal. 2013) ..... *passim*

In re Stayton,
2009 WL 5173512 (D.Or. Dec. 22, 2009) 13, 19

United States v. Hanf, et al.,
N.D. Cal. Case No. 26-CR-00434-JSC 9

Statutes

11 U.S.C. § 105 10

11 U.S.C. § 105(a) 6, 10

Other Authorities

Fed. R. Evid. 201(b)(2) 9

U.S. Const. amend. I 18

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 5 of 34

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

The Official Committee of Unsecured Creditors (the "Committee") appointed in the above-captioned chapter 11 cases respectfully moves for entry of an order, pursuant to section 105(a) of title 11 of the United States Code (the "Bankruptcy Code") and the Court's general equitable powers, substantively consolidating the estates of the thirteen jointly administered debtors and debtors in possession (collectively, the "Debtors").

Thirteen Debtors. One man—Mark Hanf—in charge of all of them. One address on all nineteen bank accounts. One QuickBooks accounting system. More than 5,320 intercompany entries moving over $500 million among the Debtors, nearly three-quarters of those dollars booked in round thousands, many labeled only "intercompany transfer." New investor money deposited into low- or negative-balance accounts, followed shortly after by redemption payments to old investors. (Hanf has since pleaded guilty to using new investor funds to pay redemptions to prior investors.) These were not thirteen separate businesses; they were a single enterprise operating under thirteen names. That is precisely the circumstance that permits the Court to "combine the assets and liabilities" of related entities "into a single pool and treat them as though they belong to a single entity." *In re Bonham*, 229 F.3d 750, 764, 766 (9th Cir. 2000) (cleaned up) (substantive consolidation available where creditors dealt with the entities as a single economic unit or the debtor's affairs are so entangled that consolidation will benefit creditors).

Both *Bonham* factors are satisfied. Each independently warrants consolidation. ***First***, the Debtors' common control, shared books, disregard of formalities, and commingled cash establish the close interrelationship that gives rise to a presumption that creditors did not rely on the separate credit of any individual Debtor. *Bonham*, 229 F.3d at 767. ***Second***, the Debtors' affairs are hopelessly entangled. Only four of the thirteen Debtors ever had audited financial statements, and for most intercompany transfers the records do not show whether money moved as a loan, a repayment, a capital contribution, or payment of another entity's bills. And merely attempting to unscramble the Debtors and separately administer these estates would cost $3.7 million to $9.3 million—about 39% to 97% of what is expected to remain for creditors after ordinary administrative costs—with no assurance that a reliable entity-by-entity allocation

could ever be achieved. Substantive consolidation avoids that waste and ensures that similarly situated creditors are treated alike.

II. STATEMENT OF FACTS

The Committee retained PricewaterhouseCoopers Advisory Services LLC ("PwC") as its financial advisor. Declaration of Kristin D. Rivera filed concurrently herewith (the "Rivera Declaration" or "Rivera Decl.") ¶ 7. Under the direction of Ms. Rivera, a Certified Public Accountant and Certified Fraud Examiner, PwC reviewed the Debtors' records, including, governing documents, annual meeting minutes, audited financial statements, bank records, schedules, and statements of financial affairs. PwC also analyzed the Debtors' QuickBooks general ledger for the period June 16, 2019 through June 15, 2026. *Id.* ¶¶ 4, 10-11. PwC reviewed these records for objective criteria to examine against *Bonham* for substantive consolidation. The discussion below is only a summary of highlights of the evidence adduced by on this topic.

Common ownership and centralized control. Hanf was designated as president, manager, or chief executive officer of all thirteen Debtors. *Id.* ¶ 17. Each of the Debtors' fund managers is owned through Pacific Private Money Group LLC ("PPMG"), whose sole member is Pacific Capital Funding Group Inc. ("PCFG"), which in turn is owned 90% by Hanf and 10% by Nam Phan. *Id.* ¶ 19. Hanf is the signatory on all nineteen current bank accounts identified for the Debtors and two affiliates, and all of those accounts share a single address in Novato. *Id.* ¶ 23. The operating agreement of Pacific Private Money Fund I LLC calls Hanf a "Key Man[,]" "integral" to its operations. *Id.* ¶ 24. Control also shifted informally. For example, in or around 2023, Pacific Southwest Note Fund LLC ("PSWNF") had its records moved from Texas to California, its Texas bank accounts replaced by Wells Fargo accounts on which Hanf is the signatory, and its transactions folded into the Debtors' general ledger. A newly formed Hanf entity became its manager in November 2024. *Id.* ¶¶ 21, 113.

Books and records. The Debtors' records were kept together in a shared repository and a single accounting system under one set of entity codes. The parent, PCFG, has no ledger entity of its own. *Id.* ¶¶ 28-29. A common group of user IDs maintained the ledgers. Of approximately 179,700 ledger lines across 12 entity ledgers, ten user IDs that worked in three or more entity ledgers created approximately 111,300 (62%), and one user ID created lines in all twelve. *Id.* ¶ 26. The ledgers share 59 intercompany accounts

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 7 of 34

named for other Debtors, and 28 of them appear in more than one entity's books, so no single entity's ledger can readily be read on its own. *Id.* ¶ 30. PwC located audited financial statements for only four of the thirteen Debtors, and audits appear to have stopped around fiscal year 2022. Hanf himself wrote that PCFG "does not produce financial statements." *Id.* ¶¶ 31, 60.

Disregard of corporate formalities. The Debtors made intercompany loans and transfers. PwC located only two types of intercompany loan documentation: a Master Interfund Lending Agreement (the "MILA") and six Warehouse Revolving Line of Credit Agreements (the Warehouse Agreements"). Together they cover only approximately 31% of the roughly 5,327 intercompany ledger entries. *Id.* ¶¶ 34-35. Hanf signed the MILA as president of all six purportedly participating funds, and he executed Warehouse Agreements for both the borrower and the lender. No promissory notes contemplated by the Warehouse Agreements were located. *Id.* ¶ 34. The MILA required arm's-length terms, interest, and written loan records, but PwC found no such records and little to no interest activity. The signed MILA contains unfilled drafting brackets, including an effective date reading "[date first loan made in the past]." *Id.* ¶¶ 36, 44. In one example discovered by PwC, Hanf approved and personally recorded the $100,000 redemption of his own entity's investment in PSWNF on a "[v]erbal request and approval," and acted on both sides of the transaction. *Id.* ¶ 38.

Intercompany transfers and commingled finances. The ledger records approximately 5,327 intercompany entries across twelve entity codes, with a recorded value of more than $500 million. *Id.* ¶ 41. Pacific Private Money, Inc. ("PPMI") was a party to approximately 82% of those entries and appears as a counterparty in ten of the other eleven entity ledgers. That pattern shows funds moving through a central entity rather than being kept at the entity level. *Id.* ¶ 46. Many transfers carry only generic descriptions such as "intercompany transfer." About 73% of the dollar values are recorded in round multiples of $1,000. *Id.* ¶ 42. This is notable because those are amounts less likely to correspond to any discrete underlying transaction. *Id.* The ledger also contains approximately 1,130 entries, with approximately $303 million in debits, involving non-Debtor affiliates, including Hanf's own entities. *Id.* ¶ 43.

Ponzi-type characteristics. The Debtors' operations also showed evidence of the operation of a Ponzi scheme. From June 2019 through June 2026, the Debtors' revenues net of expenses and debt service

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 8 of 34

were approximately $25.7 million, against approximately $49.5 million in returns promised to investors. That is a shortfall of approximately $23.8 million. *Id.* ¶¶ 47-48. The ledger also shows sequences in which investor deposits were received into low- or negative-balance accounts and followed the same day or shortly after by other investors' redemptions (i.e., new investor money used to pay old investors). For example, on July 6, 2022, a Pacific Freedom Fund LLC ("PFF") operating account with a balance of $(84,409) received $750,000 in investor deposits and paid $537,001 in investor redemptions the same day. *Id.* ¶¶ 49-50.[1]

Investor overlap. Of the 516 distinct investors shown in the Debtors' investor reconciliations, 94 (18%) invested in more than one fund. In the smaller funds the overlap reached 55% to 80%. *Id.* ¶¶ 53-54. The funds' documents also carried a common "Pacific Private Money" brand. *Id.* ¶ 55.

Cost and feasibility of disentanglement. Reconstructing the Debtors' ledgers alone would require individual analysis of approximately 1,900 to 2,600 intercompany and related-party transactions, at an estimated cost of $1.06 million to $1.45 million. *Id.* ¶ 130. Adding intercompany claims reconciliation, conflict governance, inter-estate disputes, and separate claims administration brings the total incremental cost of maintaining separate estates to approximately $3.7 million to $9.3 million. *Id.* That is approximately 39% to 97% of the roughly $9.5 million expected to remain after ordinary administrative costs. *Id.* ¶¶ 133-34. Even then, a reliable set of disentangled books is not assured. For most transfers, the records do not show whether a transfer was a loan, a repayment, a capital contribution, or payment of another entity's expense, and different reasonable assumptions would produce different balances. *Id.* ¶¶ 127, 136.

[1] On August 31, 2026, the U.S. Attorney charged Hanf with fraud, including "Making false statements, and omitting true facts that HANF . . . had a duty to disclose, regarding the use of new investor funds to pay for interest and distributions owed to prior investors, in the manner of a Ponzi scheme[.]" *United States v. Hanf, et al.*, N.D. Cal. Case No. 26-CR-00434-JSC ("Criminal Case Docket") at Dkt. No. 2. Further, on September 30, 2026, Hanf pleaded guilty to "use of new investor funds to pay redemptions to prior investors[.]" U.S. Attorney Press Release dated September 30, 2026 *available at* https://www.justice.gov/usao-ndca/pr/mark-hanf-and-coo-novato-based-pacific-private-money-agree-they-are-responsible-least (last accessed November 3, 2026); *see also* Dkt. No. 14 (Criminal Minutes stating that Hanf "pled guilty to Counts One & Two of the Information"). Pursuant to Federal Rule of Evidence 201(b)(2), the Committee respectfully requests the Court take judicial notice of the Criminal Information filed against Hanf as well as his Guilty Plea, both of which are contained on the Criminal Case Docket.

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 9 of 34

PwC summarizes its findings by criteria applied at ¶¶ 16-57. PwC summarizes its findings on a Debtor-by-Debtor basis at ¶¶ 58-123. PwC also generated a simple summary chart showing the presence or absence of criteria on a Debtor-by-Debtor basis reproduced below:

	Debtor Entities	1. Common Ownership and Centralized Control	2. Corporate Recordkeeping and the State of the Books and Records	3. Disregard of Corporate Formalities	4. Intercompany and Related-Party Transfers and Commingled Finances	5. Investor Overlap and Confusion	Number of Criteria Met
1	Arrival Fund 1 LLC	Yes	Yes	Yes	Yes	Yes	5
2	Pacific Capital Funding Group Inc	Yes	Yes	Yes	Yes		4
3	Pacific Freedom Fund LLC	Yes	Yes		Yes	Yes	4
4	Pacific Mortgage Capital LLC	Yes	Yes	Yes	Yes		4
5	Pacific Note Fund Management Group LLC	Yes	Yes	Yes	Yes		4
6	Pacific Opportunity Fund LLC	Yes	Yes	Yes	Yes	Yes	5
7	Pacific Private Money Fund 1 LLC	Yes	Yes		Yes	Yes	4
8	Pacific Private Money Group LLC	Yes	Yes	Yes	Yes		4
9	Pacific Private Money Inc	Yes	Yes	Yes	Yes		4
10	Pacific SW Note Fund LLC	Yes	Yes	Yes	Yes	Yes	5
11	Pacific Private Money Partners LLC	Yes	Yes	Yes	Yes		4
12	Private Money Management Group LLC	Yes	Yes	Yes	Yes		4
13	Arrival Home Loans LLC	Yes	Yes		Yes		3
	Number of Debtors with Evidence of Criteria	13	13	10	13	5	
	Percent of Total Debtors	100%	100%	77%	100%	38%	
	Average Number of Criteria						4.2

Rivera Decl. ¶ 16.

III. LEGAL STANDARD

A. The Court Has Authority to Order Substantive Consolidation Under Section 105(a) and Its General Equitable Powers.

Although the Bankruptcy Code does not expressly codify substantive consolidation, "[t]he bankruptcy court's power of substantive consolidation has been considered part of the bankruptcy court's general equitable powers since the passage of the Bankruptcy Act of 1898," and it now "derives from the bankruptcy court's general equity powers as expressed in § 105 of the Bankruptcy Code." *Bonham*, 229 F.3d at 763-64. This Court has likewise recognized that "[s]ubstantive consolidation is a remedy generally within a bankruptcy court's equitable powers under § 105 of the Bankruptcy Code." *Official Comm. of Unsecured Creditors v. Roman Catholic Bishop of Oakland (In re Roman Catholic Bishop of Oakland)*, 2025 WL 1030162, at *5 (Bankr. N.D. Cal. Apr. 4, 2025). A motion for substantive consolidation may proceed as a contested matter "as long as there is notice and an opportunity to be heard." *Bonham*, 229 F.3d at 765 n.9. Further, "the bankruptcy court has the power, in appropriate circumstances, to order less than complete substantive consolidation, or to place conditions on the substantive consolidation," including the preservation of avoidance claims held by the formerly separate estates. *Id.* at 769.

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 10 of 34

B. The Controlling Ninth Circuit Test: *Bonham*.

Under *Bonham*, the Court considers: (1) "whether creditors dealt with the entities as a single economic unit and did not rely on their separate identity in extending credit"; or (2) "whether the affairs of the debtor are so entangled that consolidation will benefit all creditors." *Bonham*, 229 F.3d at 766. The factors are disjunctive; "[t]he presence of either factor is a sufficient basis to order substantive consolidation." *Id*. The movant "has the initial burden of showing either one of the *Bonham* factors are met." *In re Clark*, 548 B.R. 246, 254 (B.A.P. 9th Cir. 2016). "Once the [moving party] establishes a close interrelationship between the debtor and the non-debtor entities, there is a presumption that creditors did not rely on their separate credit. The burden of proof then shifts to the parties opposing substantive consolidation to show otherwise." *Id.* (citing *Bonham*, 229 F.3d at 767); *see also In re SK Foods, L.P.*, 499 B.R. 809, 826, 833-34 (Bankr. E.D. Cal. 2013). A close interrelationship may be demonstrated through a host of non-exclusive factors (e.g., common ownership/centralized control, etc.) discussed below.

Under the entanglement factor, consolidation is justified "where 'the time and expense necessary even to attempt to unscramble them [is] so substantial as to threaten the realization of any net assets for all the creditors' or where no accurate identification and allocation of assets is possible." *Bonham*, 229 F.3d at 766 (quoting *In re Augie/Restivo Baking Co.*, 860 F.2d 515, 519 (2d Cir. 1988)). Great expense ***or*** impossibility is sufficient; "it is not necessary to establish both." *SK Foods*, 499 B.R. at 833. Entanglement "involves cases in which there has been a commingling of two firms' assets and business functions." *In re Owner Mgmt. Serv., LLC*, 530 B.R. 711, 723 (Bankr. C.D. Cal. 2015) (citing *Augie/Restivo*, 860 F.2d at 519).

C. The Court Weighs Disregard of Formalities and Commingling Against the Balance of Benefits and Harms, With the Sole Aim of Fairness to All Creditors.

"Two broad themes have emerged from substantive consolidation case law: in ordering substantive consolidation, courts must (1) consider whether there is a disregard of corporate formalities and commingling of assets by various entities; and (2) balance the benefits that substantive consolidation would bring against the harms that it would cause." *Bonham*, 229 F.3d at 765. "No uniform guideline for determining when to order substantive consolidation has emerged. Rather, '[o]nly through a searching

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 11 of 34

review of the record, on a case-by-case basis, can a court ensure that substantive consolidation effects its sole aim: fairness to all creditors.'" *Id.* (quoting *In re Auto-Train Corp.*, 810 F.2d 270, 276 (D.C. Cir. 1987)). That analysis is "premised on a 'sole aim: fairness to all creditors,' and not on any formalistic cost-benefit analysis." *Bonham*, 229 F.3d at 767 n.12. The relevant benefit is to "the creditor body as a whole," not to "each and every creditor. [Citation.]" *Owner Mgmt.*, 530 B.R. at 739.

D. Supplemental Factors Courts Consider in Applying *Bonham*.

In applying the two *Bonham* factors, courts in the Ninth Circuit draw on the non-exclusive indicia catalogued in *Augie/Restivo*, 860 F.2d 515, including: the degree of interrelationship and entanglement among the entities; whether the cost of untangling would outweigh any benefit to creditors; the presence or absence of consolidated financial statements; the difficulty in segregating individual assets and liabilities; the unity of interests and ownership; the existence of intercorporate guarantees; the transfer of assets without observance of corporate formalities; and the commingling of assets and business functions. *Bonham*, 229 F.3d at 765-66 & n.10 (citing numerous cases).

Applying these indicia, *Bonham* affirmed consolidation where the entities "were but instrumentalities of the bankrupt with no separate existence of their own," there was commingling of assets and "no clear demarcation between the affairs" of the entities, and disentanglement "would be needlessly expensive and possibly futile." 229 F.3d at 766-67.

Consistent with those authorities, PwC addressed the following indicia: (1) common ownership and centralized control; (2) corporate recordkeeping and the state of the books and records; (3) disregard of corporate formalities; (4) intercompany and related-party transfers and commingled finances; (5) the cost and feasibility of disentanglement; (6) investor overlap and confusion; and (7) the benefit to the creditor body as a whole. *See Bonham*, 229 F.3d at 765-767; *see generally* Rivera Decl.

Further "the presence of traditional 'alter ego' factors may provide a basis to find that the affairs of the debtor are so entangled such that consolidation will benefit all creditors." *In re Aroonsakool*, 2014 WL 1273696, at *7 (B.A.P. 9th Cir. Mar. 28, 2014) (citations omitted); *see also In re Meruelo Maddux Props., Inc.*, 667 F.3d 1072, 1075 n.1 (9th Cir. 2012) ("Appellate courts have ratified substantive consolidation orders when, for example, the debtors have abused corporate formalities, or creditors have

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 12 of 34

treated the separate entities as a single unit and the business affairs of the consolidated entities were hopelessly entangled.").

E. Ponzi Schemes Often Militate in Favor of Substantive Consolidation.

The Ninth Circuit has identified two "essential elements" of a Ponzi scheme: "(1) the funneling of money from new investors to pay old investors, and (2) no legitimate profit-making business opportunity exists for investors." *In re EPD Inv. Co.*, 114 F.4th 1148, 1159 (9th Cir. 2024). Courts also consider badges including commingling of investor money, misuse of investor funds, unrealistic promises of low risk and high returns, excessive fees to the perpetrator, and the use of false financial statements. *Id.* The presence of some legitimate investments "does not necessarily negate the existence of a Ponzi scheme." *Id.* at 1163.

Substantive consolidation has been ordered where affiliated entities were used as vehicles for a Ponzi-type scheme. *Bonham* itself arose from "a failed Ponzi scheme," and the Ninth Circuit affirmed consolidation where the debtor used the entities "to funnel" investor funds and paid earlier investors from later investments. 229 F.3d at 759, 766-68. In *Woodbridge*, the court accepted unrebutted forensic testimony that the debtors were operated as a Ponzi scheme, 592 B.R. at 770-71, found that their "assets and liabilities are so scrambled . . . that separating them would be prohibitive and would harm creditors," *id.* at 776, and held that the Ponzi scheme was "the type of compelling circumstance that overcomes the general expectation of recognizing corporate separateness," and that consolidation "addresses the harm caused by the Debtors to the creditors" and "results in equitable treatment of defrauded creditors." *Id.* at 778; *see also In re Stayton*, 2009 WL 5173512 at *5 (D.Or. Dec. 22, 2009) (entanglement used in furtherance of securities-law violations "created another layer of legal entanglement").

IV. ARGUMENT

A. The Debtors' Affairs Are So Entangled That Consolidation Will Benefit All Creditors.

The Debtors functioned as a single, centrally controlled enterprise in which investor capital and other funds moved freely among entities, entity formalities were not observed, and the books and records do not permit reliable entity-by-entity identification of assets and liabilities. "[T]he Debtors were operated as an integrated enterprise rather than as thirteen financially independent entities," including "centralized

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 13 of 34

ownership and control, common management of bank accounts, shared accounting personnel and systems, extensive intercompany and related-party activity, limited adherence to documented intercompany lending terms, material investor overlap, and incomplete or inconsistent entity-level books and records." Rivera Decl. ¶ 139. Those conditions "were not isolated to one or two Debtors; they were present across the Debtors[.]" *Id.*

1. The Debtors Were Subject to Common Ownership and Centralized Control.

Common ownership, shared officers and management, and the use of shared personnel without allocation of costs are hallmarks of entanglement. *See Bonham*, 229 F.3d at 766 n.10 (unity of interests and ownership); *SK Foods*, 499 B.R. at 822 (debtors and affiliates "shared management"); *id.* at 835-36 (management of affiliates employed and paid by debtor); *Owner Mgmt.*, 530 B.R. at 741-42 (individual principals were the "ring masters" of the enterprise). Where a single principal directs the business of each entity in a fashion "that suited his purpose," there is "no true separation among them." *SK Foods*, 499 B.R. at 842.

Here, the Debtors share a common ownership chain culminating in a single parent, and their operations were directed by the same principal and management team. Hanf sat at the top of every Debtor. He was designated as president, manager, or chief executive officer of all thirteen Debtors. Rivera Decl. ¶ 17. Through PCFG, which he owns 90%, he controlled PPMG, and PPMG in turn owns each of the management entities that manage the Debtors' five funds. *Id.* ¶¶ 18-19. Hanf also controlled the Debtors' cash. He is the signatory on all nineteen current bank accounts identified for the Debtors and two affiliates, and every one of those accounts shares a single address. *Id.* ¶ 23. The operating agreement of Pacific Private Money Fund I LLC describes him as a "Key Man" who is "an integral part of the Fund's investments and operations," and provides for a moratorium on new investments upon his death or disability. *Id.* ¶ 24. Hanf personally booked approximately 3,060 ledger lines across eleven of the twelve entity ledgers. In PSWNF's ledger, excluding a bulk correction, the majority of his remaining lines that identify a counterparty involved a related party. *Id.* ¶¶ 26, 39.

The Debtors also relied on shared personnel and systems. Ten user IDs created approximately 62% of the roughly 179,700 ledger lines, one user ID created lines in all twelve entity ledgers, and a shared "Pacific Private Money Accounting" user ID created lines in ten. The same user IDs recorded transactions

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 14 of 34

for the funds, the management entities, and the holding company PPMG alike, "rather than each Debtor's records being maintained separately." *Id.* ¶¶ 26, 32. As in *SK Foods*, the same people managed the books of every entity in the enterprise. 499 B.R. at 821-22, 835-36.

Hanf's control extended to the terms on which the Debtors dealt with one another. The only agreements that purport to govern intercompany lending were signed by Hanf on every side—agreements he made with himself, not the product of negotiation between independent entities. Rivera Decl. ¶ 34; *see* Section IV.A.3, *infra*.

Finally, the record reflects shifting ownership and informal changes in control that were not consistently papered. For example, PSWNF was formed with a non-Debtor manager owned in part by Mark Brown and Edward Brown, and its Texas bank accounts named Mark Brown as signatory and fund manager. In or around 2023, however, PSWNF's records were moved to California, its Texas-based accounts were replaced by California-based Wells Fargo accounts on which Hanf is the signatory, and its transactions began appearing in the Debtors' general ledger. All of that happened before a newly formed Hanf entity formally became PSWNF's manager in November 2024. *Id.* ¶¶ 21, 113. Practical control of PSWNF thus passed to Hanf before any formal change in its governance. Notwithstanding these changes, each of the thirteen Debtors was controlled, directly or through the entity that manages or owns it, by Hanf. *Id.* ¶ 22.

The Debtors' entanglements also ran across the funds and the operating entities. For example, AHL was formed in 2022 with PPMG as its sole member, but as of the Petition Date it was owned 87.4% by PPMG, 4.07% by PFF, and 1.6% by Hanf personally. Rivera Decl. ¶ 98. Hanf was also AHL's manager and bank signatory. *Id.* AHL, in turn, managed Arrival Fund I, LLC. *Id.* ¶ 103. PFF, an investor fund, thus held equity in an affiliated operating company that Hanf managed and in which he held a personal stake.

Because the same individual and management controlled each Debtor, transactions among the Debtors were not the product of arm's-length dealing between independent entities.

2. The Debtors' Books and Records Do Not Reliably Reflect Each Entity's Separate Assets and Liabilities.

Courts find entanglement where the debtors' records are maintained together, are incomplete, or do not permit the court or a fiduciary to determine "who owes what to whom." *SK Foods*, 499 B.R. at

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 15 of 34

821-22 (records of multiple entities stored on common systems and accessed by common personnel); *id.* at 828-29 (manner in which intercompany accounts were kept made it "impossible to reliably determine who owes what to whom"); *Owner Mgmt.*, 530 B.R. at 737-38. The absence of separate financial statements and tax returns likewise supports consolidation. *Bonham*, 229 F.3d at 767; *Clark*, 525 B.R. at 128-29 (no records "beyond the Trust agreement" and no separate accounts).

That is the record here. The Debtors kept their records together, not entity-by-entity. Their governing documents and financial records sat in a shared drive and accounting server, and their books were kept in a shared repository and a single accounting system under one set of entity codes. Rivera Decl. ¶¶ 28-29. The parent, PCFG, has no ledger entity at all, because it existed to roll up the activity of the other Debtors. Investor capital was tracked outside the ledger altogether, in separate K-1 workpapers and capital reconciliations. *Id.* ¶ 29. The ledgers also share a distinctive set of intercompany accounts named for other Debtors, such as "S/T Loan Pay - PPMI." That account appears in ten of the twelve entity ledgers, and 28 of the 59 such accounts appear in more than one entity's books. These accounts would not appear in the books of unrelated businesses, and their recurrence is consistent with a single set of books, which makes it "difficult to read any one entity's ledger on its own." *Id.* ¶ 30. The records "were comingled together in a common repository and accounting system, with overlapping entity-named accounts and the same user IDs recording transactions across entities, while entity-level financial reporting was limited," and the records "show limited documented controls to maintain clear financial separation among the affiliated entities." *Id.* ¶¶ 32, 51.

The intercompany entries in particular cannot be relied upon, because the Debtors did not follow even the lending procedures Hanf nominally put in place. As discussed in Section IV.A.3, the MILA and Warehouse Agreements cover only approximately 31% of the intercompany entries, and even where they ostensibly apply, the Debtors did not keep the required loan records or promissory notes paid little to no interest. Rivera Decl. ¶¶ 34-37, 44.

The signed MILA itself contains unfilled drafting brackets, including an effective date that reads "[date first loan made in the past]" and borrowing and lending caps of "[y%]" of assets under management. *Id.* ¶ 36. Because the intercompany balances on the Debtors' books were not recorded in accordance with any operative agreement, they cannot be taken as an accurate statement of who owes what to whom. Many

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 16 of 34

entries are recorded only as generic "intercompany transfer[s]," and approximately 73% of the intercompany dollars are recorded in round multiples of $1,000. Those amounts are less likely to correspond to any discrete underlying transaction, which "significantly limit[s]" the ability to tie the transfers to a business purpose. *Id.* ¶ 42. As a result, for most intercompany transfers the records do not show whether a transfer "was a loan, a repayment, a capital contribution, or the payment of another entity's expense, what terms applied, or why it was made." *Id.* ¶ 127; *see also id.* ¶¶ 136, 140. This is precisely the condition in which it is "impossible to reliably determine who owes what to whom." *SK Foods*, 499 B.R. at 828-29.

Entity-level financial reporting was also sparse and was abandoned years ago. There are only audited financial statements for four of the thirteen Debtors (and none of them particularly recent): Pacific Private Money Fund I LLC for fiscal years 2016 through 2019, PPMI for fiscal year 2021, PFF for fiscal year 2021, and PSWNF for fiscal year 2022. No audited, reviewed, or compiled financial statements were located for the other nine Debtors, and audits appear to have stopped around fiscal year 2022. Rivera Decl. ¶¶ 31, 60, 64, 68, 73, 78, 83, 88, 93, 99, 104, 109, 114, 120. The parent did not prepare financial statements at all. *Id.* ¶¶ 31, 60.

Because the Debtors' records cannot be relied upon to allocate assets and liabilities among the entities, any attempted entity-by-entity reconstruction would be unreliable.

3. The Debtors Disregarded Corporate Formalities.

"[T]he existence of transfers of assets without formal observance of corporate formalities" is a factor courts "should consider." *Bonham*, 229 F.3d at 766 n.10. Courts have found this factor satisfied where affiliated entities "routinely performed services and exchanged funds in the absence of formal written agreements," and where pricing between entities "was not negotiated" but set by the common principal. *SK Foods*, 499 B.R. at 836.

So too here. PwC located only two sets of agreements that purport to govern lending among the Debtors, and Hanf signed both on every side. Rivera Decl. ¶ 34. The first is the MILA, dated as of January 1, 2023, among six funds: three Debtors (Pacific Private Money Fund I LLC, PFF, and PSWNF) and three non-Debtor affiliates. Hanf signed the MILA as president of all six funds, and Arrival Home Loans LLC ("AHL") joined only as a borrower, as of April 1, 2025. *Id.* The second is the Warehouse Agreements,

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 17 of 34

under which PPMI or PFF borrows from another fund. Executed copies were located for only two of them, and Hanf signed each of those for both the borrower and the lender. *Id.* In other words, the only documents that purport to set terms for intercompany lending were agreements Hanf made with himself. By their terms, those agreements required that intercompany loans be made on "arms-length, market terms" and bear interest, that each fund keep written records of every loan for ten years, and that each fund's assets and liabilities remain "separate and distinct," and the Warehouse Agreements contemplate a promissory note for each advance. *Id.* ¶¶ 34, 36. None of that occurred. None of the contemplated promissory notes or required records were found, and there was little to no interest activity. *Id.* ¶¶ 34, 36-37, 44. And the agreements cover only approximately 31% of the intercompany entries anyway. *Id.* ¶ 35. The rest of the Debtors' intercompany dealings were conducted with no written agreement at all. For each Debtor other than the MILA parties, including the parent and PPMI, no intercompany loan agreement or promissory note supporting the intercompany loans recorded on its books was located. *Id.* ¶¶ 34, 60, 64, 69, 79, 89, 94, 105, 110, 121. The roughly 3,680 undocumented entries are concentrated in exactly those relationships. They include approximately 2,282 entries between PPMI and AHL, approximately 353 between PPMI and Arrival Fund I, LLC, and approximately 256 between PPMI and Pacific Mortgage Capital, LLC. *Id.* ¶ 35. AHL illustrates the point. Its operating agreement states that its purpose is to originate and manage mortgage loans to third parties. Yet approximately 99% of its ledger entries are with PPMI, and approximately 865 of its 1,045 entries predate its joinder to the MILA. *Id.* ¶¶ 35, 101.

Even the formalities the Debtors did adopt were treated casually. The MILA was signed while still in draft form. Its effective date reads "[date first loan made in the past]," its borrowing and lending caps read "[y%]," and the jurisdictions of two of the parties were left blank. A First Amendment correcting the names or jurisdictions of five of the six funds was not executed until almost eleven months later. *Id.* ¶ 36. And when Hanf's own entity, Hanf Capital LLC, redeemed a purported $100,000 investment in PSWNF in October 2022, the redemption was documented only as "No redemption form. Verbal request and approval." Hanf personally entered the redemption in QuickBooks the day before the check date. He thus acted on both sides of the transaction: he controlled the redeeming investor, and he approved and recorded the redemption on the fund side. *Id.* ¶ 38. In PSWNF's ledger, nearly every one of Hanf's non-bulk entries identifying a counterparty involved a related party. *Id.* ¶ 39.

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 18 of 34

The Debtors' failure to observe the formalities that maintain entity separateness confirms that, in practice, the Debtors were operated as one enterprise. *See Owner Mgmt.*, 530 B.R. at 742 ("While some of the entities are separate on paper, in practice they are treated as one enterprise by their principals.").

4. The Debtors' Finances Were Commingled Through Extensive, Largely Undocumented Intercompany and Related-Party Transfers.

Commingling of funds through intercompany transfers that lack documentation or a discernible business purpose lies at the core of the entanglement inquiry. In *SK Foods*, the court consolidated entities where the debtor "effectively served as the bank" for its affiliates and checks were issued among them "without documentation substantiating the purpose of the payment." 499 B.R. at 836; *see id.* at 827 (over $205 million transferred back and forth over a decade). In *Woodbridge*, the court relied on forensic evidence of approximately $1.66 billion in transfers across more than 10,700 transactions among affiliated entities, "resulting in extensive commingling of investor funds." 592 B.R. at 770. And in *Stayton*, the court found that "[t]he extent and magnitude of the transfers renders it impracticable, if not impossible, to trace the ultimate source and use of funds." 2009 WL 5173512, at *2.

The Debtors' general ledger records approximately 5,327 intercompany entries across twelve entity codes from June 16, 2019 through June 15, 2026, with a recorded value of more than $500 million. Rivera Decl. ¶ 41. PPMI was a party to approximately 4,390 of those entries (82%), and ten of the other eleven entity ledgers record entries with PPMI as the counterparty. This pattern shows funds "routinely moved through a central entity rather than being maintained at the entity level." *Id.* ¶ 46. The transfers were made through bank accounts Hanf controlled and were "supported by minimal, if any, documentation." *Id.* ¶ 42. Many transfers carry only generic descriptions such as "intercompany transfer." Approximately 73% of the dollar value of the transactions is in round multiples of $1,000, and approximately 72% of the roughly 1,560 entries of $100,000 or more are in round thousands. Payments tied to actual invoices, payroll, or vendor obligations typically produce non-rounded amounts, while round-number transfers are less likely to correspond to any discrete underlying transaction. *Id.* Where the transfer cannot be tied to a particular transaction, unwinding the transfer, including its purpose, cannot be done with certainty.

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 19 of 34

The money did not stay within the Debtor group. The ledger contains approximately 1,130 entries with non-Debtor affiliates, with approximately $303 million in debits. *Id.* ¶ 43. It also records approximately 94 entries with Hanf Capital LLC and approximately 222 with Pacific Realty Development I, LLC, both non-Debtor affiliates. *Id.* Hanf personally entered short-term loan wires to both of those entities in February 2025. *Id.* ¶ 45.

Furthermore, PwC identified sequences in which investor deposits received into low- or negative-balance accounts were followed the same day or shortly after by other investors' redemption (*id.* ¶¶ 49-50), i.e., Ponzi payments. The Debtors "practiced centralized cash management rather than segregated, entity-level cash management," reflecting "a pattern of comingling of assets and liabilities between funds which purport to operate as separate legal entities." *Id.* ¶ 51. The result is "extensive commingling of investor funds." *Woodbridge*, 592 B.R. at 770.

These transfers did not occur between independent businesses dealing at arm's length. They reflect the movement of money within a single enterprise according to its operational needs, without regard to the entity that nominally owned the funds. This factor weighs in favor of substantive consolidation.

5. The Time and Expense Required to Attempt Disentanglement Would Threaten Creditor Recoveries, and An Accurate Allocation May Not Even Be Possible.

The question under the second *Bonham* factor is whether "the time and expense necessary even to attempt to unscramble [the Debtors' affairs] is so substantial as to threaten the realization of any net assets for all the creditors" or whether "no accurate identification and allocation of assets is possible." 229 F.3d at 766. Truly impossible entanglement is not required; it suffices that disentanglement would be "needlessly expensive and possibly futile." *Id.* at 767; *Clark*, 525 B.R. at 129 ("The time, effort and expense involved in such an exercise would grossly outweigh the benefit to all creditors."). In *Petters*, the court (which did not apply *Bonham*) credited forensic testimony that reconciling intercompany transfers would cost at least ten million dollars and "once done would not be a wholly reliable reflection" of the entities' respective assets and liabilities. 506 B.R. at 823. In *Owner Management*, the court rejected an opposing expert's "hypothetical" assertion that tracing "could, in theory, be done," because he could not say what it would cost or whether it would be reliable. 530 B.R. at 738-39.

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 20 of 34

Reconstructing the Debtors' general ledgers alone would require individual analysis of numerous intercompany and related-party transactions. That work would cost between $1.06 million and $1.45 million. Rivera Decl. ¶ 130. But, that is only the first step. The separate estates would then need to reconcile debtor-by-debtor intercompany claims (a cost of $1.0 million-$2.0 million). They would need independent fiduciaries and advisors for estates with adverse intercompany positions (a cost of $1.0 million-$3.0 million), and they would need to resolve inter-estate disputes over intercompany claims, setoff, and the ownership of causes of action (a cost of $0.5 million-$1.5 million). Finally, they would need to administer separate claim pools, reserves, and distribution waterfalls (a cost of $0.15 million-$1.3 million). *Id.* ¶¶ 130-31.

All told, maintaining separate estates would cost between $3.7 million and $9.3 million in ***incremental*** costs, i.e., costs beyond the ordinary costs of these cases. *Id.* ¶ 130. None of that spending creates value. It would "principally determine how existing value should be allocated among affiliated Debtor estates[.]" *Id.* ¶ 132.

These additional incremental costs would consume most, and potentially nearly all, of what is left for creditors. The Debtors reported approximately $4.5 million of cash as of the Petition Date. They estimate that their remaining tangible assets—notes receivable and real estate—will generate approximately $10 million of net proceeds, and that ordinary administrative costs to reach plan confirmation will be approximately $5 million. *Id.* ¶ 133. That leaves approximately $9.5 million of identifiable resources. The cost of maintaining separate estates would consume approximately 39% to 97% of it. At the upper end, approximately $250,000 would remain before any distribution to creditors or any pursuit of third-party recoveries. *Id.* ¶ 134. Put differently, the incremental cost of preserving entity-level separateness is roughly equal to, and at the upper end nearly twice, the Debtors' entire Petition Date cash. *Id.* ¶ 135. Separate administration would also delay distributions while records are reconstructed and intercompany disputes are resolved, and that delay would, itself, prolong the administrative expense. *Id.* ¶ 137. The Committee submits that those figures far exceed the threshold at which the cost of disentanglement "threaten[s] the realization of any net assets for all the creditors." *Bonham*, 229 F.3d at 766.

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 21 of 34

And there is no guarantee that this extraordinary expense would be worth it, through the generation of a reliable answer to the question of "who owes what to whom." Because the Debtors' historical records are incomplete and intercompany transactions frequently lack documentation, "incurring these costs would not assure that a reliable entity-by-entity allocation could ultimately be achieved." Rivera Decl. ¶ 136. For most intercompany transfers, the records do not show whether a transfer "was a loan, a repayment, a capital contribution, or the payment of another entity's expense, what terms applied, or why it was made." In unwinding the transfers, a forensic accountant would therefore have to make assumptions about which Debtor was owed what, and "different reasonable assumptions would produce different balances." *Id.* ¶ 127; *see also id.* ¶¶ 136, 140, 143. Thus, it "may not be possible to disentangle the Debtors with reliability." *Id.* ¶ 127.

On this record, an entity-by-entity reconstruction would consume a substantial portion of the value available to creditors and would produce, at best, an unreliable result. *See, e.g.*, Rivera Decl. ¶¶ 140, 143 (unreliable records, no guaranty of reliable results).

6. The Ponzi-Type Characteristics of the Debtors' Operations Reinforce the Conclusion That Their Affairs Are Hopelessly Entangled.

The Debtors bear the hallmarks of a Ponzi scheme identified in *EPD*. *See* Section III.E, *supra*. First, the Debtors' business never generated enough to pay what investors were promised. From June 16, 2019 through June 16, 2026, the Debtors' general ledgers reflect approximately $131.2 million of revenue. After approximately $97.9 million of expenses and $7.6 million of debt service, approximately $25.7 million remained. Over the same period, the returns promised to investors, estimated from average investor equity and each fund's stated return rate, were approximately $49.5 million. **That is a shortfall of approximately $23.8 million**. Rivera Decl. ¶ 47. "[T]he Debtors' recorded revenues were clearly insufficient to cover the returns promised to investors." *Id.* ¶ 48.

Second, the general ledger shows the type of activity examined in evaluating whether investor redemptions are funded by incoming investor deposits. Investor deposits were received into accounts with low or negative balances and, the same day or shortly after, other investors' redemptions were paid. Rivera Decl. ¶¶ 49-50. For example:

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 22 of 34

a. On July 6, 2022, a PFF operating account with a balance of $(84,409) received $750,000 in investor deposits and paid $537,001 in investor redemptions that same day. *Id.* ¶ 49(a).

b. On June 30 and July 1, 2022, $237,000 in investor deposits were received into a PFF subscription account, and $150,000 was transferred the next day to an operating account with a balance of $(57,614), which then paid a $150,000 investor redemption. *Id.* ¶ 49(b).

c. On October 11, 2023, $880,000 of investor deposits were received into a PFF operating account, and $350,000 was transferred to the fund's distribution account, which held only $3,563, after which four investors redeemed $350,000 in total. *Id.* ¶ 49(c).

d. On May 9 and 10, 2024, a $40,000 investor deposit was received into a Pacific Private Money Fund I LLC account and transferred to its distribution account, which paid a $25,000 investor redemption. *Id.* ¶ 49(d).

These Ponzi characteristics compound the entanglement described above. Where investor deposits in one account fund redemptions owed from another, and returns were paid that the business never earned, no entity's books can be taken at face value. Any attempt to reconstruct separate estates would require unwinding not only the Debtors' intercompany transfers but also the flow of investor money among them.

B. Creditors Dealt With the Debtors as a Single Economic Unit.

The record independently satisfies the first *Bonham* factor. The movant need not prove what each creditor subjectively thought; once the movant "establishes a close interrelationship" among the entities, "there is a presumption that creditors did not rely on their separate credit," and the burden shifts to any objector "to show otherwise." *Clark*, 548 B.R. at 254; *Bonham*, 229 F.3d at 767. The common ownership and control, disregard of formalities, unreliable books and records, and commingled finances described in Section IV.A establish precisely that close interrelationship. *See Clark*, 548 B.R. at 255 (interrelationship shown by "financial and operational commingling").

The Debtors' five funds drew on a common investor base. Of the 516 distinct investors listed in the funds' investor reconciliations, 18% invested in more than one fund. Grouped into families, 24% invested in more than one fund. Rivera Decl. ¶ 54. The overlap is most pronounced in the smaller funds: 80% of Pacific Opportunity Fund LLC's investors, 59% of PSWNF's, and 55% of Arrival Fund I, LLC's also invested in another Debtor fund. *Id.* ¶ 53. The overlap persisted through the end of the Debtors'

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 23 of 34

operations. Among investors with capital or activity in 2025, 17% held positions in more than one fund. *Id.* ¶ 54.

The Debtors also presented themselves to investors as a single enterprise. The funds' documents carried a common brand. The footers of Pacific Private Money Fund I LLC's operating agreement and subscription booklet read "Pacific Private Money Loans," and Hanf signed correspondence on PCFG letterhead as "President and CEO" of "Pacific Private Money." *Id.* ¶ 55. And every Debtor bank account shares a single address under a single signatory, Hanf. *Id.* ¶ 23. The overlap among the funds "is evidence that the funds drew on a common investor base, and the common brand of the funds' documents is consistent with investors dealing with the Debtors as a single enterprise." *Id.* ¶ 57.

Given the Debtors' common branding, shared management, and pooled use of investor funds, investors and other creditors could not reasonably have relied on the separate credit of any individual Debtor.

C. Substantive Consolidation Will Benefit the Creditor Body as a Whole, and Its Benefits Outweigh Any Harm.

The Court must "balance the benefits that substantive consolidation would bring against the harms that it would cause." *Bonham*, 229 F.3d at 765. The benefit need not run to "each and every creditor"; it must run to "the creditor body as a whole." *Owner Mgmt.*, 530 B.R. at 739. The "'harm' usually measured is the harm to the entity which is being substantively consolidated." *Bonham*, 229 F.3d at 767. To fully realize these benefits, the consolidation order should preserve the Debtors' estate avoidance actions, as *Bonham* permits, so that transfers recovered from third parties enlarge the single pool available to all creditors rather than being extinguished by consolidation itself.

1. Consolidation Will Avoid the Cost, Delay, and Uncertainty of Disentanglement.

Consolidation will eliminate the need to characterize thousands of intercompany transactions "in order to ascertain who owes what to whom," and will avoid the cost of resolving competing intercompany claims. *SK Foods*, 499 B.R. at 827; *see Petters*, 506 B.R. at 816-17 (consolidation makes intercompany claims irrelevant and reduces distribution to a single level).

Maintaining separate estates would cost approximately $3.7 million to $9.3 million beyond the ordinary costs of these cases, or approximately 39% to 97% of the roughly $9.5 million expected to remain

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 24 of 34

after ordinary administrative costs. Rivera Decl. ¶¶ 130, 134. Every dollar of that cost would come out of creditor recoveries. None of it would "create additional enterprise value or generate recoveries from third parties"; it would serve only to decide "how existing value should be allocated among affiliated Debtor estates." *Id.* ¶ 132. Consolidation avoids that expense and preserves those resources for distributions to creditors. *Id.* ¶ 135.

2. Consolidation Will Produce an Equitable Distribution to Similarly Situated Investors.

Where investor funds were pooled and deployed across the enterprise, separate administration would allow recoveries to turn on the fortuity of which entity happened to hold assets at the Petition Date, rather than on investors' actual losses. Consolidation "will allow a truly equitable distribution of assets by treating the corporate shells as a single economic unit." *Bonham*, 229 F.3d at 768.

Investor capital was not kept at the fund in which an investor invested. Because the Debtors' intercompany balances were not recorded in accordance with any operative agreement and cannot be reliably reconstructed, any entity-by-entity allocation would turn on "assumptions about which Debtor was owed what and why," and "different reasonable assumptions would produce different balances." Rivera Decl. ¶ 127. Investors in one fund could thus recover more or less than identically situated investors in another fund based not on what they invested or lost, but instead based on which of several reasonable assumptions a forensic accountant adopted, and which entity happened to hold title to assets at the Petition Date. And because 18% of investors, and 24% of investor families, invested in more than one fund, some investors would find their own recoveries divided among competing estates. *Id.* ¶ 54. Consolidation avoids those arbitrary results by treating similarly situated investors alike.

3. Consolidation Will Streamline Administration and Claims Reconciliation.

Consolidation will permit a single claims-reconciliation process, a single distribution waterfall, and plan voting by a consolidated creditor body. *See Bonham*, 229 F.3d at 764 (duplicate and intercompany claims extinguished; creditors combined for voting).

Absent consolidation, the estates would have to: (a) reconcile debtor-by-debtor intercompany claims ($1.0 million-$2.0 million); (b) obtain independent fiduciaries for estates with adverse intercompany positions ($1.0 million-$3.0 million); (c) resolve inter-estate disputes over intercompany

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 25 of 34

claims, setoff, and the ownership of causes of action ($0.5 million-$1.5 million); and (d) administer multiple claim pools, reserves, and distribution waterfalls ($0.15 million-$1.3 million). Rivera Decl. ¶ 130.

Separate administration would delay claims reconciliation and distributions while historical records are reconstructed and disputes are resolved, and that delay would extend the period during which administrative expenses will be incurred. *Id.* ¶ 137. Consolidation eliminates these steps. The Debtors' roughly 5,327 intercompany entries would become irrelevant, and investors holding interests in multiple funds would file and be paid on a single claim against a single estate. *Id.* ¶¶ 41, 54.

4. No Creditor Will Suffer Cognizable Harm.

Consolidation here is sought "defensively to remedy the identifiable harms caused by entangled affairs," not "offensively . . . to disadvantage tactically a group of creditors." *Woodbridge*, 592 B.R. at 776 (quoting *Owens Corning*, 419 F.3d at 211).

No creditor group stands to lose a legitimate entitlement. The intercompany balances that might favor one estate over another are not reliable statements of what any Debtor owes or is owed; they reflect undocumented, largely round-dollar transfers directed by a single principal who signed on every side. Rivera Decl. ¶¶ 34-35, 42, 127. Any creditor that would recover more from a particular estate under separate administration would do so only because of where Hanf happened to move money, not because of any bargained-for reliance on that entity's separate credit. At the same time, every creditor benefits from avoiding the millions of dollars in incremental costs that separate administration would require. *Id.* ¶¶ 130, 134-35, 137. Maintaining entity-level separateness "would significantly diminish the value available to the creditor body as a whole." *Id.* ¶ 146.

Considering the benefits to the Estates against the theoretical harms, substantive consolidation is appropriate. The incremental costs of separate administration "would not themselves create additional enterprise value or generate third-party recoveries," and the attendant processes "could materially delay distributions to creditors." *Id.* ¶¶ 141, 144. In sum, the Debtors' "financial affairs are interconnected," "the cost and uncertainty of attempting to reconstruct and administer them separately are significant," and "maintaining entity-level separateness would significantly diminish the value available to the creditor body as a whole." *Id.* ¶ 146. Consolidation will ensure that the Debtors' assets are "shared ratably among

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 26 of 34

all creditors, and that preference is not given to any creditor or the equity owners." *SK Foods*, 499 B.R. at 826.

V. CONCLUSION

For the foregoing reasons, the Committee respectfully requests that the Court enter an order, substantially in the form attached hereto, (i) substantively consolidating the Debtors' estates effective as of the Petition Date, (ii) preserving the Debtors' estate avoidance actions for prosecution on behalf of the consolidated estate, and (iii) granting such other and further relief as the Court deems just and proper.

Respectfully submitted,

Dated: November 4, 2026

FOX ROTHSCHILD LLP

/s/ Jack Praetzellis
Michael A. Sweet
Jack Praetzellis
Noah Thomas
Counsel to the Official Committee of Unsecured Creditors

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 27 of 34

PROPOSED ORDER

MICHAEL A. SWEET (SBN 184345)
msweet@foxrothschild.com
JACK PRAETZELLIS (SBN 267765)
jpraetzellis@foxrothschild.com
NOAH THOMAS (SBN 358134)
nthomas@foxrothschild.com
FOX ROTHSCHILD LLP
345 California Street, Suite 2200
San Francisco, California 94104
Telephone: (415) 364-5540
Facsimile: (415) 391-4436
Counsel to the Official Committee of Unsecured Creditors

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

In re: Pacific Capital Funding Group Inc., Debtor In re: Pacific Capital Funding Group Inc. Pacific Private Money Group LLC Private Money Management Group LLC Pacific Mortgage Capital, LLC Pacific Note Fund Management Group LLC Pacific Private Money, Inc. Pacific Private Money Partners LLC Arrival Home Loans LLC Pacific Private Money Fund 1 LLC Pacific Southwest Note Fund LLC Pacific Freedom Fund LLC Pacific Opportunity Fund LLC Arrival Fund I, LLC Affects: ☐ Pacific Capital Funding Group Inc. ☐ Pacific Private Money Group LLC ☐ Private Money Management Group LLC ☐ Pacific Mortgage Capital, LLC ☐ Pacific Note Fund Management Group LLC	Case No. 26-30538 Chapter 11 Jointly Administered with: Case No. 26-30538 (WJL) Case No. 26-30535 (WJL) Case No. 26-30544 (WJL) Case No. 26-30539 (WJL) Case No. 26-30540 (WJL) Case No. 26-30533 (WJL) Case No. 26-30536 (WJL) Case No. 26-30543 (WJL) Case No. 26-30534 (WJL) Case No. 26-30541 (WJL) Case No. 26-30532 (WJL) Case No. 26-30537 (WJL) Case No. 26-30542 (WJL) **ORDER SUBSTANTIVELY CONSOLIDATING DEBTORS' ESTATES AND GRANTING RELATED RELIEF** Judge: Hon. William J. Lafferty, III

☐ Pacific Private Money, Inc.

☐ Pacific Private Money Partners LLC

☐ Arrival Home Loans LLC

☐ Pacific Private Money Fund 1 LLC

☐ Pacific Southwest Note Fund LLC

☐ Pacific Freedom Fund LLC

☐ Pacific Opportunity Fund LLC

☐ Arrival Fund I, LLC

☒ All Debtors

The *Motion of the Official Committee of Unsecured Creditors for Entry of an Order Substantively Consolidating the Debtors' Estates* (the "Motion") came on for hearing on [***] (the "Hearing").[1] Appearances were made as noted in the record of these proceedings. The Court having found that notice of the Motion was properly given in the circumstances; the Court having considered (i) the Motion; (ii) the memorandum of points and authorities filed in support of the Motion; (iii) the declaration of Kristin D. Rivera; (iv) any responses or objections to the Motion and any replies; (v) the evidence presented; (vi) the representations and arguments of counsel at the Hearing; and (vii) the record in the above-captioned chapter 11 cases; and the Court having determined that good cause exists to exercise its equitable powers pursuant to 11 U.S.C. § 105(a) to substantively consolidate the Debtors, which are listed on Exhibit A hereto (collectively, the "Consolidated Entities" and each a "Consolidated Entity"), for the reasons stated on the record at the Hearing, the Court finds and concludes as follows:

A. The evidence indicates Mark Hanf exercised centralized control and decision making across the Debtors, including as an officer, manager, or signatory of each of the Debtors and their bank accounts.

B. The Debtors suffered from incomplete or insufficient corporate record keeping. The Debtors' records and accounting were maintained together in a common repository and accounting system, and entity-level financial reporting was limited.

[1] A capitalized term used but not defined herein shall have the meaning ascribed to it in the Motion.

C. There was a disregard of corporate formalities and business controls with respect to the Debtors, including, but not limited to, intercompany funding that was largely undocumented by executed agreements or promissory notes and transactions in which a single individual acted for both parties.

D. Significant intercompany and related-party transfers occurred among the Debtors and their affiliates, and the Debtors' assets and liabilities were commingled.

E. Investors in the Debtors' funds overlapped, and the funds' documents carried a common brand.

F. Disentangling the assets, liabilities, and operations of the Debtors would be complex, costly, and (if even possible to complete) of uncertain reliability.

G. A decision not to substantively consolidate the Debtors would increase professional fees and delay distributions to investors and other creditors, thereby causing further harm to the creditor body as a whole.

ACCORDINGLY, IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.

2. The Consolidated Entities and their estates are substantively consolidated for all purposes (including the purposes of distribution under a plan) into Pacific Capital Funding Group Inc. (the "Consolidated Debtor"), effective as of June 16, 2026].

3. Upon the entry of this Order, the chapter 11 cases of each of the Debtors shall be jointly administered and consolidated under the chapter 11 case of the Consolidated Debtor, Case No. 26-30538 (WJL) (the "Consolidated Case"). The caption of the Consolidated Case shall be as follows:

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

In re
PACIFIC CAPITAL FUNDING GROUP INC.,
Consolidated Debtor.
Case No. 26-30538 (WJL)
(Substantively Consolidated)
Chapter 11

4. As a result of the substantive consolidation of the estates of the Consolidated Entities: (a) all property of the Consolidated Entities shall vest in, and constitute the property of, the Consolidated Debtor; (b) all guarantees of any Consolidated Entity of the payment, performance, or collection of obligations of another Consolidated Entity shall be eliminated and cancelled; (c) all joint obligations of the Consolidated Entities and multiple claims against such entities on account of such joint obligations shall be treated and allowed as a single claim against the Consolidated Debtor; (d) all intercompany claims between or among the Consolidated Entities are deemed cancelled; and (e) each claim filed or scheduled in the chapter 11 case of any Consolidated Entity shall be deemed filed against the Consolidated Debtor and a single obligation of the Consolidated Debtor.

5. Notwithstanding the substantive consolidation of the Consolidated Entities, all claims and causes of action of any Consolidated Entity or its estate, including avoidance actions under chapter 5 of the Bankruptcy Code, are preserved for the benefit of the Consolidated Debtor and its estate, and the substantive consolidation shall not be asserted as a defense to any such claim or cause of action, including on the ground that a transfer by one Consolidated Entity was made on account of an obligation of another Consolidated Entity.

6. This Court retains jurisdiction with respect to all matters arising from or related to the implementation, interpretation, or enforcement of this Order.

**** END OF ORDER ****

Exhibit A
Consolidated Entities

Debtor Name	Case No.
Pacific Capital Funding Group Inc.	26-30538 (WJL)
Pacific Private Money Group LLC	26-30535 (WJL)
Private Money Management Group LLC	26-30544 (WJL)
Pacific Mortgage Capital, LLC	26-30539 (WJL)
Pacific Note Fund Management Group LLC	26-30540 (WJL)
Pacific Private Money, Inc.	26-30533 (WJL)
Pacific Private Money Partners LLC	26-30536 (WJL)
Arrival Home Loans LLC	26-30543 (WJL)
Pacific Private Money Fund 1 LLC	26-30534 (WJL)
Pacific Southwest Note Fund LLC	26-30541 (WJL)
Pacific Freedom Fund LLC	26-30532 (WJL)
Pacific Opportunity Fund LLC	26-30537 (WJL)
Arrival Fund I, LLC	26-30542 (WJL)

COURT SERVICE LIST

All parties on ECF.

Case: 26-30538 Doc# 182 Filed: 11/04/26 Entered: 11/04/26 17:11:24 Page 34 of 34