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Counsel for Allstate Lending Group Servicing LLC

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re: ALLSTATE LENDING GROUP SERVICING LLC, Debtor.	Case No. 2:26-bk-11882-NB Chapter 11 **DEBTOR'S MOTION FOR ORDER AUTHORIZING JOINT ADMINISTRATION OF CHAPTER 11 CASES; MEMORANDUM OF POINTS AND AUTHORITIES; AND DECLARATION OF HOWARD GROBSTEN IN SUPPORT THEREOF** [Fed. R. Bankr. P. 1015; Local Bankruptcy Rules 1015-1(b) and 9013-1(q)] [Identical Motion filed in related case] [No Hearing Required Pursuant to LBR 1015-1(b) and 9103-1(q)]

TO THE HONORABLE NEIL W. BASON, UNITED STATES BANKRUPTCY JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, AND ALL INTERESTED PARTIES:

Pursuant to Local Bankruptcy Rule 1015-1(b), Allstate Lending Group Servicing LLC, the debtor and debtor-in-possession in the above-referenced Chapter 11 bankruptcy case, hereby moves, on an *ex parte* basis, for entry of an order for joint administration of its Chapter 11 bankruptcy case with the Chapter 11 bankruptcy case of its affiliate, Allstate Lending Group, Inc., Case No. 2:26-bk-11879-NB.

I. STATEMENT OF FACTS

On February 27, 2026 ("Petition Date"), Allstate Lending Group, Inc. ("ALGI") and Allstate Lending Group Servicing, LLC ("ALGSL") (collectively, the "Debtors") filed voluntary petitions under Chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses, managing their financial affairs and administering their bankruptcy estates as debtors-in-possession pursuant to Section 1107 and 1108 of the Bankruptcy Code. Howard Grobstein is the Chief Restructuring Officer.

ALGI acted as both a mortgage broker and a lender for short term mortgages. For the short-term mortgages, it typically solicited investments from third parties who were to be assigned fractional interests in the note and the deed of trust securing the note. ALGI sometimes retained an interest in the notes and deeds of trust. ALGSL serviced those same short-term loans and because of that, there appears to be a substantial overlap of creditors. ALGI is owned jointly by Michael Scannell and Ken Rubendall. ALGSL is owned by Michael Scannell.

In January 2026, ALGI notified its investors and lenders that it had identified some financial discrepancies, including misappropriation of some lender/investor funds, undisclosed loan payoffs, and inaccurate financial reporting. In early February 2026, ownership of both entities agreed to retain Howard Grobstein as their chief restructuring officer and Grobstein Teeple as forensic accountants. Mr. Grobstein is in sole control of the Debtors' bank accounts and their books and records and has sole authority to manage and control the Debtors' businesses. Because of pending litigation and notices of termination of ALGSL's servicing contracts and in order to provide a forum where the interests of all constituents would be protected, the Debtors filed chapter 11 petitions. ALGI is no longer providing any loan brokerage services and is not soliciting new investments or making new loans. ALGSL will continue to provide servicing to its existing customers. Grobstein Teeple intends to conduct a forensic accounting to identify any misappropriated funds and to determine how investor funds were utilized, and this analysis will help determine the Debtors' exit strategies for their cases.

II. <u>LEGAL ARGUMENT</u>

Pursuant to Local Bankruptcy Rule 1015-1(b), if "[two] or more cases are pending before the same judge, an order of joint administration may be entered, without notice and an opportunity for hearing, upon the filing of a motion for joint administration pursuant to FRBP 1015 and LBR 9103-1(q), supported by a declaration establishing that the joint administration of the cases is warranted, will ease the administrative burden for the court and the parties, and will protect creditors of different estates . . .." Joint administration is appropriate if two petitions are pending in the same court by "a debtor and an affiliate." Fed. R. Bankr. Pro. 1015(b). An affiliate includes a "corporation 20 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the debtor, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of the debtor . . ." 11 U.S.C. § 101(2)(B). An "entity" includes a person. *See* 11 U.S.C. § 101(15).

Joint administration of the Debtors' cases is warranted and appropriate under Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. ALGI is owned jointly by Ken Rubendall and Michael Scannell. Michael Scannell, in turn, owns ALGSL. ALGSL is therefore considered an affiliate under § 101(2)(B). In addition, the Debtors have the same chief restructuring officer and have substantial overlap of creditors and related business functions.

Joint administration will avoid duplicative expenses and ensure that creditors in the cases receive appropriate notice of all matters that may affect them. In addition, the Debtors submit that joint administration, including the use of a single caption and docket, combining notices to creditors of the Debtors, and the joint handling of administrative matters will aid in expediting the cases and rendering the process less costly, without prejudice to the substantive rights of any creditor.

Authorizing joint administration will also eliminate the need for the Debtors to file identical motions in each of the related cases when seeking relief that is common to both Debtors. This will ease the administrative burden on this Court and reduce the risk of wasting judicial resources. This includes, without limitation, filing further identical motions, declarations, and orders in each of the cases. This would also result in substantial savings to each of the Debtors' estates. As an example, the Debtors intend to hire the same professionals and seek the production of documents from the same bank.

Debtors propose that the lowest numbered case of the related cases, *Allstate Lending Group, Inc.*, Case No. 2:26-BK-11879-NB be designated as the "lead case." To the extent the Court is inclined to grant the relief requested herein, Debtors respectfully request that the following caption be approved:

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re: ALLSTATE LENDING GROUP, INC., *et al.* Debtors.	Case No. 2:26-bk-11879-NB Chapter 11 Jointly Administered with: Case No. 2:26-bk-11882-NB
Affects: ☐ All Debtors ☐ Allstate Lending Group, Inc. Only ☐ Allstate Lending Group Servicing LLC Only	**CAPTION** <u>Hearing Date:</u> Date Time: Place:

III. <u>CONCLUSION</u>

Based on the foregoing, Debtors respectfully request that the Court enter an order (1) authorizing the joint administration of the Debtors' cases, (2) approving the proposed caption submitted herewith; and (3) granting such other and additional relief as the Court deems just and proper.

DATED: March 3, 2026

RAINES FELDMAN LITTRELL LLP

By: */s/ Kyra E. Andrassy*
Kyra E. Andrassy
Stephen M. Mott
Counsel for Allstate Lending Group, Inc.

DECLARATION OF HOWARD GROBSTEIN

I, Howard Grobstein, declares as follows:

1. I am the Chief Restructuring Officer for Allstate Lending Group, Inc. and Allstate Lending Group Servicing LLC, the debtors and debtors-in-possession in the above captioned case. I know each of the following facts to be true of my own personal knowledge, except as otherwise stated and, if called as a witness, I could and would competently testify with respect thereto. I make this declaration in support of the *Debtor's Motion for Order Authorizing Joint Administration of Chapter 11 Cases* (the "Motion"). Unless otherwise defined in this declaration, all terms defined in the Motion are incorporated herein by this reference.

2. In my capacity as Chief Restructuring Officer for the Debtors (defined below), I have access to the Debtors' books and records and am familiar with the organization, operations and financial condition thereof. Any records and documents referred to in this declaration constitute writings taken, made, or maintained in the regular or ordinary course of the Debtors' business at or near the time of occurrence to which they relate, by persons employed by the Debtors who had a business duty to accurately and completely take, make and maintain such records and documents. The statements set forth herein are based on my own personal knowledge, as well as my own review and knowledge of the Debtors' books and records.

3. On February 27, 2026 ("Petition Date"), Allstate Lending Group, Inc. ("ALGI") and Allstate Lending Group Servicing, LLC ("ALGSL") (collectively, the "Debtors") filed voluntary petitions under Chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses, managing their financial affairs and administering their bankruptcy estates as debtors-in-possession pursuant to Section 1107 and 1108 of the Bankruptcy Code.

4. It appears that ALGI acted as both a mortgage broker and a lender for short term mortgages. For the short-term mortgages, I am informed that it typically solicited investments from third parties who were to be assigned fractional interests in the note and the

deed of trust securing the note. ALGI sometimes retained an interest in the notes and deeds of trust. ALGSL typically serviced those same short-term loans. ALGI is owned jointly by Michael Scannell and Ken Rubendall. ALGSL is owned by Michael Scannell.

5. In January 2026, ALGI notified its investors and lenders that it had identified some financial discrepancies, including misappropriation of some lender/investor funds, undisclosed loan payoffs, and inaccurate financial reporting. In early February 2026, ownership of both entities agreed to retain me as their chief restructuring officer and Grobstein Teeple as forensic accountants. I am in sole control of the Debtors' bank accounts and their books and records and have sole authority to manage and control the Debtors' businesses. Because of pending litigation and notices of termination of ALGSL's servicing contracts and in order to provide a forum where the interests of all constituents would be protected, the Debtors filed chapter 11 petitions. ALGI is no longer providing any loan brokerage services and is not soliciting new investments or making new loans. ALGSL will continue to provide servicing to its existing customers. Grobstein Teeple intends to conduct a forensic accounting to identify any misappropriated funds and to determine how investor funds were utilized, and this analysis will help determine the Debtors' exit strategies for their cases.

6. Although they have different business functions, the Debtors share a common owner and appear to have substantially similar creditors, because investors who provided funds for ALGI to make short term loans also typically agreed to have ALGSL service those loans.

7. I believe that the joint administration of the Debtors' Chapter 11 bankruptcy cases is appropriate. I believe that jointly administering these cases will avoid duplicative expenses and will ensure that creditors in the cases will receive appropriate notice of all matters. In addition, I submit that joint administration, including the use of a single caption and docket, combining notices to creditors of the Debtors, and the joint handling of administrative matters will aid in expediting the cases and rendering the process less costly, without prejudice to the substantive rights of any creditor.

8. Authorizing joint administration will also eliminate the need for the Debtors to file identical motions in each of the related cases when seeking relief that is common to both Debtors. I would expect this to ease the administrative burden on this Court and reduce the risk of wasting judicial resources. This includes, without limitation, filing further identical motions, declarations, and orders in each of the cases. This would also result in substantial savings to each of the Debtors' estates. Solely as an example in the near term, I intend to retain the same professionals in both cases and will be seeking the production of documents on behalf of both Debtors from the same bank.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on this 3rd day of March, 2026 at Woodland Hills, California.

HOWARD GROBSTEIN

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
4675 MacArthur Court, Suite 1550, Newport Beach, CA 92660

A true and correct copy of the foregoing document entitled (*specify*): DEBTORS' MOTION FOR ORDER AUTHORIZING JOINT ADMINISTRTION OF CHAPTER 11 CASES; MEMORANDUM OF POINTS AND AUTHORITIES; AND DECLARATION OF HOWARD GROBSTEIN IN SUPPORT THEREOF
will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) March 3, 2026, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- **Kyra E Andrassy** kandrassy@raineslaw.com, bclark@raineslaw.com;csantiago@raineslaw.com
- **Ron Maroko** ron.maroko@usdoj.gov
- **United States Trustee (LA)** ustpregion16.la.ecf@usdoj.gov

☐ Service information continued on attached page

2. **SERVED BY UNITED STATES MAIL**:
On (*date*) _______________, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

3. **SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) _______________, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

3/3/2026	Bambi Clark	/s/ Bambi Clark
Date	*Printed Name*	*Signature*