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and Allstate Lending Group Servicing LLC

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 **DEBTORS' MOTION FOR ORDER AUTHORIZING CONTINUED USE OF CERTAIN OF DEBTORS' PREPETITION BANK ACCOUNTS TO THE EXTENT SET FORTH HEREIN; AND DECLARATION OF HOWARD GROBSTEIN IN SUPPORT THEREOF**
☒ Affects All Debtors ☐ Affects Allstate Lending Group, Inc. Only ☐ Affects Allstate Lending Group Servicing LLC Only	[No Hearing Required Pursuant to Local Bankruptcy Rule 9013-1(o)]

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

Allstate Lending Group, Inc. ("**ALGI**") and Allstate Lending Group Servicing, LLC ("**ALGSL**"), the debtors and debtors-in-possession (collectively, the "**Debtors**"), hereby file this *Motion for Order Authorizing Continued Use of Certain of Debtors' Prepetition Bank*

Accounts to the Extent Set Forth Herein (the "**Motion**"). In support of the Motion, the Debtors submit the attached declaration of Howard Grobstein, and respectfully represents as follows.

I. INTRODUCTION

By this Motion, the Debtors seek authority for their temporary post-petition use four pre-petition bank accounts solely to avoid any disruption in the receipt of revenue. Specifically, the Debtors requests authority to keep open the following accounts maintained at Wells Fargo Bank: (i) Account No. x9257 held by ALGSL (the "**ALGSL WFB Account**"); and (ii) Account No. x3348 held by ALGI (the "**ALGI WFB Account**" and together, the "**WFB Accounts**"). In addition, and because the chief restructuring officer opened new accounts at California Bank of Commerce after his retention and provided payoffs using one of them, the Debtors seeks authority to keep open Account No. x0186 held by ALGSL (the "**ALGSL CBC Account**" and together with the WFB Accounts, the "**Prepetition Accounts**"). Each of these accounts is expected to receive deposits from borrowers making payments or payoffs of their loans pursuant to instructions that were provided before the debtor-in-possession accounts were opened with California Bank of Commerce. The Debtors seek to keep them open solely for deposits.

II. 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 construction and hard money loans. For the short-term loans, it typically solicited investments from third parties who in some instances expected to be assigned fractional interests in the note and the deed of trust securing the note. ALGSL serviced those same short-term loans. 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 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.

III. <u>THE DEBTORS' CASH MANAGEMENT SYSTEM AND REQUESTED RELIEF</u>

Prior to Mr. Grobstein's retention, the Debtors banked with WFB. Both WFB bank accounts accepted deposits directly from borrowers. When loans were funded, borrowers appear to have been provided vouchers for any monthly payments required by their loan documents, with instruction to deposit the funds directly into one of the Debtors' bank accounts at Wells Fargo Bank.

After Mr. Grobstein's retention, he caused the Debtors to open new accounts at California Bank of Commerce. Although the Debtors have not funded any loans since Mr.

Grobstein's involvement, they have provided payoff statements to several borrowers, providing instructions to wire funds to the ALGSL CBC Account. The Debtors have opened debtor-in-possession accounts at California Bank of Commerce (the "**DIP Accounts**") and have transferred the funds on deposit in the AGLSL CBC Account and the ALGI CBC Account. The Debtors are in the process of transferring the funds from the two Wells Fargo Bank accounts into the DIP accounts.

By this Motion, the Debtor seeks permission to keep the Prepetition Accounts open solely to accept deposits to ensure the uninterrupted receipt of revenues. With respect to the accounts at Wells Fargo Bank, the Debtors request that they be permitted to remain open for the duration of this case to accept deposits consistent with the vouchers that are believed to have been provided to the borrowers. With respect to the accounts at California Bank of Commerce, the Debtors seek authority to keep the ALGSL CBC Account open until the payoffs for the loans where the borrowers were given instructions to wire funds to that account are funded. The Debtors are concerned that a change in the instructions to the borrowers may jeopardize their collection of monthly payments and the outstanding payoffs. The Debtors will provide monthly reporting on these accounts and will transfer funds from them into the appropriate DIP Accounts on a regular basis.

IV. CAUSE EXISTS TO APPROVE THE CONTINUED USE OF THE ACCOUNTS

The United States Trustee's guidelines provide that "[a]ll pre-petition bank accounts must be closed." *See* Guidelines and Requirements for Chapter 11 Debtors in Possession § III.C.1 (Effective September 1, 2022). Nevertheless, bankruptcy courts routinely permit the continued use of existing bank accounts where the benefits provided by the guidelines are outweighed by the disruption they cause. In fact, requests to use pre-petition accounts are so uncontroversial that they are rarely contested and there is very little, if any, published case law on the subject.

References to court orders authorizing the continued use of pre-petition accounts are found in published decisions on other issues, as opposed to decisions analyzing and approving or denying the request. *See, e.g.*, *In re Am. HomePatient, Inc.*, 301 B.R. 713, 715 (Bankr. M.D. Tenn. 2003) (referring to order authorizing the debtor's maintenance of existing bank accounts, cash management system, and business forms); *In re Enron Corp.*, 279 B.R. 671, 677-78 (Bankr. S.D.N.Y. 2002) (referring to "order granting the motion to authorize the continued use of existing bank accounts, cash management system, checks and business forms. . . ."); *In re Interco, Inc.*, 130 B.R. 301, 303 (Bankr. E.D. Mo. 1991) (declining to clarify order authorizing maintenance of existing cash management systems and continued use of certain existing bank accounts, investment and deposit guidelines and certain business forms).

Good cause exists to authorize the Debtor's post-petition use of the Prepetition Accounts solely to accept deposits from borrowers. The borrowers are not mailed monthly statements but were instead believed to have been provided with vouchers when their loans funded that instructed them to deposit any monthly payments required by the loan documents directly into the Debtors' bank accounts at Wells Fargo Bank. The Debtors are informed that they typically do that with in person deposits. In addition, because ALGSL was required to provide payoff statements for several loans before it had wire instructions for the DIP Accounts, in the past two weeks it has provided instructions for borrowers to send funds to the ALGSL CBC Account. It is unclear when those payoffs will be received but once they are, or an updated payoff statement is requested to be provided so that the Debtors can provide updated payment instructions, the Debtors seek authority to keep the ALGSL CBC Account open. This will ensure that payments continue to be collected.

V. <u>CONCLUSION</u>

WHEREFORE, the Debtor requests that the Court enter an order:

1. Granting the Motion in its entirety;

2. Authorizing the Debtors to keep the WFB Accounts open for the duration of the case solely to accept deposits from borrowers;

3. Authorizing the Debtors to keep the ALGSL CBC Account open until the borrowers with outstanding payoff instructions utilizing ALGSL CBC Account have funded;

4. Directing the Debtors to transfer funds from the Prepetition Accounts to the appropriate DIP Account on a weekly basis;

5. Directing the Debtor to include its monthly bank statements for the Prepetition Accounts with its monthly operating reports until the Prepetition Accounts are closed; and

6. Granting such other relief as the Court may deem just and appropriate.

DATED: March 13, 2026

RAINES FELDMAN LITTRELL LLP

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

<u>DECLARATION OF HOWARD GROBSTEIN</u>

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 *Debtors' Motion for Order Authorizing Continued Use of Certain of Debtors' Prepetition Bank Accounts* (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 becoming familiar with the organization, operations and financial condition thereof. 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. I am informed that ALGI acted as both a mortgage broker and a lender for short-term construction and hard money loans. For the short-term loans, it appears that it typically solicited investments from third parties who expected to be assigned fractional interests in the note and the deed of trust securing the note. ALGSL 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 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. Prepetition, the Debtors maintained two accounts at Wells Fargo Bank: (i) Account No. x9257 held by ALGSL (the "**ALGSL WFB Account**"); and Account No. x3348 held by ALGI (the "**ALGI WFB Account**" and together, the "**WFB Accounts**"). Upon my retention, I opened new accounts at California Bank of Commerce, including Account No. x0186 held by ALGSL (the "**ALGSL CBC Account**" and together with the WFB Accounts, the "**Prepetition Accounts**").

7. Both WFB bank accounts accepted deposits directly from borrowers. When loans were funded, borrowers appear to have been provided vouchers for any monthly payments required by their loan documents, with instruction to deposit the funds directly into one of the Debtors' bank accounts at Wells Fargo Bank. The Debtors do not appear to have been in the practice of sending monthly statements to the borrowers.

8. Since my retention, I have been requested to provide payoff statements for several loans and have done so using the ALGSL CBC Account. I do not know when or even if those payoffs will actually be received but need to keep that account open to accept

the payoffs and to prevent any confusion about where funds are to be sent. I believe keeping the ALGSL CBC Account open until I either receive these payoffs or determine that the current transactions for which the payoff statements were provided are not going to close is in the best interests of the estates.

9. I will monitor the Prepetition Accounts and transfer funds to the appropriate DIP Account on a weekly basis. I will also include the bank statements for the Prepetition Accounts in the monthly operating reports.

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 11 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 CONTINUED USE OF CERTAIN OF DEBTORS' PREPETITION BANK ACCOUNTS TO THE EXTENT SET FORTH HEREIN; AND DECLARATION OF HOWARD GROBSTEN 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 13, 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:

- **Bashar Ahmad** bahmad@boutinjones.com, cdomingo@boutinjones.com
- **Kyra E Andrassy** kandrassy@raineslaw.com, bclark@raineslaw.com;csantiago@raineslaw.com
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- **Gregory K Jones** gjones@stradlinglaw.com, smjohnson@sycr.com;smjohnson@stradlinglaw.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*) **March 13, 2026**, 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.

March 13, 2026	Connie-Marie Santiago	/s/ Connie-Marie Santiago
Date	*Printed Name*	*Signature*

2. SERVED BY UNITED STATES MAIL:

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