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11 **UNITED STATES BANKRUPTCY COURT**
12 **EASTERN DISTRICT OF CALIFORNIA, FRESNO DIVISION**

13 In re:
14 **STOCKDALE TOWER 1, LLC,**
15 **Debtor.**

16 Case No. 11-62167-B-11

17 Chapter 11

18 DC No. KDG – 11

19 Date: March 7, 2012

20 Time: 3:00 p.m.

21 Place: Bankruptcy Court
22 1300 18th Street, First Floor
23 Bakersfield, California

24 Judge: W. Richard Lee

25 **STOCKDALE TOWER 1, LLC'S DISCLOSURE STATEMENT**
26 **DATED FEBRUARY 6, 2012**

27 **I. Introduction**

28 This is the Disclosure Statement (the "Disclosure Statement") in the Chapter 11 case of STOCKDALE TOWER 1, LLC ("Debtor"). Debtor filed a Voluntary Petition under Chapter 11 of the United States Bankruptcy Code on November 7, 2011. This Disclosure Statement contains information about Debtor and the terms of repayment of claims against Debtor and Property of the Estate. *Your rights may be affected. You should read the Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

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1 Debtor filed a *Plan of Reorganization Dated February 6, 2012* on February 6, 2012
 2 (“the Plan”). This Disclosure Statement refers to the Plan often and should be read in
 3 conjunction with the Plan. The Plan is incorporated herein by reference. The proposed
 4 treatment and distributions to creditors holding claims are discussed Plan at pages 2 through 8.
 5 Debtor will seek approval of this Disclosure Statement as containing adequate information
 6 under 11 USC § 1125. After approval of the Disclosure Statement as containing adequate
 7 information, Debtor will seek confirmation of the Plan.

8 **A. Purpose of This Document**

9 This Disclosure Statement:

- 10 • Describes the Debtor and significant events during the bankruptcy case,
- 11 • Describes the classification and treatment claims or equity interests of the type
 12 you hold as provided for in the Plan (*i.e.*, what you will receive on your claim or
 equity interest if the plan is confirmed),
- 13 • Explains how Debtor will execute the terms of the Plan,
- 14 • Explains how claims will be handed and paid,
- 15 • Explains who can vote on or object to the Plan,
- 16 • Explains what factors the Bankruptcy Court (the “Court”) will consider when
 17 deciding whether to confirm the Plan,
- 18 • Explains why Debtor believes the Plan is feasible, and how the treatment of your
 claim or equity interest under the Plan compares to what you would receive on
 19 your claim or equity interest in liquidation, and
- 20 • Explains the effect of confirmation of the Plan.

21 The Plan will establish your rights with respect to your claim against Debtor if
 22 confirmed. The disclosures contained in this Disclosure Statement are provided to the holders
 23 of claims for the purpose of providing adequate information to claimants so that claimants can
 24 arrive at an informed decision in exercising their right to accept or reject the Plan.

25 Your vote to accept or reject the Plan is important. The Plan can be confirmed by the
 26 Court if it is accepted by the holders of claims in each class of claims voting on the Plan.
 27 Furthermore, the Court can confirm the Plan if it finds that the Plan accords fair and equitable
 28

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1 treatment to the class rejecting it if the requisite acceptances are not obtained. Debtor will seek
2 confirmation of the Plan whether the Plan is accepted by all classes of creditors or not.

3 EVERY ATTEMPT HAS BEEN MADE TO PROVIDE ACCURATE
4 INFORMATION IN THIS DISCLOSURE STATEMENT. HOWEVER, THE
5 INFORMATION HAS NOT BEEN SUBJECT OF A CERTIFIED AUDIT. NO
6 REPRESENTATIONS ARE AUTHORIZED BY DEBTOR EXCEPT AS SET FORTH IN
7 THE DISCLOSURE STATEMENT. THE INFORMATION CONTAINED IN THE
8 DISCLOSURE STATEMENT COMES FROM DEBTOR AND ITS ATTORNEYS.
9 HOWEVER, TAMMY FLEMING, MANAGER OF DEBTOR, AND TERRY MORELAND,
10 ONE OF THE MEMBERS IN DEBTOR, ARE THE PRIMARY SOURCES OF
11 INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT AND REPRESENT
12 THE BEST SOURCE OF INFORMATION CONCERNING DEBTOR AND ITS ASSETS
13 AND LIABILITIES.

14 **B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

15 The Court has not yet confirmed the Plan. Following the hearing on adequacy of the
16 information contained in the Disclosure Statement, Debtor will provide a separate notice of the
17 confirmation hearing that will include the procedures pursuant to which the Plan will or will
18 not be confirmed including deadlines for voting and objecting to confirmation. If you want
19 additional information about the Disclosure Statement and Plan, you should contact Jacob L.
20 Eaton, Esq., 4550 California Avenue, 2nd Floor, Bakersfield, California 93309.

21 **II. Background**

22 **A. Description and History of the Debtor**

23 Debtor is a two-member, California Limited Liability Company doing business as
24 Stockdale Tower 1, LLC in Bakersfield, California. Debtor's two members are Terry Moreland
25 and Peggy Moreland. Mr. and Mrs. Moreland's daughter, Tammy Fleming, is the manger of
26 Debtor. Debtor was formed on July 24, 2004. Stockdale Tower, LLC, an affiliate of Debtor
27 transferred title in a 12-story office building located at 5060 California Avenue, Bakersfield,
28 California commonly known as the Stockdale Tower ("the Tower") to Debtor in 2004. Debtor

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1 has operated the Tower since that time. The Tower is 59% occupied at the present time.
2 Debtor's business is managing the Tower.

3 **B. Description of Debtor's Principals and Insiders**

4 As indicated above, Debtor is a two-member, Limited Liability Company. Mr. and
5 Mrs. Moreland are the members and their daughter, Tammy Fleming, is Debtor's manager.

6 **Terry Moreland:** Terry Moreland is a Member of Debtor and owns 50% of the
7 membership interest in Debtor. Mr. Moreland is married to Peggy Moreland. Mr. Moreland
8 participates in the day to day operations of Debtor's business. Mr. Moreland's duties include
9 working with lenders, review and over sight of leases, tenant improvements and other
10 construction related issues.

11 Mr. Moreland graduated from East Bakersfield High School in 1962 and earned a
12 Bachelor of Science Degree and post-graduate teaching credential from the University of
13 Nevada, Reno. Mr. Moreland earned a Juris Doctor Degree from the California Pacific School
14 of Law. Mr. Moreland began a family construction business in 1972 and formed the Moreland
15 Corporation in 1977. The Moreland Corporation has developed office buildings, shopping
16 centers, medical facilities and residential neighborhoods in the Western and Southwestern
17 United States under Mr. Moreland's direction, including the Tower. The Moreland
18 Corporation completes many of the tenant improvements required in the Tower. Additionally,
19 Mr. Moreland and his family have built orphanages and schools in El Salvador, Brazil,
20 Mexico, and India.

21 Mr. Moreland will be involved in the operation of Debtor's business during the
22 pendency of the case. The Plan does not contemplate Mr. Moreland receiving compensation
23 from Debtor during the term of the Plan.

24 **Peggy Moreland:** Peggy Moreland is a Member of Debtor and owns 50% of the
25 membership interest in Debtor. Mrs. Moreland is married to Terry Moreland. Mrs. Moreland
26 is not involved in the operation of Debtor's businesses.

27 ///

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1 **Tammy Fleming:**

2 Mrs. Fleming has been the manager of Debtor since September 2011. Mrs. Fleming
3 graduated from Bakersfield Adventist Academy in 1988. Mrs. Fleming earned a Bachelor of
4 Science Degree from Pacific Union College in 1993. Mrs. Fleming handles the day to day
5 operations of the Debtor and will be involved in the operation of Debtor's businesses during the
6 pendency of its case. Mrs. Fleming receives a salary of \$3,500.00 per month as manager of
7 Debtor.

8 Mr. and Mrs. Moreland own several other LLCs that Mrs. Fleming manages that are
9 otherwise unrelated to Debtor and the Tower.

10 **C. Background of Events Leading to the Chapter 11 Filing**

11 The Tower was transferred to Debtor by Stockdale Tower, LLC as described above in
12 order for Debtor to obtain financing from UBS Real Estate Investments Inc. ("UBS") in August
13 2004. UBS assigned the deed of trust, assignment of leases and rents, security agreement and
14 fixture filing ("Loan Documents") to LaSalle Bank National Association, in its capacity as
15 trustee for the registered holders of LB-UBS Commercial Mortgage Trust 2004-C6,
16 Commercial Mortgage Pass-Through Certificates, Series 2004-C6 on or about December 13,
17 2004. Bank of America, N.A., A National Banking Association, Successor by Merger to
18 LaSalle Bank National Association, in its capacity as trustee for the registered holders of LB-
19 UBS Commercial Mortgage Trust 2004-C6, Commercial Mortgage Pass-Through Certificates,
20 Series 2004-C6 assigned the Loan Documents to LBUBS 2006-C6 Stockdale Office Limited
21 Partnership ("LBUBS") on or about June 1, 2010. LBUBS is managed by LNR Partners
22 California Manager, Inc. ("LNR").

23 Debtor defaulted on its loan payment to LBUBS when several tenants of the Tower
24 vacated their office space in the Tower. LBUBS through LNR commenced foreclosure
25 proceedings and Debtor entered into negotiations with LNR to accept \$18,000,000 as payment
26 in full for the value of the Tower and the debt owed to LBUBS. LNR agreed to continue the
27 trustee's sale to November 8, 2011, and to accept \$18,000,000 in full satisfaction of its debt.
28 Debtor paid \$900,000.00 of the \$18,000,000 and Debtor was in escrow to sell the Tower on or

1 before November 8, 2011. However, LNR, through its foreclosure agent, First American Title
2 Company, made information public that cause Debtor's investor to cancel its agreement with
3 Debtor preventing Debtor from performing under the agreement between LNR and Debtor and
4 giving rise to Debtor's claim against LNR and its agents for inference with economic
5 advantage. Debtor was forced to file its Chapter 11 case in order to stop the trustee's sale by
6 LBUBS set for November 8, 2011.

7 **D. Significant Events in Chapter 11 Case**

8 Debtor has performed or has been involved in the following significant events since
9 filing its Voluntary Petition:

10 **1. Continued Operation of the Business.**

11 Debtor has operated as debtor in possession since it filed for relief under Chapter 11 and
12 no trustee has been sought or appointed. Since the commencement of its case, Debtor has
13 continued to work with its real estate brokers to increase the occupancy of the Tower.

14 **2. Employment of Professionals**

15 Debtor filed an application for authorization to employ Klein, DeNatale, Goldner,
16 Cooper, Rosenlieb & Kimball, LLP as its attorneys on November 21, 2011. The Court entered
17 an order authorizing the employment of Klein, DeNatale on November 30, 2011. Klein,
18 DeNatale's services have assisted Debtor in its reorganization efforts, increasing Debtor's
19 ability to repay its creditors.

20 Debtor filed an application for authorization to employ CB Richard Ellis ("CBRE") as
21 its real estate brokers on December 6, 2011. The Court entered an order authorizing the
22 employment of CBRE on December 14, 2011. CBRE has continued to work with prospective
23 tenants and to increase the occupancy of the Tower.

24 Debtor filed an application for authorization to employ Shinault Baker as its
25 accountants on December 20, 2011. The Court entered an order authorizing the employment of
26 Shinault Baker on January 3, 2012. Shinault Baker is preparing the operating reports for
27 Debtor and will prepare the tax returns when they become due.

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1 Debtor filed an application for authorization to employ Foley, Bezek, Behle & Curtis,
2 LLP as its Special Counsel on January 31, 2012. The Court has not entered an order
3 authorizing the employment of Foley, Bezek, Behle & Curtis as of the time of the filing of the
4 Disclosure Statement. Foley, Bezek, Behle, & Curtis will assist Debtor with
5 workout/restructure negotiations and litigation regarding claims between LNR, LBUBS and
6 Debtor.

7 **3. Motion for Order Authorizing Use of Cash Collateral.**

8 Debtor filed an *Emergency Motion Authorizing Debtor to Use Cash Collateral in the*
9 *Ordinary Course of Business* on November 11, 2011. After receiving interim authorization for
10 use of cash collateral, the Court continued the hearing. At the final hearing the Court entered
11 an order authorizing the continued use of cash collateral through March 31, 2012.

12 **4. Motion to Approve Lease Transaction.**

13 Debtor filed a *Motion for Order Approving Lease Transaction and Approving*
14 *Brokerage Fee* on December 19, 2011. The motion sought approval of a lease agreement and
15 four addendums to the lease agreement entered into between Debtor and Chevron USA, Inc.
16 (“Chevron”) concerning Chevron’s lease of four floors in the Tower and requesting
17 authorization to pay a brokerage fee to CBRE. The Court entered an order approving the lease
18 transaction and continued the hearing on the approval of the brokerage fee to February 16,
19 2012.

20 **E. Projected Recovery of Avoidable Transfers**

21 Randy and Janell Molina (“Molina”) filed a complaint for reformation of instrument in
22 the Kern County Superior Court against Debtor, Stockdale Tower, LLC, and Terry Moreland
23 (“Complaint”) seeking to record a deed of trust against the Tower. The continuation of
24 prosecution of the Complaint is stayed. However, if Molina were to obtain relief from stay to
25 continue pursuit of the Complaint and prevailed, any recordation or reformation of a deed of
26 trust against the Tower would be an avoidable fraudulent transfer because the underlying debt
27 which is claimed by Molina is not owed by Debtor. Debtor does not believe any preference
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1 payments or other avoidable transfers were made. Therefore, Debtor does not intend to pursue
2 the recovery of any avoidable transfers.

3 **F. Claims Objections**

4 Debtor reserves the right to object to claims. Therefore, even if your claim is allowed
5 for voting purposes, you may not be entitled to a distribution if an objection to your claim is
6 later upheld. The procedures for resolving disputed claims are set forth in Article IV of the
7 Plan at pages 10 and 11.

8 **G. Current and Historical Financial Conditions**

9 The identity and value of the estate's assets are listed in Exhibit "A."

10 Debtor earned gross rents of \$2,798,807.00 and \$2,355,710.00 in 2010 and 2011
11 respectively. Chevron is in the process of completing tenant improvements and will start
12 taking occupancy of a portion of the Tower in February 2012. Debtor anticipates that Chevron
13 will be moved in completely by April 2012. Debtor has filed monthly operating reports for the
14 months of November and December 2011 that indicate Debtor's operational income and
15 expenses since the commencement of the case. Those reports are available on the Court's
16 docket or from Debtor's attorneys upon request.

17 Chevron received a rent credit on account of tenant improvements that were paid by
18 Chevron as provided in the agreement between Chevron and Debtor. Therefore, although
19 Chevron has started to occupy the Tower, no rent payments will be paid to Debtor until May
20 2013 because of Chevron's rent credit.

21 A copy of Debtor's Projected Operating Budget for the next 36 months is attached as
22 Exhibit "B" ("the Budget"). The Budget includes projected regarding Debtor's income,
23 operating expenses, and plan payments. A summary of the Budget is found in the Plan at page
24 8. The accounting method used to produce the information contained in the Disclosure
25 Statement and Plan and Exhibits is the cash method of accounting. Debtor's fiscal year is
26 January 1 through December 31.

27 Any tax implications of the Plan will flow through to Debtor's members because Debtor
28 is a limited liability company.

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1 **III. Classification and Treatment of Claims and Equity Interests**

2 As required by the Code, the Plan places claims and equity interests in various classes
3 and describes the treatment each class will receive. The Plan also states whether each class of
4 claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery
5 will be limited to the amount provided by the Plan. Creditors should refer to the Plan at pages
6 2 through 8 for a discussion of the classification and treatment of claims and equity interests.
7 The classification and treatment of claims and equity interests discussed in the Plan is
8 incorporated herein by reference.

9 Certain types of claims are automatically entitled to specific treatment under the Code.
10 They are not considered impaired, and holders of such claims do not vote on the Plan. They
11 may, however, object if, in their view, their treatment under the Plan does not comply with that
12 required by the Code.

13 **IV. Means for Executing the Plan**

14 Creditors should refer to the Plan at pages 8 through 10 for a discussion of the means by
15 which Debtor intends to execute the Plan. The Debtor's Means for Executing the Plan
16 discussed in the Plan is incorporated herein by reference.

17 **V. Claims Handling and Payments to Creditors under the Plan**

18 Creditors should refer to the Plan at pages 10 through 12 for a discussion of the Claims
19 Handling and Payments to Creditors under the Plan. The Claims Handling and Payments to
20 Creditors under the Plan discussed in the Plan is incorporated herein by reference.

21 **VI. Confirmation Requirements and Procedures**

22 To be confirmable, the Plan must meet the requirements listed in 11 USC §§ 1129(a) or
23 (b). These include the requirements that: the Plan must be proposed in good faith; at least one
24 impaired class of claims must accept the plan, without counting votes of insiders; the Plan must
25 distribute to each creditor and equity interest holder at least as much as the creditor or equity
26 interest holder would receive in a Chapter 7 liquidation case, unless the creditor or equity
27 interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are
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1 not the only requirements listed in 11 USC § 1129, and they are not the only requirements for
2 confirmation.

3 **A. Who May Vote or Object?**

4 Any party in interest may object to the confirmation of the Plan if the party believes that
5 the requirements for confirmation are not met.

6 Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A
7 creditor or equity interest holder has a right to vote for or against the Plan only if that creditor
8 or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for
9 voting purposes and (2) impaired.

10 In this case, Debtor believes that Classes One, Two, Three, Four, and Five are impaired
11 and that holders of claims in those classes are entitled to vote to accept or reject the Plan.
12 Debtor believes that Classes Six, Seven and Eight are unimpaired and that holders of claims in
13 each of these classes do not have the right to vote to accept or reject the Plan.

14 **1. What Is an Allowed Claim or an Allowed Equity Interest?**

15 Only a creditor or equity interest holder with an allowed claim or an allowed equity
16 interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if
17 either (1) Debtor has scheduled the claim on Debtor’s schedules, unless the claim has been
18 scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim
19 or equity interest, unless an objection has been filed to such proof of claim or equity interest.
20 When a claim or equity interest is not allowed, the creditor or equity interest holder holding the
21 claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules
22 the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a)
23 of the Federal Rules of Bankruptcy Procedure.

24 **Deadlines related to claims:**

25 *The deadline for filing a proof of claim for non-governmental agencies is March 20,*
26 *2012.*

27 *The deadline for filing a proof of claim for governmental agencies is May 5, 2012.*
The deadline for filing objections to claims is 60 days after the Effective Date of the
28 *Plan.*

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2. What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in 11 USC § 1124, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. Who is Not Entitled to Vote?

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to 11 USC §§ 507(a)(2), (a)(3), and (a)(8);
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan.

4. Who Can Vote in More Than One Class?

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

The Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed later in Section B.2.

1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the

1 Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in
2 the class, who vote, cast their votes to accept the Plan.

3 A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in
4 amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

5 **2. Treatment of Non-accepting Classes**

6 Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm
7 the Plan if the non-accepting classes are treated in the manner prescribed by 11 USC § 1129(b).
8 A plan that binds non-accepting classes is commonly referred to as a “cram down” plan. The
9 Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all
10 the requirements for consensual confirmation except the voting requirements of 11USC §
11 1129(a)(8), does not “discriminate unfairly,” and is “fair and equitable” toward each impaired
12 class that has not voted to accept the Plan.

13 To the extent any Class impaired under the Plan and entitled to vote does not accept the
14 Plan by the requisite statutory majority provided in 11 USC § 1126(c) as discussed above in
15 Section B.1., or is deemed to have rejected the Plan, Debtor will request confirmation of the
16 Plan under 11 USC § 1129(b).

17 **C. Liquidation Analysis**

18 To confirm the Plan, the Court must find that all creditors and equity interest holders
19 who do not accept the Plan will receive at least as much under the Plan as such claim and
20 equity interest holders would receive in a Chapter 7 liquidation.

21 Debtor believes that creditors will receive a greater dividend in its Chapter 11 case than
22 would be available in a Chapter 7 case. Currently the only assets of the estate are (1) the
23 Tower, (2) a \$114,000.00 security deposit with PG&E, which would be subject to set off by
24 PG&E for pre-petition amounts owed (3) \$814,661.00 in accounts receivable, most of which
25 may not be collectable (4) \$32,350.00 in furnishings and gym equipment and (5) an impound
26 account of \$90,061.00 with Wachovia. Debtor believes that a greater dividend will be paid to
27 creditors through the Plan than would be received by creditors in a Chapter 7 case because the
28 Plan provides that all allowed secured claims will be paid in full, with interest, after

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1 confirmation of the Plan. The Plan further provides that all allowed unsecured claims would be
2 paid in full over 5 years. However, if Debtor's case were converted to a case under Chapter 7,
3 Debtor believes that LBUBS would be granted relief from the automatic stay and permitted to
4 foreclose against its collateral because the amount of the LBUBS debt is the same as or exceeds
5 the value of the Tower, which Debtor estimates is about \$17,100,000.00. A foreclosure by
6 LBUBS would result in LBUBS receiving the Tower as opposed to payment of its claim in full.
7 Furthermore, because most of the accounts receivable is believed by Debtor to be
8 uncollectable, after payment of Chapter 11 and 7 administrative expenses, there may not be
9 funds left to pay the allowed unsecured claims in full as provided under the Plan.

10 **D. Feasibility**

11 The Court must find that confirmation of the Plan is not likely to be followed by the
12 liquidation, or the need for further financial reorganization, of Debtor or any successor to
13 Debtor, unless such liquidation or reorganization is proposed in the Plan.

14 **1. Ability to Initially Fund Plan**

15 Debtor believes that it will have enough cash on hand on the Effective Date to pay all
16 the claims and expenses that are required to be paid on that date as indicated in the Budget.

17 **2. Ability to Make Future Plan Payments and Operate Without Further 18 Reorganization**

19 Debtor must also show that it will have enough cash over the life of the Plan to make
20 the required Plan payments. Debtor has provided projected financial information in the Budget
21 attached as Exhibit "B." Debtor's financial projections show that the Debtor will have an
22 estimated aggregate cash flow, after paying operating expenses, of \$648,221.00 during the first
23 year of the Plan and an estimated aggregate cash flow, after paying operating expenses of
24 \$1,268,012.00 per year thereafter, which is sufficient income to pay the annual Plan payments
25 of \$648,000.00 during the first year and \$1,267,064.00 thereafter.
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1 **VII. Effect of Confirmation of Plan**

2 Creditors should refer to the Plan at pages 13 and 14 for a discussion of the effect of
3 confirmation of the Plan. The Effect of Confirmation of Plan discussed in the Plan is
4 incorporated herein by reference.

5 **VIII. Amendments or Modifications to the Plan**

6 Creditors should refer to the Plan at pages 14 and 15 for a discussion of Debtor's rights
7 to amend or modify the Plan. The Amendments or Modifications to the Plan discussed in the
8 Plan is incorporated herein by reference.

9 **IX. Remedies upon Default**

10 Creditors may request appropriate relief by filing a motion and setting it for hearing
11 pursuant to Local Bankruptcy Rule 9014-1 if Debtor defaults under the Plan. This relief may
12 consist of, without limitation, dismissal of the case, conversion of the case to Chapter 7, or
13 relief from the automatic stay to pursue rights against collateral.

14 **X. Risk Factors**

15 Debtor believes that there is risk to creditors associated with the confirmation of the
16 Plan. The primary risk to creditors is failure by Debtor to complete the payments required by
17 the Plan and dismissal of the Chapter 11 case. Dismissal of the Chapter 11 would allow
18 LBUBS to liquidate its collateral. Debtor believes that liquidation of collateral would result in
19 payment of less than \$17,100,000.00 to LBUBS and less than 100% to the allowed unsecured
20 claims. Debtor believes that the benefits associated with the Plan outweigh the risks associated
21 with the Plan.

22 **XI. Alternative to Plan**

23 Dismissal of the case or conversion to Chapter 7 are alternatives available to Debtor if
24 the Plan is not confirmed. Debtor believes that confirmation of the Plan is preferable to the
25 dismissal of its case because dismissal of the case would result in foreclosure by LBUBS on
26 their collateral, termination of the business operated by Debtor, and loss of employment for
27 Debtor's employees and an uncertain future for the tenants of the Tower.

28 **XII. Definitions**

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The definitions contain in the Plan at pages 18 through 20 are incorporated herein by reference and all capitalized terms contained herein shall have the meaning ascribed to the term by the Plan.

Date: February 6, 2012

STOCKDALE TOWER 1, LLC

Terry L. Moreland
By /s/ Terry L. Moreland
TERRY L. MORELAND, Member

APPROVED:

KLEIN, DeNATALE, GOLDNER,
COOPER, ROSENLIEB & KIMBALL, LLP

Jacob L. Eaton
By /s/ Jacob L. Eaton
JACOB L. EATON
Attorneys for Debtor

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B6B (Official Form 6B) (12/07)

In re STOCKDALE TOWER 1, LLC

Case No. 11-62167-B-11

Debtor

SCHEDULE B - PERSONAL PROPERTY - AMENDED

Except as directed below, list all personal property of the debtor of whatever kind. If the debtor has no property in one or more of the categories, place an "x" in the appropriate position in the column labeled "None." If additional space is needed in any category, attach a separate sheet properly identified with the case name, case number, and the number of the category. If the debtor is married, state whether husband, wife, both, or the marital community own the property by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor is an individual or a joint petitioner is filed, state the amount of any exemptions claimed only in Schedule C - Property Claimed as Exempt.

Do not list interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.

If the property is being held for the debtor by someone else, state that person's name and address under "Description and Location of Property." If the property is being held for a minor child, simply state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

Type of Property	N O N E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
1. Cash on hand	X			
2. Checking, savings or other financial accounts, certificates of deposit, or shares in banks, savings and loan, thrift, building and loan, and homestead associations, or credit unions, brokerage houses, or cooperatives.	X			
3. Security deposits with public utilities, telephone companies, landlords, and others.		Security Deposit with PG&E	-	114,000.00
4. Household goods and furnishings, including audio, video, and computer equipment.	X			
5. Books, pictures and other art objects, antiques, stamp, coin, record, tape, compact disc, and other collections or collectibles.	X			
6. Wearing apparel.	X			
7. Furs and jewelry.	X			
8. Firearms and sports, photographic, and other hobby equipment.	X			
9. Interests in insurance policies. Name insurance company of each policy and itemize surrender or refund value of each.	X			
10. Annuities. Itemize and name each issuer.	X			

Sub-Total > 114,000.00
(Total of this page)

3 continuation sheets attached to the Schedule of Personal Property

Exhibit A

Page 16

B6B (Official Form 6B) (12/07) - Cont.

In re STOCKDALE TOWER 1, LLC

Case No. 11-62167-B-11

Debtor

SCHEDULE B - PERSONAL PROPERTY - AMENDED

(Continuation Sheet)

Type of Property	N O N E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
11. Interests in an education IRA as defined in 26 U.S.C. § 530(b)(1) or under a qualified State tuition plan as defined in 26 U.S.C. § 529(b)(1). Give particulars. (File separately the record(s) of any such interest(s). 11 U.S.C. § 521(c).)	X			
12. Interests in IRA, ERISA, Keogh, or other pension or profit sharing plans. Give particulars.	X			
13. Stock and interests in incorporated and unincorporated businesses. Itemize.	X			
14. Interests in partnerships or joint ventures. Itemize.	X			
15. Government and corporate bonds and other negotiable and nonnegotiable instruments.	X			
16. Accounts receivable.		Accounts receivable	-	634,405.00
		ADDED Stockdale Communications - Note receivable	-	180,256.00
17. Alimony, maintenance, support, and property settlements to which the debtor is or may be entitled. Give particulars.	X			
18. Other liquidated debts owed to debtor including tax refunds. Give particulars.	X			
19. Equitable or future interests, life estates, and rights or powers exercisable for the benefit of the debtor other than those listed in Schedule A - Real Property.	X			
20. Contingent and noncontingent interests in estate of a decedent, death benefit plan, life insurance policy, or trust.	X			

Sub-Total > **814,661.00**
(Total of this page)

Sheet 1 of 3 continuation sheets attached to the Schedule of Personal Property

Exhibit A

Page 17

B6B (Official Form 6B) (12/07) - Cont.

In re STOCKDALE TOWER 1, LLC

Case No. 11-62167-B-11

Debtor

SCHEDULE B - PERSONAL PROPERTY - AMENDED
(Continuation Sheet)

Type of Property	NONE	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
21. Other contingent and unliquidated claims of every nature, including tax refunds, counterclaims of the debtor, and rights to setoff claims. Give estimated value of each.		Potential recovery against former tenant valued at about \$25,000.00	-	Unknown
22. Patents, copyrights, and other intellectual property. Give particulars.	X			
23. Licenses, franchises, and other general intangibles. Give particulars.	X			
24. Customer lists or other compilations containing personally identifiable information (as defined in 11 U.S.C. § 101(41A)) provided to the debtor by individuals in connection with obtaining a product or service from the debtor primarily for personal, family, or household purposes.	X			
25. Automobiles, trucks, trailers, and other vehicles and accessories.	X			
26. Boats, motors, and accessories.	X			
27. Aircraft and accessories.	X			
28. Office equipment, furnishings, and supplies.		Furnishings including the following: (8) Lobby chairs @ \$100 each (4) Lobby tables @ \$150 each (4) Lobby mirrors @ \$200 each	-	2,200.00
29. Machinery, fixtures, equipment, and supplies used in business.	X			
30. Inventory.	X			
31. Animals.	X			
32. Crops - growing or harvested. Give particulars.	X			
33. Farming equipment and implements.	X			
34. Farm supplies, chemicals, and feed.	X			

Sub-Total > **2,200.00**
(Total of this page)

Sheet 2 of 3 continuation sheets attached to the Schedule of Personal Property

Exhibit A

Page 18

B6B (Official Form 6B) (12/07) - Cont.

In re STOCKDALE TOWER 1, LLC

Case No. 11-62167-B-11

Debtor

SCHEDULE B - PERSONAL PROPERTY - AMENDED
(Continuation Sheet)

Type of Property	N O N E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
35. Other personal property of any kind not already listed. Itemize.		Gym Equipment including the following:	-	30,150.00
		(2) Elliptical Machines @ \$500 each		
		(12) Weight Lifting Stations/Machines \$25,000 total value		
		(2) Sets of Free Weights @ \$1,750 each		
		(1) Bench Press @ \$250		
		(1) Incline Bench @ \$350		
		(1) Sit Up Bench @ \$300		
		(2) Stationary Bikes @ \$250 each		
		ADDED		
		Wachovia Bank-impound account	-	90,061.00

Sub-Total > **120,211.00**
(Total of this page)
Total > **1,051,072.00**

(Report also on Summary of Schedules)

Sheet 3 of 3 continuation sheets attached to the Schedule of Personal Property

Exhibit A
Page 19

Stockdale Tower 1, LLC Projected Operating Budget

	Year One	Years Two and Three
Beginning Balance		
INCOME	\$ 2,462,621.00	\$ 3,470,621.00
EXPENSES		
Telephone	\$ 2,400.00	\$ 2,400.00
Water	\$ 12,000.00	\$ 12,000.00
Cleaning supplies	\$ 12,000.00	\$ 12,000.00
City of Bakersfield	\$ 28,000.00	\$ 30,000.00
Gas	\$ 15,000.00	\$ 15,000.00
Electrical	\$ 500,000.00	\$ 570,000.00
HVAC	\$ 36,000.00	\$ 36,000.00
Payroll	\$ 300,000.00	\$ 360,000.00
Ti/commission/ti reserves	\$ 420,000.00	\$ 420,000.00
EDD Payroll	\$ 13,000.00	\$ 14,400.00
IRS Payroll	\$ 50,000.00	\$ 52,800.00
Repairs and Maint/Capital Improvements	\$ 35,000.00	\$ 120,000.00
Professional Services	\$ 255,000.00	\$ 255,000.00
Insurance	\$ 25,000.00	\$ 25,000.00
Property Taxes	\$ 75,000.00	\$ 158,000.00
Management fee Year 2 and 3		\$ 120,000.00
Total Operating Expenses	\$ 1,778,400.00	\$ 2,202,600.00
PLAN PAYMENTS		
LNR Partners - Class 2	\$ 684,000.00	\$ 1,187,064.00
Reddy - Class 3	\$ -	\$ 25,000.00
Unsecured creditors - Class 5	\$ -	\$ 55,000.00
Total Plan Payments	\$ 684,000.00	\$ 1,267,064.00
Net income	\$ 221.00	\$ 957.00