

1 **D. MAX GARDNER, ESQ. (CSB No. 132489)**
2 **1712 19TH St., Suite 123**
3 **Bakersfield, CA 93301**
4 **661-888-4335 tel.**
5 **661-591-4186 fax**
6 **dmgardner@dmaxlaw.com**

7 Attorney for Debtor

8 **UNITED STATES BANKRUPTCY COURT**
9 **EASTERN DISTRICT OF CALIFORNIA**

10 In re:

11 CENTRO CRISTIANO AGAPE de
12 BAKERSFIELD,

Bankruptcy Case No.: 2018-11990

Chapter 11

Debtor and Debtor in Possession

DC: DMG-45

13 **AMENDED DISCLOSURE STATEMENT FILED IN CONJUNCTION**
14 **WITH DEBTOR'S FIRST MODIFIED CHAPTER 11 PLAN OF**
15 **REORGANIZATION DATED OCTOBER, 2018**

16 Comes now Debtor Centro Cristiano Agape de Bakersfield and submits this amended
17 disclosure statement, which is filed in conjunction with its First Modified Chapter 11 Plan of
18 Reorganization dated October 15, 2018, 2018.

19 **I.**
20 **INTRODUCTION**

21 A disclosure statement must be filed with a Chapter 11 plan of reorganization (sometimes
22 hereinafter referred to as the "Plan") in order to provide the Debtor's creditors with information
23 about the Debtor and the plan so that the creditors can make an informed decision as to whether
24 they will vote in favor of or against the plan.

25 Debtor has made a diligent effort to provide a disclosure statement with adequate
26 information for creditors to make a decision on whether to vote in favor of or against this Plan.
27 Once a disclosure statement is approved, creditors and parties in interest will receive a final version

1 of the disclosure statement together with the proposed plan of reorganization, a ballot and other
2 instructions and information.

3 If you want additional information about the Disclosure Statement and Plan, you should
4 contact D. Max Gardner, 1712 19th Street, Suite 123, Bakersfield , CA 93302, 661-888-4335,
5 dmgardner@dmxlaw.com.

6
7 **II.**
8 **INFORMATION ABOUT THE DEBTOR AND ITS BUSINESS**

9 **A. DEBTOR'S PRE-PETITION HISTORY**

10 Debtor is a California non-profit corporation that formed in 2008. Its principal business is
11 the conducting of a Christian church. It is a non-denominational Pentecostal independent church.
12 Services are conducted in both Spanish and English. Debtor is owned and managed by Jose Juan
13 Andrade who serves as its pastor and chief administrative officer. Mr. Andrade is married to Santa
14 Elena Andrade who serves as a co-pastor. Both Mr. and Ms. Andrade received pastoral training
15 from the California School of Theology. Their son Juan Daniel Andrade is a worship leader. Jose
16 Andrade is employed by the Lamont School District as a school bus driver and the family's
17 monthly living expenses are met by that resource. The Andrade family do not take a draw from
18 the Debtor and there are no employees. Membership fluctuates. Currently there are approximately
19 87 members and weekly attendance is approximately 100 persons. The church derives revenue
20 from weekly tithes and offerings and yearly firework sales. As discussed herein, additional income
21 sources have been established in order to fund the Plan. Debtor now rents the building to another
22 church under circumstances that do not interfere with the Debtor's own ability to conduct its
23 operation. Debtor will also charge facility usage fees for social events like weddings,
24 quinceañeras, reunions and family parties.
25
26
27

Debtor acquired the church located at 409-411 Baker Street in 2008. The property was purchased from Trinity United Methodist Church in the amount of \$275,000. Debtor made a down payment of \$10,000. Original monthly payments were \$1,800 per month.

Debtor opened a second church in 2012 in Tijuana, Mexico. This church was conducted through a rental of property in Tijuana that contained a large hall for the conducting of meetings and living quarters for a minister and his family. Rent, utilities and operational expenses for the Mexico church approximated \$2,000 per month with insufficient revenue available from its operation. Thus, income generated from tithes and offerings of the Bakersfield church were utilized to cover the shortfall in Mexico. Debtor defaulted in its monthly payments in 2016. Debtor attempted to re-finance the property and also attempted to cure the defaulted payments owing to TUMC but was unsuccessful. TUMC commenced foreclosure in 2016. Errors in the foreclosure process resulted in delays in the foreclosure process. A trustee's sale was scheduled for late May 2018 when Debtor decided to seek bankruptcy protection.

B. DEBTOR'S POST PETITION HISTORY

(1) Legal Proceedings

<u>Date</u>	<u>Description</u>
May 18, 2018	Date of filing of the voluntary petition.
June 12, 2018	Debtor's Bankruptcy counsel's employment approved.
July 6, 2018	Meeting of creditors conducted and concluded.
July 11, 2018	Motion for adequate protection payments (\$1500 per month to TUMC) filed.
August 9, 2018	Motion to enter into lease approved.

1 August 9, 2018 Status Conference conducted by Court.

2 August 15, 2018 Filing of Disclosure Statement and Plan of Reorganization.

3 September 27, 2018 Hearing on Disclosure Statement conducted.

4 September 28, 2018 After reviewing the Disclosure Statement taking into consideration
5 an objection to the adequacy of the disclosure statement filed by
6 TUMC, and after Debtor's counsel's request to file an amended
7 disclosure statement and modified plan, the Court ordered the filing
8 of an amended disclosure statement and modified plan by October
15, with the hearing on the amended disclosure statement to take
place on November 8, 2018, on shortened time.

9 October 15, 2018 Filing of amended disclosure statement and modified plan.

10 (2) Creditors' Committee.

11 A creditor committee did not form in this case.

12 (3) Debtor's Post-petition Business.

13 Debtor continues to operate as a Church. As part of its reorganization and as noted above,
14 a motion to enter into lease has been approved wherein the Debtor will lease its facility to Noe
15 Solis, who operates a church named La Iglesia de Dios, on a part time basis. Debtor will continue
16 to conduct its on-going services. However, La Iglesia de Dios will also conduct services at
17 alternate days and times and pay the Debtor \$1,000 per month in rent. Debtor is also seeking one
18 other church to conduct part-time services with anticipated rent of \$500 per month. That tenant
19 has not been found. Debtor's representatives are using their own contacts within the community
20 to locate another possible tenant. In the renting of the property, the Debtor has made the entire
21 property available to Iglesia de Dios. Thus Iglesia de Dios, and other another possible renter, will
22 have access to the building to conduct church services, Sunday school and socials at dates and
23 times that do not conflict with the Debtor's operation. Competition among the two churches does
24 exist which means the Debtor has not experienced a loss of membership (or revenue) to Iglesia de
25
26
27

1 Dios.

2 In the past, Debtor has been generous to its members in allowing the use of the facility for
3 such events as weddings and quinceañeras. Recognizing the need to increase revenue in order to
4 make its Plan feasible and to ensure that the Plan payments are made, modest facility use fees have
5 been established. For example, a \$300 facility fee for weddings and quinceañeras will be charged.
6 Additionally, the Debtor will operate a second fireworks booth each July in order to generate
7 additional income for plan payments and deferred/ongoing long-term maintenance
8

9 C. ASSETS AND LIABILITIES

10
11 (i) Assets.

12 The principal asset of this case is the church located at 409-411 Baker Street. It is
13 valued at \$331,000.

14 The Debtor owns personal property used in the operation of the Church consisting of
15 office furniture, chairs, lighting and sound equipment and kitchen equipment with an estimated
16 value of \$11,821.

17 (ii) Liabilities.

18 **Priority claims.**

19 Priority claims typically consist of tax claims, wage claims or domestic support obligations.

20 There are no known priority claims in this case.
21

22 **Secured claims.**

23 Name & Description

24 a. Kern County Tax Collector, unpaid property taxes. Amount of claim: \$3,300

25 b. Trinity United Methodist Church. The indebtedness to TUMC is \$279,580.48 per its
26
27

proof of claim filed October 4, 2018. Debtor does not dispute the amount or priority of the TUMC claim.

TOTAL : \$282,880

General unsecured creditors

<u>Creditor</u>	<u>Amount</u>
Brumfield & Hagan	\$2,336
JZ Realty	\$4,000
LEAF (copier)	\$5,600
Spectrum	\$321.59
Transworld Systems (ADT)	\$650

TOTAL: \$13,000

Debtor does not dispute any of the general unsecured claims.

V.

SUMMARY OF THE PLAN OF REORGANIZATION

The term of the Plan is three years. Monthly and annual payments are provided for as described below:

a. Administrative expenses.

Administrative expenses are claims for costs or expenses of administering the Debtor's Chapter 11 case which are allowed under Code section 507(a)(1). The Code requires that all administrative claims be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment. Debtor estimates an additional sum of \$5,000 in attorneys' fees will be paid in addition to the retainer presently held by counsel. Counsel has agreed to deferring unpaid fees to a monthly payment of \$300 when available. UST quarterly fees of \$325 are

1 payable per quarter. Quarterly fees will be current at the time of confirmation. Debtor's counsel
2 may acquiesce to payment of unpaid professional fees over time in order to obtain plan
3 confirmation although he is not required to do so.

4 **b. Priority claims.**

5 Debtor projects that no priority claims will be owed or paid pursuant to the Plan because
6 it is a non-profit corporation and has no priority tax liability.

7 **c. Claim of the Kern County Tax Collector.**

8 Quarterly payments of \$654 will be paid to the Kern County Tax Collector beginning on
9 or before March 31, 2018 and paid in increments of \$654 each 90 days thereafter. A statutorily
10 required interest rate of 18% is provided to this claimant.

11 **d. Claim of TUMC.**

12 Payments to TUMC are as follows:

<u>Description</u>	<u>Monthly payment</u>
January -December, 2021	\$1,500
One time payment on or before January 30, 2019	\$10,000
One payment on or before January 30, 2020	\$10,000
December 31, 2021	Balance paid

13 This payment schedule allows Debtor to obtain a sale or re-finance of the real property
14 and pay the balance by the end of 2021. Source of payment: monthly Church operation and
15 membership drive discussed below. Additionally, by Debtor's election, the Plan does not re-set
16 the clock as to TUMC's waiting plan to foreclose in the event of default.

17 **e. General Unsecured claims.**

1 The Debtor will make three semi- annual payments of \$4,400 to be paid pro-rata among the
2 five creditors possessing \$13,000 in claims. The first payment shall be due on or before July 30 2019.
3 The second payment shall be made on or before July 31, 2020, and the final payments shall be made
4 on or before January 31, 2021.

5
6 **V.**
CHAPTER 7 COMPARISON

7 Debtor believes the creditors receive as much in Chapter 11 as they would in Chapter 7. On
8 paper, there appears to be sufficient equity to liquidate the property to pay creditors. That outcome
9 is at best uncertain because TUMC has the right to foreclose. The Chapter 7 Trustee will not have
10 funds on hand to make monthly payments to TUMC, and further, payments to creditors are delayed
11 during the Chapter 7 process, and combined with Chapter 7 Trustee fees and professional fees and
12 expenses, there is no assurance that there will be sufficient equity to pay creditors. Debtor's personal
13 property assets are valued at \$11,800 and represent used furniture and electronic equipment subject
14 to the fire sale values
15

16 **VI.**
INCOME AND EXPENSE PROJECTIONS

17 For future income, the following projections can be met by the Debtor:

18
19 a. Monthly income

<u>Description</u>	<u>Amount</u>
Tithes & Offerings	\$3,000
Fund raising ¹	\$300
Social rentals ²	\$600
Iglesia de Dios rent	\$1,000
Love offerings ³	\$200

20
21
22
23
24
25 ¹ Yard sales, bake sales

26 ² Weddings, reunions, family parties

27 ³ Love offerings consist of outside denominational offerings from third parties

1 TOTAL \$5,100

2
3 b. Monthly expenses

4 <u>Description</u>	<u>Amount</u>
5 TUMC monthly payment	\$1,500
6 Utilities	400
7 Insurance	334
8 Maintenance	500
9 Property tax	20
10 Attorneys fees	300
Visiting minister honorarium	500
Set-aside for Class 1 claim KCTC	220
Office supplies	100
Miscellaneous	500

11 TOTAL: \$4,374

12 The confirmation process required pursuant to 11 U.S.C. Section 1129 will require the
13 Debtor to provide relevant, admissible evidence demonstrating feasibility of the plan at the time
14 of confirmation.
15

16 c. Basis for Interim Payments

17 Two events transpired after the filing of the original disclosure statement and Plan. First
18 Debtor and TUMC through counsel attempted to negotiate the terms of a consensual plan. The
19 first modified plan contains some plan provisions that Debtor believes are acceptable to TUMC.
20 This does mean that TUMC has or will consent to the Plan or not object to the adequacy of the
21 disclosure statement. Under the time constraints of attempting plan confirmation, this amended
22 disclosure statement and modified Plan are filed to move the case along. The modified Plan
23 provides for one \$10,000 payment to TUMC on or before January 30 of 2019 and another \$10,000
24 payment on or before January 30 of 2020. The modified Plan eliminates what was a monthly
25
26
27

1 payment to TUMC that increased each year to a flat payment of \$1,500 through the term of the
2 Plan. The “all due and payable” payment of the balance of the TUMC at the end of the three-year
3 term remains.

4 Second, in order to meet the \$10,000 payment due in January 2019 and 2020, in a special
5 meeting of the elders conducted on October 9, 2018, Debtor approached and received
6 commitments from 20 of its members who will make an annual \$500 payment to raise the
7 necessary \$10,000.
8

9 The circumstances of this case are not typical when the business reorganization nature of
10 Chapter 11 is contemplated. However, the debtor is a non-profit organization generating modest
11 voluntary income either directly or indirectly (from rent paid by another church) and the very
12 nature of a church of this size and scope depends on the charity and faith of its members. Debtor’s
13 principals do not receive compensation in running the Church. Nevertheless, the implementation
14 of modest and reasonable charges for facility use was decided in order to ensure the church can
15 meet on-going expenses.
16

17 Finally, a second fireworks stand solves the issue of having income for deferred
18 maintenance that replaces the income from the first fireworks stand that will be the source of
19 general unsecured creditor payments. Projections from the annuals sale, per booth, are:
20
21
22
23
24
25

26 / / / /
27

Gross sales:	\$27,000
Cost of goods	(\$17,000)
Sales Tax	(2,000)
Food for volunteers, security, misc., & port-a-potty rental	(2,000 ⁴)
Net proceeds:	\$6,000

Historically, the Debtor utilized the \$6,000 for deferred maintenance for the property. Debtor will sponsor a second booth rental with the projections being the same as above as to the second booth. The net proceeds from one booth will be utilized to make the Class 4 general unsecured payment (in a minimum amount of \$4,400) and the proceeds from the second booth will be utilized for property maintenance.

VII.

MEANS FOR IMPLEMENTATION OF PLAN

Implementation of the Chapter 11 Plan comes from the operation of the Debtor's business as described herein.

VIII.

OTHER INFORMATION RELEVANT TO CONFIRMATION

A. Estimated Chapter 11 administrative expenses.

Administrative expenses include attorney's fees owed to the Debtor's attorney and quarterly fees paid to the US Trustee. Attorneys' fees owing as of the time of plan confirmation

⁴ Debtor's monthly operating report MOR for the month of July, 2018 in Exhibit B line item 18 in the amount of \$5112.61 contains multiple monthly expenses pertaining to the operation of the church, including insurance, maintenance, office supplies, a travel expense and a food bank donation together with the overhead incurred in the operation of the fireworks booth. This information is provided in response to the Court's comment and questions at the previous disclosure statement hearing pertaining to the MOR. An amended MOR will be prepared setting forth further detail.

1 will be approximately \$15,000. U.S. Trustee to be paid through the end of the year are estimated
2 in the sum of \$325 per quarter.

3 **B. Future business activity of the Debtor.** The Plan contemplates the future
4 operation of the Debtor's business in the same manner as prior to the filing of the case, with an
5 increase in income derived from renting to other churches.
6

7 **C. Tax Attributes.** There is a potential for tax attributes in any Chapter 11 case in the
8 form of basis and capital gains. Debtor does not believe that there are any tax attributes that affect
9 confirmation of the proposed plan.

10 **D. Preferences and/or fraudulent transfers.** There are no known preferences or
11 fraudulent transfers that could be reversed and collected on behalf of the bankruptcy estate.
12

13 **E. Risk to creditors.** Typical risks to creditors in a Chapter 11 case include the
14 Debtor's inability or failure to carry out the provisions of the Chapter 11 plan. The Plan attempts
15 to minimize risk by providing for reasonable periodic payments over a short period of time.
16

17 **F. Solicitation of acceptances and voting.** It is contemplated that the Debtor will
18 solicit acceptances of its Chapter 11 plan assuming its disclosure statement is approved. The
19 following classes are entitled to vote on the Plan:

<u>Class</u>	<u>Name</u>	<u>Description</u>
1	Kern County Tax Collector	Impaired, entitled to vote
2	TUMC	Impaired, entitled to vote
3	General unsecured claims	Impaired, entitled to vote

26 **G. Plan confirmation and the potential for "cram-down."** The plan divides the
27

1 creditors and holders of claims and interests into different "classes."

2 The classes of creditors and holders of claims and interests will be described in the plan as
3 "impaired" if the payment of their claims and/or treatment of their interests modify the legal,
4 equitable or contractual rights existing at the time debtor commenced their bankruptcy case. Only
5 the holders of claims that are impaired under the plan vote on the plan. All classes of claims are
6 impaired except Bank of America, who is being paid pursuant to normal contractual terms. Debtor
7 can obtain a court order confirming the plan if all applicable elements specified in the Bankruptcy
8 Code are met, including the requirement that as to a given class of claims, more than one half (1/2)
9 in number and more than two-thirds (2/3) in amount of claims filed and allowed vote to accept the
10 plan. The Court would "cram down" a plan only if the court determines, among other things, that
11 the plan provides fair and equitable treatment to the class of claimants rejecting it.
12

13 **H. Valuations of property and other representations.** Valuations of property and
14 other representations made herein by the Debtor come from its schedules and statement of affairs,
15 and from consultation with professionals assisting the Debtor in this case.
16

17 **I. Alternatives to the proposed plan.** The alternatives to this Chapter 11 plan are
18 the conversion of this case to Chapter 7, the appointment of a Chapter 11 Trustee or the dismissal
19 of the Chapter 11 case. The appointment of a Chapter 11 Trustee would add another layer of
20 administrative expense in the form of Trustee and attorney's fees if the Court, after motion and
21 hearing brought by an interested party, determined that cause existed for the appointment of a
22 Chapter 11 Trustee. Cause includes such things as gross mismanagement by the Debtor, fraud, the
23 risk of disbursement of estate assets and the inability of the Debtor to propose and effectuate a
24 Chapter 11 Plan. A Chapter 11 Trustee could recommend conversion to Chapter 7 if the Chapter
25 11 Trustee determined that the Debtor could not pay unsecured creditors from his business
26
27

1 operation. The filing of this disclosure statement and chapter 11 plan represent the Debtor's efforts
2 to prosecute and bring its Chapter 11 case to a successful resolution consistent with the terms of
3 the Bankruptcy Code.

4 **J. Pending bankruptcy and non-bankruptcy litigation.**

5 There is no pending non-bankruptcy litigation.

6 **K. Disclaimers concerning the information found in this disclosure statement.**

7 Debtor has diligently attempted to provide accurate information in this disclosure
8 statement. The information contained in this disclosure statement comes from the bankruptcy
9 documents filed by Debtor, the books and records of Debtor and consultation with its agents and
10 representatives. Debtor cannot represent that this disclosure statement is without error or
11 inaccuracy, however, Debtor believes that a diligent effort has been made to provide accurate
12 information. No information contained in this disclosure statement or in the plan has been formally
13 audited. This disclosure statement does not reflect any events which occur subsequent to the time
14 that it is submitted and approved by the Bankruptcy Court.
15

16 Although some of the terms and provisions of the plan are summarized and described in
17 this disclosure statement, one should refer to the plan itself with regard to each specific term or
18 provision. All references to the plan contained in this disclosure statement are qualified by the plan
19 itself, and the plan should be viewed as controlling. To the extent there are discrepancies, every
20 attempt will be made to clarify the terms and conditions of the plan.
21
22
23
24

25 / / / /
26
27


IX.
CONCLUSION

Each creditor should consult with its own legal, tax, or financial advisor to the extent it deems necessary to fully understand the effect that confirmation of the plan or failure of confirmation may have on its own particular situation.

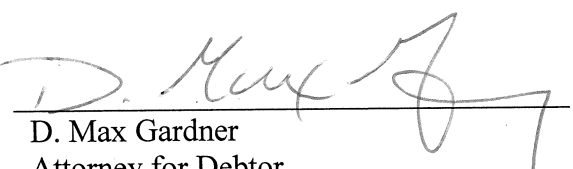
PLAN PROPONENT:

CENTRO CRISTIANO AGAPE DE BAKERSFIELD

Dated: October 15, 2018

By 
Jose Andrade, President

Submitted by:


D. Max Gardner
Attorney for Debtor