

UNITED STATES BANKRUPTCY COURT

Eastern District of California

Honorable Robert S. Bardwil
Bankruptcy Judge
Sacramento, California

January 28, 2015 at 10:00 a.m.

INSTRUCTIONS FOR PRE-HEARING DISPOSITIONS

1. Matters resolved without oral argument:

Unless otherwise stated, the court will prepare a civil minute order on each matter listed. If the moving party wants a more specific order, it should submit a proposed amended order to the court. In the event a party wishes to submit such an Order it needs to be titled 'Amended Civil Minute Order.'

If the moving party has received a response or is aware of any reason, such as a settlement, that a response may not have been filed, the moving party must contact Nancy Williams, the Courtroom Deputy, at (916) 930-4580 at least one hour prior to the scheduled hearing.

- 2. The court will not continue any short cause evidentiary hearings scheduled below.**
- 3. If a matter is denied or overruled without prejudice, the moving party may file a new motion or objection to claim with a new docket control number. The moving party may not simply re-notice the original motion.**
- 4. If no disposition is set forth below, the matter will be heard as scheduled.**

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| 1. | 14-25816-D-11 DEEPAL WANNAKUWATTE
DNL-9 | CONTINUED MOTION FOR APPROVAL
OF INTER-ESTATE AGREEMENT
12-3-14 [289] |
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Tentative ruling:

This is the Chapter 11 Trustee's Motion for Approval of Inter-Estate Agreement (the "Motion"). The court has numerous questions regarding the relief requested in the Motion. Thus, the court intends to use this hearing as a preliminary hearing/status conference. The court will hear the matter.

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| 2. | 14-25816-D-11 DEEPAL WANNAKUWATTE
KO-1
COMMUNITY 1ST BANK VS. | CONTINUED MOTION FOR RELIEF
FROM AUTOMATIC STAY
11-19-14 [268] |
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See tentative ruling at item no. 8 below.

3. 14-25816-D-11 DEEPAL WANNAKUWATTE CONTINUED MOTION FOR ORDER
KO-2 EXCUSING COMPLIANCE WITH 11
U.S.C. 543 TURNOVER REQUIREMENT
1-6-15 [308]

See tentative ruling at item no. 9 below.

4. 14-25816-D-11 DEEPAL WANNAKUWATTE CONTINUED MOTION FOR RELIEF
WFH-1 FROM AUTOMATIC STAY
IMG FUNDING, LLC VS. 9-10-14 [169]

5. 14-25820-D-11 INTERNATIONAL MOTION FOR COMPENSATION BY THE
DMC-2 MANUFACTURING GROUP, INC. LAW OFFICE OF DIAMOND MCCARTHY,
LLP FOR CHRISTOPHER D.
SULLIVAN, SPECIAL COUNSEL
12-31-14 [381]

6. 14-25820-D-11 INTERNATIONAL CONTINUED MOTION TO COMPROMISE
FWP-16 MANUFACTURING GROUP, INC. CONTROVERSY/APPROVE SETTLEMENT
AGREEMENT WITH WANNAKUWATTE
ESTATES AND/OR MOTION FOR
SUBSTANTIVE CONSOLIDATION WITH
CERTAIN NON-DEBTOR ENTITIES AS
PART OF THE SETTLEMENT
12-3-14 [331]

Tentative ruling:

This is the Chapter 11 Trustee's Motion (I) to Approve Settlement with Wannakuwatte Estates and (II) for Substantive Consolidation with Certain Non-Debtor Entities as Part of the Settlement (the "Motion"). General Electric Capital Corporation and Zion's First National Bank have filed opposition to the substantive consolidation of specific related entities (the "Oppositions"). In addition to the Oppositions the court has numerous questions regarding the relief requested in the Motion. Thus, the court intends to use this hearing as a preliminary hearing/status conference. The court will hear the matter.

7. 14-25820-D-11 INTERNATIONAL MOTION TO EMPLOY CHRISTOPHER D.
FWP-17 MANUFACTURING GROUP, INC. SULLIVAN AS SPECIAL COUNSEL
AND/OR MOTION TO APPROVE A
CONTINGENCY FEE AGREEMENT
12-19-14 [356]
8. 14-25820-D-11 INTERNATIONAL MOTION FOR RELIEF FROM
KO-1 MANUFACTURING GROUP, INC. AUTOMATIC STAY
COMMUNITY 1ST BANK VS. 12-22-14 [363]

Tentative Ruling:

This is the motion of Community 1st Bank (the "Movant") seeking relief from stay on the real property commonly described as 1370 Furneaux Road, Olivehurst, California (the "Property"). The Movant asserts that there is no equity in the Property and that the Property is not necessary for an effective reorganization. Accordingly, the Movant asserts relief from stay is required pursuant to Bankruptcy Code ("Code") § 362(d)(2). The Chapter 11 trustee has filed opposition asserting, (1) that relief from stay is premature at this time based on the background of this case; and (2) that the estate may have a claim against Movant. Pursuant to Code § 362(g) the Movant has the burden of proof to demonstrate that there is no equity in the Property and the trustee has the burden of proof on all other issues.

The only evidence before the court regarding the value of the Property is the declaration of Movant's appraiser who values the Property at \$3,900,000. The court finds that the appraisal is credible and for the purpose of this motion values the Property at \$3,900,000. As the record demonstrates that the Movant is owed in excess of \$4,186,000, the court finds that there is no equity in the Property.

Based on the above it is the trustee's burden to demonstrate, by a preponderance of the evidence, that the Property is necessary for an effective reorganization. The Property is necessary for an effective reorganization for purposes of Code § 362(d)(2) if "the property is essential for an effective reorganization that is in prospect. This means that there must be a reasonable possibility for a successful reorganization within a reasonable time." United Savings Association v. Timbers of Inwood Forest, 484 U.S. 365 (1988). No plan has been filed, and the trustee has not even suggested that the Property is necessary for an effective reorganization. Accordingly, the court finds that the trustee has not met her burden to demonstrate that the Property is necessary for an effective reorganization. Thus, relief from stay is required pursuant to Code § 362(d)(2).

The court will hear the matter.

9. 14-25820-D-11 INTERNATIONAL CONTINUED MOTION FOR ORDER
KO-2 MANUFACTURING GROUP, INC. EXCUSING COMPLIANCE WITH 11
U.S.C. § 543 TURNOVER
REQUIREMENT
1-6-15 [389]

Tentative ruling:

This is the motion of Community 1st Bank ("Movant") requesting an order excusing compliance with turnover pursuant to Bankruptcy Code § 543. As a result of a State Court action filed by the Movant, a receiver is in possession of, and administering, the real property commonly described as 1370 Furneaux Road, Olivehurst, California (the "Property"). The Movant has filed motions for relief from stay in this case and the related cases regarding the Property that are on today's calendar (Item Nos. 2, 8, 13, & 17). The court has issued tentative rulings on those relief from stay motions wherein it indicates it intends to grant relief from stay. Assuming the court adopts the tentatives and grants relief from stay, the court will also grant this motion and excuse the State Court receiver from turning over the Property. The court will hear the matter.

10. 14-25820-D-11 INTERNATIONAL CONTINUED MOTION FOR RELIEF
WFH-1 MANUFACTURING GROUP, INC. FROM AUTOMATIC STAY
IMG FUNDING, LLC VS. 9-10-14 [224]

11. 14-27645-D-7 BETSY WANNAKUWATTE CONTINUED MOTION FOR APPROVAL
DNL-2 OF INTER-ESTATE AGREEMENT
12-3-14 [102]

See tentative ruling at item no. 1 above.

12. 14-27645-D-7 BETSY WANNAKUWATTE CONTINUED MOTION TO EXTEND
DNL-4 DEADLINE TO FILE A COMPLAINT
OBJECTING TO DISCHARGE OF THE
DEBTOR
11-19-14 [92]

Tentative ruling:

The court's records indicate that no timely opposition has been filed and the relief requested in the motion to extend deadline to file a complaint objecting to discharge of the debtor is supported by the record. As such the court will grant the motion by minute order. The court will hear the matter.

13. 14-27645-D-7 BETSY WANNAKUWATTE
KO-1
COMMUNITY 1ST BANK VS.

CONTINUED MOTION FOR RELIEF
FROM AUTOMATIC STAY
11-19-14 [75]

See tentative ruling at item no. 8 above.

14. 14-27645-D-7 BETSY WANNAKUWATTE
KO-2

CONTINUED MOTION FOR ORDER
EXCUSING COMPLIANCE WITH 11
U.S.C SECTION 543 TURNOVER
REQUIREMENT
1-6-15 [126]

See tentative ruling at item no. 9 above.

15. 14-25678-D-7 SARAH WANNAKUWATTE
DNL-2

CONTINUED MOTION FOR APPROVAL
OF INTER-ESTATE AGREEMENT
12-2-14 [54]

See tentative ruling at item no. 1 above.

16. 14-25678-D-7 SARAH WANNAKUWATTE
DNL-3

CONTINUED MOTION TO EXTEND
DEADLINE TO FILE A COMPLAINT
OBJECTING TO DISCHARGE OF THE
DEBTOR
11-19-14 [50]

17. 14-25678-D-7 SARAH WANNAKUWATTE
KO-1
COMMUNITY 1ST BANK VS.

CONTINUED MOTION FOR RELIEF
FROM AUTOMATIC STAY
12-22-14 [72]

See tentative ruling at item no. 8 above.

18. 14-25678-D-7 SARAH WANNAKUWATTE
KO-2

CONTINUED MOTION FOR ORDER
EXCUSING COMPLIANCE WITH 11
U.S.C. § 543 TURNOVER
REQUIREMENT
1-6-15 [85]

See tentative ruling at item no. 9 above.