

UNITED STATES BANKRUPTCY COURT

Eastern District of California

Honorable Ronald H. Sargis

Bankruptcy Judge
Sacramento, California

March 27, 2025 at 11:30 a.m.

1. [24-24147-E-11](#)
[CAE-1](#)

RAYANI HOLDINGS, LLC

**CONTINUED STATUS CONFERENCE RE:
VOLUNTARY PETITION
9-17-24 [1]**

Items 1 thru 2

Debtor's Atty: Stephen M. Reynolds

Notes:

Continued from 3/5/25 to be conducted in conjunction with the hearing on the Motion to Approve Disclosure Statement.

Operating Reports filed: 3/12/25

The Status Conference is XXXXXXX

MARCH 27, 2025 STATUS CONFERENCE

At the Status Conference, **XXXXXXX**

U.S. Trustee Motion to Dismiss or Convert Case

On January 30, 2025, the U.S. Trustee filed a Motion to Dismiss or Convert this Bankruptcy Case. Dckt. 54. At the March 27, 2025 hearing, **XXXXXXX**

MARCH 5, 2025 STATUS CONFERENCE

The Debtor in Possession filed an updated Status Report on February 19, 2025. Dckt. 64. At the Status Conference, counsel for the Debtor in Possession reported that the property is being actively marketed. The court has authorized the employer of the broker by Debtor. Order; Dckt. 29.

The Status Conference is continued to 11:30 a.m. on March 27, 2025 (Specially Set Day and Time), to be conducted in conjunction with the hearing on the Motion to Approve Disclosure Statement.

NOVEMBER 13, 2024 STATUS CONFERENCE

March 27, 2025 at 11:30 a.m.

On October 30, 2024, the Debtor in Possession filed a Status Report. Dckt. 31. The Debtor in Possession notes that this is a single asset real estate case. The real property is located in Lincoln, California. When the Debtor purchased the Property, the seller was paid \$1,000,000 cash and a \$4,500,000 note secured by the Property.

The Debtor obtained a tentative map to divide the two parcels into six parcels. The Debtor in Possession is now actively marketing the Property for sale, with the court having authorized the employment of the real estate broker. Order; Dckt. 29.

At the Status Conference, counsel for the Debtor in Possession reported that the Property is being actively marketed. For a Plan, it will be for the prompt liquidation of the Property of the Bankruptcy Estate.

Counsel for Rayani Holdings, LLC noted that if the Debtor in Possession is actively working to sell the property, that is good news.

The Status Conference is continued to 2:00 p.m. on March 5, 2025

Tentative Ruling: Oral argument may be presented by the parties at the scheduled hearing, where the parties shall address the issues identified in this tentative ruling and such other issues as are necessary and appropriate to the court's resolution of the matter.

Local Rule 9014-1(f)(1) Motion—Hearing Required.

Sufficient Notice not Provided. The Proof of Service states that the Motion and supporting pleadings were served on all creditors and parties in interest on December 23, 2024. By the court's calculation, 31 days' notice was provided. 42 days' notice is required. FED. R. BANKR. P. 2002(b) (requiring twenty-eight days' notice); LOCAL BANKR. R. 9014-1(f)(1)(B) (requiring fourteen days' notice for written opposition). Movant is 11 days late of the required notice period. The hearing being continued, the service issue is resolved.

The Motion to Approve Disclosure Statement has been set for hearing on the notice required by Local Bankruptcy Rule 9014-1(f)(1). Failure of the respondent and other parties in interest to file written opposition at least fourteen days prior to the hearing as required by Local Bankruptcy Rule 9014-1(f)(1)(B) is considered to be the equivalent of a statement of nonopposition. *Cf. Ghazali v. Moran*, 46 F.3d 52, 53 (9th Cir. 1995) (upholding a court ruling based upon a local rule construing a party's failure to file opposition as consent to grant a motion). The defaults of the non-responding parties and other parties in interest are entered.

The Motion to Approve Disclosure Statement is XXXXXXX.

March 27, 2025 Hearing

The court continued the hearing on approving the Disclosure Statement to permit further negotiations over the Plan terms. A review of the Docket on March 25, 2025 reveals Debtor in Possession has not filed any new pleadings related to the Disclosure Statement.

At the hearing, XXXXXXX

REVIEW OF THE DISCLOSURE STATEMENT

Case filed: September 17, 2024

Background: Rayani Holdings, LLC ("Debtor in Possession") is a California Limited Liability Company first organized in June 2023. Debtor was organized to purchase and develop certain real property located in Lincoln, California (APN 021-274-054-000 and 021-274-057-000 hereinafter "Property") which is

approximately 8.85 acres. Debtor has obtained a tentative map splitting the two parcels into six, progress toward a final map is being made. The Property is well located and in the path of development. Debtor has employed an experienced commercial real estate broker who is actively marketing the Property. The Property is listed at \$7,700,000 and the broker is in communication with a number of qualified buyers.

The Property was purchased for \$5,500,000 in June 2023. There was a down payment of \$1,000,000 and take back financing of \$4,500,000 all due and payable in one year. The case was filed due to Debtor in Possession defaulting on monthly payments on its loan in Spring of 2024.

Disclosure Statement 3:19-4:8, Docket 43.

Creditor/Class	Treatment	
Class 1: JAS Land Fund 1, LLC	Claim Amount	XXXXXXX
	Impairment	Yes
	The secured claim of JAS Land Fund 1, LLC ("Creditor") is a first priority deed of trust secured by the Property APN 021-274-054-000 and 021-274-057-000 Lincoln, California. It shall be paid in full upon the sale of the real property	
Class 2: General Unsecured Claims	Claim Amount	XXXXXXX
	Impairment	Yes
	The allowed general unsecured claims will be paid upon the sale of the real property. No general unsecured claims have been identified.	
Class 3: Interest of the Debtor	Claim Amount	XXXXXXX
	Impairment	Yes
	The property of the estate shall revert to the Debtor upon the Plan Effective Date.	

A. C. WILLIAMS FACTORS PRESENT

 Y Incidents that led to filing Chapter 11

 Y Description of available assets and their value

 Y Anticipated future of Debtor

 Y Source of information for D/S

 Y Disclaimer

☐Y ☐ Present condition of Debtor in Chapter 11

☐N ☐ Listing of the scheduled claims

☐Y ☐ Liquidation analysis

☐N ☐ Identity of the accountant and process used

☐Y ☐ Future management of Debtor

☐N ☐ The Plan is attached

In re A. C. Williams Co., 25 B.R. 173 (Bankr. N.D. Ohio 1982); *see also In re Metrocraft Pub. Servs., Inc.*, 39 B.R. 567 (Bankr. N.D. Ga. 1984).

OBJECTIONS

JAS Land Fund 1, LLC, Secured Creditor

Creditor is objecting to Debtor's proposed combined plan of reorganization for the following reasons:

1. The Disclosure Statement fails to provide adequate information. Specifically, the Plan omits any key details about the Plan of reorganization, fails to include deadlines, and is vague in its terms. The Plan merely states the Debtor in Possession intends to market and sell the Property, which is nothing more than wishful thinking. Opp'n 2:22-28, Docket 48.
2. The proposed Plan is not confirmable for the same reasons as above, so the court should not approve the Disclosure Statement. *Id.* at 3:18-4:6.

U.S. Trustee's Opposition

Tracy Hope Davis, the U.S. Trustee ("U.S. Trustee") filed her Opposition on January 8, 2025. Docket 50. U.S. Trustee objects on the following grounds:

1. Neither the Plan nor the Disclosure Statement appear to address the treatment of Placer County's secured claim of more than \$168,000. *Id.* at 2:4-5.
2. Neither the Plan nor the Disclosure Statement expressly address the expected timing of distributions to general unsecured creditors. The Plan states only that Class 2 general unsecured creditors "will be paid upon the sale of the real property." Further, although the Plan states that no general unsecured claims "have been identified," it appears that the IRS, the FTB, and Frayji Design Group each have modest general unsecured claims. *Id.* at 2:6-9.

3. Neither the Plan nor the Disclosure Statement address the payment of post-confirmation quarterly fees under 28 U.S.C. 1930(a)(6) or the filing of post-confirmation quarterly reports. *Id.* at 2:10-12.
4. Neither the Plan nor the Disclosure Statement address the Debtor's failure to file monthly operating reports for September 2024, October 2024, and November 2024, as required by Local Rule 2015-1. *Id.* at 2:12-14.

APPLICABLE LAW

Before a disclosure statement may be approved after notice and a hearing, the court must find that the proposed disclosure statement contains "adequate information" to solicit acceptance or rejection of a proposed plan of reorganization. 11 U.S.C. § 1125(b).

"Adequate information" means information of a kind, and in sufficient detail, so far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, that would enable a hypothetical reasonable investor typical of the holders of claims against the estate to make a decision on the proposed plan of reorganization. 11 U.S.C. § 1125(a).

Courts have developed lists of relevant factors for the determination of adequate disclosure. *E.g., In re A. C. Williams, supra.*

There is no set list of required elements to provide adequate information per se. A case may arise where previously enumerated factors are not sufficient to provide adequate information. Conversely, a case may arise where previously enumerated factors are not required to provide adequate information. *In re Metrocraft Pub. Servs., Inc.*, 39 B.R. 567 (Bank. N.D. Ga. 1984). "Adequate information" is a flexible concept that permits the degree of disclosure to be tailored to the particular situation, but there is an irreducible minimum, particularly as to how the plan will be implemented. *Official Comm. of Unsecured Creditors v. Michelson*, 141 B.R. 715, 718–19 (Bankr. E.D. Cal. 1992).

The court should determine what factors are relevant and required in light of the facts and circumstances surrounding each particular case. *In re East Redley Corp.*, 16 B.R. 429 (Bankr. E.D. Pa. 1982).

The court begins its analysis with the statutory requirements of 11 U.S.C. § 1125 for a disclosure statement. Solicitation of an acceptance or rejection of a plan may be made with a written disclosure statement which was approved by the court. The disclosure statement must provide "adequate information." The term "adequate information" is defined in 11 U.S.C. § 1125(a)(1) to be,

(1) "adequate information" means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court

shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information;...

Determination of whether there is “adequate information” is a subjective determination made by the bankruptcy court on a case by case basis. *In re Texas Extrusion Corp.*, 844 F.2d 1142 (5th Cir. 1988), *cert. denied* 488 U.S. 926 (1988). Non-bankruptcy rules and regulations concerning disclosures do not govern the determination of whether a disclosure statement provides adequate information. 11 U.S.C. § 1125(d); *Yell Forestry Products, Inc. v. First State Bank*, 853 F.2d 582 (8th Cir. 1988).

DISCUSSION

The court finds that adequate information has not been provided in this case. The Disclosure Statement and Plan state that there are no general unsecured claims identified. However, The claims registry reveals three have been filed to date. POCs 1-1, 2-1, and 4-1. Moreover, the Disclosure Statement and Plan entirely neglect to provide for the secured claim of Placer County in the amount of \$168,366.25. POC 3-1.

The Disclosure Statement states as the means for implementing the Plan:

Debtor shall continue to actively market the real property of the estate. Management is also pursuing finalization of the existing tentative map that will allow the sale of separate parcels. Management reserves the right to obtain new financing or equity that will pay the claims in this case.

Disclosure Statement 9:16-21, Docket 43.

This statement fails to provide interested parties with any time line on progress or details surrounding the sale. It appears the Plan is going to be a liquidation plan, but that also there may be a refinancing to pay creditors in the future. The Disclosure Statement is vague and does not provide adequate information.

Moreover, Debtor in Possession has not timely filed monthly operating reports for September, October, and November of 2024.

At the hearing, the parties requested that the hearing be continued to allow for further negotiations over the Plan terms.

The hearing is continued to 11:30 a.m. on March 27, 2025.

The court shall issue an order substantially in the following form holding that:

Findings of Fact and Conclusions of Law are stated in the Civil Minutes for the hearing.

The Motion to Approve Disclosure Statement filed by Rayani Holdings, LLC (“Debtor in Possession”), having been presented to the court, and upon review of the pleadings, evidence, arguments of counsel, and good cause appearing,

IT IS ORDERED that Motion to Approve Disclosure Statement is
XXXXXXX.