

**UNITED STATES BANKRUPTCY COURT**

Eastern District of California

**Honorable Ronald H. Sargis**

**Chief Bankruptcy Judge**

**Modesto, California**

**June 16, 2022 at 11:00 a.m.**

---

1. [22-90128-E-12](#) JEA2, LLC  
CAE-1

**STATUS CONFERENCE RE:  
VOLUNTARY PETITION  
4-19-22 [1]**

Debtor's Atty: Stephen Reynolds

Notes:

[RLC-1] Application to Approve Employment of Attorney filed 5/12/22 [Dckt 20]; Order granting filed 5/13/22 [Dckt 22]

Trustee Report at 341 Meeting lodged 5/18/22

Trustee Report at 341 Meeting lodged 6/8/22

<b>The Status Conference is continued to 2:00 p.m. on <span style="color: red;">xxxxxxx</span> , 2022.</b>
--

**JUNE 16, 2022 STATUS CONFERENCE**

This Voluntary Chapter 12 Case was commenced on April 19, 2022. The Schedules (Dckt. 15) include the following information. Debtor's personal property consisted as of the filing of \$2,100 in cash accounts and \$35,000 in crops. Debtor has no farming or office equipment or tools. Debtor does own real property stated to have a value of \$15,459,000.

On Schedule D, the secured debt encumbering the real property is stated to be (\$8,922,789) owed to SBN V Ag I, LLC and (\$102,949) in property taxes owed to Stanislaus County for tax years 2017, 2018, 2019, 2020, and 2021. On Schedule E/F, the only unsecured claim listed is in the amount of (\$180,141) owed to the West Stanislaus Irrigation District.

On June 9, 2022, the Debtor in Possession (misidentified as the "Debtor" and not the debtor in possession exercising the rights, power, and fiduciary duties of a bankruptcy trustee), filed a Status Conference Report (Dckt. 29), which information includes (identified by paragraph number in the Status Report):

**June 16, 2022 at 11:00 a.m.**

**Page 1 of 5**

1. “Debtor” is not using cash collateral.
4. No claims objections are anticipated.
10. “Debtor” intends to file a Chapter 12 Plan no later than July 18, 2022.

The Responsible Representative of the Debtor in Possession provides his testimony under penalty of perjury in his Declaration (Dckt. 30) filed with the Status Report, which includes the following (identified by paragraph number in the Declaration):

¶ 2. Jeffery Arambel is the sole member and managing member of the Debtor. He states that all business of the Debtor, and now the business of the Bankruptcy Estate in this case, is conducted by Mr. Arambel. Mr. Arambel continues, providing his legal opinion that the limited liability company debtor “considered as a corporation for purposes of the Bankruptcy Code.

¶ 2.(i). The Debtor’s assets consisted on 155 acres of flat crop land, firewood to be harvested, and a small amount of cash.

Second ¶ 1. Mr. Arambel either performs or supervises the actual cultivation, husbandry, and harvesting as required.

¶ 3. Debtor’s, and now the Bankruptcy Estate’s, only source of income is farming. The Debtor’s farm income “has been very limited since I [Jeffery Arambel] filed by Chapter 11 case.”

### **Chapter 12 Trustee Status Report**

On June 13, 2022, Michael Meyer, the Chapter 12 Trustee filed his Status Report. Dckt. 31.

At the Status conference, **XXXXXXX**

# FINAL RULINGS

2. [19-90461](#)-E-7      LORRAINE ESCOBAR      CONTINUED STATUS CONFERENCE RE:  
[19-9014](#)      Nicholas Wajda      AMENDED COMPLAINT  
CAE-1      9-30-19 [\[25\]](#)

**REYES V. ESCOBAR**

**Final Ruling:** No appearance at the June 16, 2022 Status Conference is required.

-----  
Plaintiff's Atty: *Pro Se*  
Defendant's Atty: *Pro Se*

Adv. Filed: 8/12/19  
Answer: 9/4/19  
Amd. Answer: 9/6/19  
Amd. Cmplt Filed: 9/30/19  
Answer: none

Nature of Action:  
Objection/revocation of discharge  
Dischargeability - false pretenses, false representation, actual fraud  
Dischargeability - fraud as fiduciary, embezzlement, larceny  
Dischargeability - willful and malicious injury

Notes:  
Continued from 12/2/21. Without prejudice to either party seeking relief as is appropriate after the entry of a final judgment or other adjudication in the Los Angeles County State Court Action.

<b>The Status Conference is continued to 2:00 p.m. on November 10, 2022.</b>
--

## JUNE 16, 2022 STATUS CONFERENCE

On June 13, 2022, Plaintiff Emilio Reyes filed an updated Status Conference Statement. Dckt. 83. The Statement includes the following information (identified by page and line number in the Statement):

- p. 2:1-3. On June 4, 2021, the State Court granted Defendant-Debtor's special motion to strike.
- p. 2:5-11. On June 18, 2021, Plaintiff filed a Notice of Appeal of the order granting Defendant-Debtor's special motion to strike in the State Court Action. The parties have completed the briefing for the District Court of Appeal.

- p. 2:12-15. On May 24, 2022, the District Court of Appeal notified the Parties that oral argument should occur within six months of the May 24, 2022 completion of the briefing for that appeal. No date has been set for the oral argument on the Appeal.
- p. 2:18-19. Plaintiff asserts that new damages have been incurred by Plaintiff which he intends to enforce in the State Court Action.

In light of the pending appeal, the court continues the Status Conference, the attendance of the Parties not required.

#### **DECEMBER 2, 2021 STATUS CONFERENCE**

On June 7, 2021, *pro se* Defendant Lorraine Escobar filed a pleading to which is attached what is identified as a ruling, which is identified as a minute order, in the State Court Action dismissing the Plaintiff Emilio Reyes' six causes of action in the State Court Action. It states that leave to amend is given for the first five causes of action. Dckt. 71.

On June 21, 2021, *pro se* Plaintiff filed a pleading that the "untimely" motion to strike filed by Defendant in the State Court Action was granted. Dckt. 74. Plaintiff states that he has appealed that order and that the appeal will take two years.

Nothing further has been filed concerning the status of the appeal.

At the Status Conference, the Plaintiff reported that the complaint may be amended and prosecution of the appeal may not be necessary.

#### **DECEMBER 17, 2020 STATUS CONFERENCE**

The court has stayed this Adversary Proceeding to allow the parties to diligently prosecute their state court action in the Superior Court, Los Angeles County. Order, Dckt. 50.

On December 7, 2020, Plaintiff Emilio Reyes filed his Status Report to update the court regarding the state court proceedings. Dckt. 64. Plaintiff states that he has requested the entry of a default judgment in the state court action in October 2020, but does not tell the court that it has been entered.

On December 7, 2020, Defendant Lorraine Escobar filed her Objection to Plaintiff's Statement dated December 2, 2020 (which is the one stated above filed on December 7, 2020). Dckt. 65. Defendant takes exception to what Plaintiff stated and requests that Defendant be instructed to file the next status report.

Defendant-Debtor states there have been delays in the state court litigation due to events beyond her control. Defendant-Debtor states that there is a hearing pending on her motion to vacate the default in the state court action.

Plaintiff filed on December 14, 2020, a Motion to Continue the Status Conference. Dckt. 66. Plaintiff states that due to serious health issues, he has an appointment at 4:30 p.m. on the same afternoon as the December 17, 2020 Status Conference. He requests that the this matter be heard at the start of the calendar or be continued to another day.

In light of the December 17, 2020 Status Conference being nothing more than setting a follow up date for next year concerning the status of the Los Angeles litigation, the court took this matter up first on the calendar.

At the Status Conference the court addressed with the parties that at this juncture the only issues for this court are the status of the Los Angeles litigation. That does not include who did what to whom, or why the other person is acting badly.

## **DECEMBER 19, 2019 STATUS CONFERENCE**

On December 19, 2019, the court conducted the continued hearing on the request of the Defendant-Debtor to dismiss her bankruptcy case and Order to Show Cause why this Adversary Proceeding should not be dismissed.

In connection with the Order to Show Cause, Plaintiff stated on the record that he was dismissing his causes of action objecting to discharge pursuant to 11 U.S.C. § 727 and was instead proceeding only for his claims that the state court judgment, once obtained, will be determined nondischargeable pursuant to 11 U.S.C. § 523.

The court, pursuant to the Order to Show Cause has dismissed the § 727 claims and the Clerk of the Court will enter Debtor's discharge. The court will also stay this Adversary Proceeding to allow the Plaintiff and Defendant-Debtor to litigate the State Court Action (in which Defendant-Debtor is represented by counsel) to a final judgment (including all appeals).

Plaintiff confirmed at the hearing on this Motion and the Order to Show Cause that he concurs with these proceedings being stayed and the Plaintiff and Defendant-Debtor put all of their efforts into the State Court litigation. Then, when a final judgment is obtained, if it is in favor of the Plaintiff, he can bring back to this court for the application of the Doctrine of *Res Judicata*/Collateral Estoppel, and prosecute his § 523 nondischargeability claims. If Defendant-Debtor prevails and nothing is owed, she can have this Adversary Proceeding dismissed.

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 Status Conference having been conducted by the court, the appeal of the order granting Defendant-Debtor's Motion to Strike in the State Court Action now pending before the District Court of Appeal,, and upon review of the pleadings, evidence, arguments of counsel, and good cause appearing,

**IT IS ORDERED** that the Status Conference is continued to **2:00 p.m. on November 10, 2022**. This is without prejudice to either party seeking relief as is appropriate after the entry of a final judgment or other adjudication in the Los Angeles County State Court Action.