

1 **WRITTEN DECISION - NOT FOR PUBLICATION**

2
3
4
5
6
7

ENTERED <u>7-22-11</u> FILED
JUL 22 2011
CLERK, U.S. BANKRUPTCY COURT SOUTHERN DISTRICT OF CALIFORNIA BY _____ DEPUTY

8 UNITED STATES BANKRUPTCY COURT
9 SOUTHERN DISTRICT OF CALIFORNIA

10
11 In re) Case No. 10-00046-PB11
12)
12 SARGENT RANCH, LLC,) ORDER ON OSC
13 A CALIFORNIA LIMITED COMPANY,) RE: CONVERSION
14 Debtor.)
14 _____)

15 This case has a tortured history of groups of investors,
16 fractured by distrust, claims of priority, and the like. A
17 snapshot of the proceedings is set out in the Court's Order on
18 Trustee's Borrowing Motion. In that Order, the Court set for
19 hearing its own Order to Show Cause re: Conversion to Chapter 7.

20 The Chapter 11 trustee responded to the OSC, setting out
21 that it had received an offer of \$10,000,000 for the property,
22 plus a 30% stake in the purchaser which, if development of the
23 project was successful, might produce distributions up to
24 \$77,000,000. Further, the proposed sale would include an
25 overbid auction, with the initial overbid of \$900,000, and with
26 a breakup fee of \$500,000 plus actual expenses up to \$300,000.

1 The trustee's proposal drew opposition, both in writing and at
2 the hearing.

3 The investors/creditors of this case hold fractional
4 security interests in first, second, and third priority trust
5 deeds on the subject property. It has been argued without
6 controversion that the first tier interest holders hold claims
7 in excess of \$100,000,000. Thus, even under the most optimistic
8 view of the proposal communicated through the trustee, even the
9 first tier interest holders would not be paid in full, and the
10 second and third tier holders would be completely out of the
11 money. They seem to know that, which supports an inference why
12 they have not stepped up to even fund a study of what the
13 property might be worth to see if there is anything in it for
14 them.

15 The trustee and his professionals have done a most
16 impressive job with little time and no resources. However, the
17 Court has already determined this is a single asset real estate
18 case, and it has been pending over one and one-half years. The
19 case has been through Mr. Pierce as manager, then the Watley
20 Group, and then a Chapter 11 trustee. There does not appear to
21 be a solution in the bankruptcy arena for this property and these
22 parties.

23 ///

24 ///

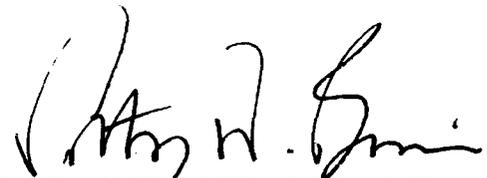
25 ///

26 ///

1 For all the foregoing reasons, including those set out by
2 the Court in its earlier rulings, and despite the valiant efforts
3 of the trustee and his professionals, the Court finds and
4 concludes that this case should be, and hereby is converted to
5 one under Chapter 7.

6 IT IS SO ORDERED.

7 DATED: JUL 22 2011

8 

9 PETER W. BOWIE, Chief Judge
10 United States Bankruptcy Court

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26