

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA**

Minute Entry

Hearing Information:

Debtor: CONTINENTAL COUNTRY CLUB, INC.
Case Number: 3:21-BK-00956-EPB **Chapter:** 11
Date / Time / Room: THURSDAY, MAY 12, 2022 10:00 AM TELEPHONIC HRGS
Bankruptcy Judge: EDDWARD P. BALLINGER JR.
Courtroom Clerk: DAWN SAUCIER
Reporter / ECR: WESLEY STANGRET

Matter:

AMENDED CHAPTER 11 PLAN AND DISCLOSURE STATEMENT
R / M #: 317 / 0

Appearances:

SCOTT B. COHEN, ATTORNEY FOR CONTINENTAL COUNTRY CLUB, INC.
BRADLEY DAVID PACK, ATTORNEY FOR CONTINENTAL COUNTRY CLUB,
INC.
PATRICK A. CLISHAM, ATTORNEY FOR CONTINENTAL COUNTRY CLUB,
INC.
WARREN STAPLETON, ATTORNEY FOR LAKESIDE LEGIONNAIRES
LARRY WATSON, ATTORNEY FOR UNITED STATES TRUSTEE
ALISSA CASTANEDA, ATTORNEY FOR SUNWEST BANK

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Proceedings:

The Court expresses its disappointment that settlement discussions have not progressed.

Mr. Clisham indicates that the parties disagree on what can be done, how much it will cost, and how much the homeowners will be willing to pay. He indicates there are basically two options under the plan: A) The debtor turns over the property as-is plus a cash payment; or B) the the parties approve a plan design that includes a water feature.

The Court suggests that the parties come to an agreement on a supplement that will allow the plan to go forward. Otherwise, it will be left up to the Court to decide what happens and the only option may be liquidation. The Court asks the parties to focus today on the disclosure issues and not the confirmation issues.

Mr. Stapleton argues that the deed requires a water recreation area. It is not clear if the debtor even agrees that a water recreation area is required. At this point, all that is being offered by the debtor is an artist's conception of a water feature that may or may not include a pumping system and connecting channels. He asks that the disclosure statement detail the design, location, construction timeline, and budget of the proposed water recreation area.

Mr. Clisham confirms for the Court that the details of the water feature are still not finalized and could change based on the engineers' final recommendations. He believes that the debtor will have complied with the plan as long as the final result is a series of ponds connected by streams with a pumping system similar to what is depicted in the artist renderings. He estimates it will take 12 to 18 months to complete the construction.

The Court expresses its concern that a lack of specific details for Option B on which the parties can agree will lead to future litigation between the parties.

Mr. Stapleton indicates that Option A is out, but no vote can be taken on Option B without specific pricing and design details on the water features and pumping system. He addresses how the debtor's various proposals will impact

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the voting classes, valuation, and deed restriction, and he believes this is both a confirmation issue and a disclosure issue. In particular, he asks whether in a Chapter 7 liquidation the property could be sold by the trustee free of the deed restriction. Mr. Stapleton states that his client's primary concern is the design.

Mr. Clisham confirms for the Court that, with respect to the disclosure, the debtor's position is that the sale of tract D would be subject to the deed restriction. Mr. Clisham indicates that the budget includes approximately \$115,000.00 for the design. His concern is having to incur that expense prior to plan confirmation and prior to a vote by the homeowners.

The Court emphasizes the need to know the details of the plan at confirmation to avoid future litigation over the final results and needs to know what it is being asked to approve.

Mr. Clisham agrees that the design should be completed by the time of confirmation hearing. He indicates that it will take a few months to complete the process because of the 30-day notice period, the need for town hall meetings, the seasonal status of many of the residents, and the upcoming Memorial Day holiday. The debtor's plan is to have a solicitation, vote, and meeting completed by the end of July. However, if there is not a quorum at the first meeting, the meeting may have to be rescheduled. Mr. Clisham requests that an initial confirmation hearing be scheduled for the first week of August.

The Court inquires of Mr. Stapleton if he is comfortable approving the disclosure statement subject to the proviso that there will be a supplement to Option B.

Mr. Stapleton asks the Court for 10 days after the design is submitted for the homeowners to review it and cast their vote.

The Court confirms with the parties that the disclosure statement will be approved subject to the following: 1) Mr. Stapleton's client will have the opportunity to provide a supplement to the report; 2) the debtor will provide a

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more detailed design for Option B; and 3) Mr. Stapleton's client will have 10 days after receipt of the design detail to vote on the plan.

Mr. Stapleton indicates that he will have the supplement prepared by Thursday, May 19.

The Court inquires of Mr. Clisham as to the chance that the voting process will be delayed because of a lack of a quorum.

Mr. Clisham indicates that even if a quorum is not reached at the debtor's first meeting, the bylaws permit a second meeting with a lower quorum to be set within 30 days. By the time of the initial confirmation hearing, Mr. Clisham at least will be in a position to update the court on the status of the first vote. If necessary, he will request a 30-day continuance.

COURT: IT IS ORDERED setting an initial confirmation hearing for August 4, 2022, at 10:00 a.m.