

# StorageTek filing unusual

## High-tech firm in Chapter 11 despite assets

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Storage Technology Corp., debtor, 84B5377G.

Filed: 7:29 a.m. on Oct. 31, 1984: The case in U.S. Bankruptcy Court, District of Colorado, was unusual from the start.



Dolores Kopel

than 30 minutes early. They needed in-

Attorneys from three prestigious law firms — in Boston, Los Angeles and Denver — made special arrangements overnight for Bankruptcy Clerk Brad Bolton to open his offices at 1845 Sherman St. more

When they paid the \$200 filing fee on the fourth floor of the Columbine Building, just north of the Colorado Capitol, the law provided an instant stay — almost unlimited prohibition against any individual or corporation from filing any action against StorageTek or proceeding in any pending action that might dispose of the debtor's property.

In quick succession, the lawyers paid \$200 more for each of StorageTek's three wholly owned subsidiaries that were filing similar petitions for business reorganization under the Chapter 11 provision of the U.S. Bankruptcy Code. They are Documentation Inc.; Technology de Puerto Rico Inc.; and Storage Technology Finance Corp., all with the same address — 2270 S. 88th St., Louisville.

By drawing among the four bankruptcy judges, all of the cases were assigned to Judge Jay Gueck (the "G" at the end

of the case number above). But before Gueck can dispose of the case, several steps will be quarterbacked by U.S. Trustee Dolores Kopel and her staff.

StorageTek lawyers complied only with the minimum filing requirements for each of the four corporations on Wednesday. But the filing still was voluminous, especially a 1,296-page "Exhibit B" that listed the names and addresses of 16,840 vendor accounts. The company will

have 15 days to identify the creditors among those accounts.

Kopel, in supervising all bankruptcy cases as a Justice Department watchdog, notified StorageTek on Wednesday that as a new entity — debtor-in-possession — it must avoid incurring new debt that would be to the detriment of old creditors. Also, StorageTek can't pay any previous debts without court approval.

A brief "Exhibit A" listed total assets and liabilities for each company:

- ✓ StorageTek — Assets \$1,105,088,000; liabilities, \$694,479,000.
- ✓ Documentation — Assets \$118,080,000; liabilities, \$63,972,000.
- ✓ Storage Technology de Puerto Rico — Assets \$90,434,000; liabilities, \$15,506,000.
- ✓ Storage Technology Finance — As-

Please see BANKRUPT on 4-D

# StorageTek filing only first step in Chapter 11

## BANKRUPT from 1-D

sets \$140,194,000; liabilities, \$111,583,000.

The U.S. trustee said another unusual aspect of the filings was the excess of assets over liabilities. The opposite is usually the case.

Other filings included a listing of 29 other U.S. corporations in which StorageTek is more than 20 percent owner, plus 19 foreign corporations with similar StorageTek ownership. Another filing listed the 20 largest creditors with "unsecured" — no collateral — claims.

From that last document, U.S. Trustee Kopel will select representatives from about 10 of the large claimants to make up the Creditors Committee — "as soon as practicable, probably within a week."

The committee will meet in Denver, with Kopel presiding until members elect their own chairman. The committee will investigate the debtor's activities and assist in formulating a business reorganization plan that the court will approve.

Also, the committee can file motions seeking appointment of a StorageTek trustee or an examiner, or it can ask for conversion of the Chapter 11 case to a Chapter 7 liquidation, or for dismissal of the case. Kopel or any creditor also could seek those remedies.

After the early-morning filing, a StorageTek attorney, Paul P. Daley of the Boston law firm of Hale & Dorr, made a customary call on the U.S. trustee to summarize the case and get Colorado financial reporting forms. He told Kopel that StorageTek had sufficient funds to make the next payroll.

"Ordinarily, liquidity is a problem in Chapter 11 debtors," Kopel noted.

Within 15 days, StorageTek must file a "Schedule A" that lists all creditors and amount of debts; a "Schedule B" that discloses all assets including personal property and real estate; and a detailed statement of the background and financial affairs of the business.

Once those documents are received, Kopel will set a so-called "341 Meeting" — a session at which all creditors will have a chance to interrogate StorageTek officers.

Since at least 20 days' notice to all creditors is required, it is unlikely that this meeting of creditors will take place before early January. Kopel said an appropriate Denver location will be chosen for what she described as the "largest bankruptcy case filed in Colorado."

At that time, the debtor must explain to the creditors what it hopes

to accomplish by the Chapter 11 proceeding. For 120 days from Wednesday, StorageTek has the exclusive right to file a plan of reorganization. Kopel said it is unlikely this deadline will be met, and the debtor may seek extensions. Once the exclusive right expires, any creditor may submit a plan.

"You can't apply the clichés in this case," said Kopel. "Ordinarily, there is no plan ready in 120 days because the debts are much higher than the assets. That's not the case here."

Before a plan — with all its legalese — is presented to a vote of creditors, a "disclosure statement" — in plain English — must be filed, and notice of its filing in the clerk's office must be given all creditors. Objections may be made up to 10 days before a "disclosure hearing."

If the disclosure statement is approved by the court, a copy of the plan and a ballot are sent to creditors. Approval of the plan constitutes a new contract between the debtor and its creditors.

"There are a multitude of possibilities in arriving at a plan — anything within the imagination of tax, securities, bankruptcy and corporation lawyers," said Kopel.

The first item that Judge Gueck is expected to consider — and ap-

prove — is StorageTek's choice of lawyers. One of the three firms representing StorageTek — Stulman, Treister & Glatt of Los Angeles — filed its statement of fees Wednesday and said that in the past year, it has received \$500,000 from the Louisville company. The Boston firm, Hale & Dorr, and the Denver firm, Robinson, Water, O'Doristo & Rapson, must file their fee statements within 15 days.