

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
LAREDO DIVISION

IN RE:	§	
	§	
WLH INVESTMENTS, LTD.	§	CASE NUMBER 10-50167-11
	§	(Chapter 11)
	§	
Debtor.	§	

DEBTOR'S COMBINED PLAN AND DISCLOSURE STATEMENT

On July 6, 2010, WLH Investments, LTD, (the "Company") filed a voluntary petition for reorganization under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, Laredo Division.

After the filing of the Bankruptcy petition, the Company was authorized to continue in business under the protection of the Bankruptcy Code and to attempt to work out an arrangement with Creditors on a plan for payment of its debt. This document explains how the Company proposes to pay Creditors and remain in business. If the Bankruptcy Court approves this plan, Creditors rights to collect their debt will be limited by federal law (the Bankruptcy Code). If the plan is approved, Creditors will only be allowed to collect their debt from the Company as provided in this document.

The Bankruptcy Court held a status hearing on September 23, 2010 and entered its Memorandum and Order Following Status Conference (Docket No. 29) on September 23, 2010 which set important deadlines and settings in this case.

A copy of the court's Memorandum and Order Following Status Conference (Docket no. 29) is attached hereto as Exhibit A. This order establishes important deadlines. You should read this order carefully.

1. Why Did the Company File this Bankruptcy Case?

Debtor is in the business of owning and renting three warehouses. These warehouses are referred to by Debtor as Warehouse 1 (located at 6019 Riverside Drive), Warehouse 6 (formerly located at 6101 Gilbert Road but with a street address of also 6019 Riverside), and Warehouse No. 7 (located at 5019 Riverside Drive). Warehouses No. 6 and No. 1 share a street address of 6019 Riverside Drive, Laredo, Texas. In order to understand how these warehouses can share a common address an aerial picture of the two warehouses is attached hereto as **Exhibit B** with Warehouse 6 and Warehouse 1 marked on the picture. The SBA has a lien on Warehouse No. 6, and Compass Bank has liens on Warehouses 6 and 7. The lien holder on Warehouse 1 is Juan Jose Carrillo.

Debtor is a partnership owned equally by William L. Hrcir and his wife Laura Hrcir. The Hrcir's also own another company called Laredo Moving & Storage, Inc., ("LMS"). LMS was the principal tenant of the three warehouses owned by WLH. LMS paid sufficient rent to pay the mortgages on the warehouses. The Hrcirs had an excellent in house book keeper who helped them keep track of what entity was owed money by the other and made sure that the rents were paid. When this book keeper died and the economy went into a severe recession, LMS fell behind on the rents necessary to pay the monthly mortgages. The mortgages went into default. The Debtor's principal creditor, Compass Bank, posted Warehouses 6 and 7 for foreclosure.

2. What Has Happened Since the Bankruptcy Case Was Filed?

The Company filed an application to employ a realtor and an application to sell Warehouse No. 7. During the course of the bankruptcy Warehouse 7 was sold after notice and hearing and with the court's permission. This sale closed on October 25, 2010. The warehouse sold for \$1,805,000.00. After the payment of taxes, the mortgage lien to Compass, and normal expenses of sale, the Company netted \$289,488.97 in sales proceeds. A copy of the closing statement is attached hereto as **Exhibit C**.

Debtor has two remaining warehouse, Warehouse 6 and Warehouse 1.

Debtor has no employees, rents the warehouses on triple net leases.

The Company has also filed an application to employ an accountant to prepare monthly operating reports, tax returns, and work with it to improve its book keeping and provide it with better records of its costs and income. The Company now has a better understanding of its expenses and income.

3. How Does the Company Propose to Pay its Debts?

Through the sale of Warehouse 7 the Company reduced its indebtedness to Compass Bank by \$1,368,827.44. It also reduced its pre petition ad valorem tax debt and paid accrued 2010 ad valorem taxes on Warehouse 7 in the amount of \$89,857.89

There are \$289,488.97 in net proceeds remaining from the sale of Warehouse 7.

The Company's principal remaining assets are Warehouse 6 which has a county assessed value of \$1,690,090.00, and Warehouse 1 which has a county assessed value of \$2,091,060.00. Tax Statements showing the county assessed value for these properties are attached hereto as **Exhibit D**.

The Company plans to use the \$289,488.97 net sales proceeds from the sale of Warehouse 7 to further reduce mortgage indebtedness on Warehouse No. 6. The Compass Bank lien on Warehouse 7 was cross collateralized with the bank's other indebtedness.

The rental income on Warehouses 6 and 1 should be sufficient to service and pay the balance of the Company's debt. Warehouse 1 is rented for \$12,000.00 per month which is sufficient to service the debt owed on this property, while Warehouse No. 6 is being rented for \$17,940.00 per month.

Additionally, Mr. Willaim Hrcir, one of the owners of the Company has another business Laredo Moving & Storage, Inc., which has equipment that Mr. Hrcir is attempting to sell. Mr. Hrcir believes he can generate between \$40,000.00 from the sale of said equipment. He will apply this money to the plan.

4. Indebtedness and Assets:

Unpaid ad valorem taxes from previous years

Warehouse No. 6	Webb County	11,574.60
	City of Laredo	<u>11,760.93</u>
		23,335.53
Warehouse No. 1	UISD	34,514.90
	Webb County	18,400.77
	City of Laredo	<u>18,696.68</u>
		71,612.05

Total Unpaid ad valorem Taxes \$94,947.58

Real Estate secured loans

Asset	Creditor	PAY/OFF	County Assessed Value
Warehouse No. 6			
6019 Riverside Drive			
	Compass Bank	586,250.82	\$1,305,820.00
	SBA	148,040.00	
	Compass Bank	128,449.03	
	Compass	\$53,209.61	This indebtedness was scheduled as an unsecure debt, but Compass Bank's deed of trust liens purport to secure all other indebtedness of the Debtor to the Bank.

Warehouse No. 6 total debt: \$915,949.46

**Warehouse No. 1
6101 Riverside Drive**

Juan Jose Carrillo	959,103.60	\$2,091,000.00
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Non Real Estate

Purchase of Track Mobile De Lage Laden	\$126,676.65	Value as assessed by Debtor \$127,000.00
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Smart Car

Fifth Third Bank	\$12,456.21	Value as assessed by Debtor \$13,000.00
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5. Additional Assets:

In addition to the warehouses and properties described in paragraph 4 above, the Debtor has a 49% ownership interest in Mueller and Hrcir, LTD. This is a partnership that owns and rents two additional warehouses, and also does business as Laredo Discount Metals, a retail operation that sells structural steel. Debtor estimates that the 49% interest is worth \$1,154,955.00. Debtor has a 50% ownership interest in Mueller and Hrcir, L.L.C., this is the general partner of Mueller and Hrcir, LTD. The Debtor estimates that the 50% interest is worth \$15,661.00.

6. Cash Flow:

The Company derives its income from renting the warehouses. It receives \$12,000.00 per month from Laredo Moving & Storage, Inc. for the rental of Warehouse No. 1, and \$17,940.00 per month from Laredo Moving & Storage, Inc. for the rental of warehouse No. 6. These are triple net leases with the tenant paying all costs of operating the warehouses. Debtor has no employees, and no expenses save and except for professional fees in preparing its taxes and debt service.

A financial statement prepared for the Company by its accountant will be filed separately but as **Exhibit E** to Debtor's Combined Plan and Disclosure Statement. The Financial Statement shows the Company's income and expenses during the time that the Company has been in bankruptcy.

Exhibit F is a projected cash Flow for the Company. It shows the Company's monthly expenses under the plan will be \$23,994.42. The Company's monthly income will be \$29,940.00. The Company should be able to make its monthly plan payments with the rental income from the two warehouses.

Laredo Moving & Storage, Inc., is in the process of selling two tractor trailer trucks for a total sales price of approximately \$40,000.00. It will contribute these funds to the plan in payment of outstanding ad valorem taxes to expedite the payment of these claims.

7. Effective Date

The term “Effective Date” means the first day of the month following the expiration of ten after the Court signs an order confirming the Plan.

8. Plan: Debtor sold Warehouse No. 7 for \$1,805,000.00. Compass Banks real estate debts are cross collateralized. The ad valorem taxes for Warehouse 7 were paid from the gross proceeds of the sale, and Debtor, with the Court’s permission, used the net proceeds to pay off all of the debt owed on Warehouse 7. There is a balance of \$289,488.97 in net proceeds from the sale of Warehouse No. 7.

Debtor proposes to apply the \$289,488.97 to pay the balance of the Compass Bank debt, secured by Warehouse No. 6 over 12 years at 6% per annum and to pay this amount from monthly rentals collected on the warehouse. The balance of the monthly rental income will be used to fund the plan.

The SBA debt will be extended to a 12 year term and paid at its contractual rate of interest of 7.25 percent per annum.

Debtor will continue to pay the debt on Warehouse No. 1 from rentals and as provided in the original mortgage note.

Mr. Hrcir also plans to sell equipment owned by LMS to raise an additional \$40,000.00 to reduce and pay down faster the ad valorem tax debt.

9. Cash Collateral: Debtor is not using and has not used cash collateral of Compass Bank. LMS is paying the note to Juan J. Carrillo, the mortgagee of Warehouse No. 1 as part of its rental obligation for using Warehouse No. 1.

10. Creditors Divided into Classes.

The Bankruptcy Code requires the Company to divide creditors into classes. That is, creditors with similar legal rights are put into the same class. All creditors and the classes they are in are shown in paragraph 15 of this document.

11. Creditors Have the Right to Vote on the Plan.

After reading this plan and disclosure statement, Creditors will have the right to vote on whether the Bankruptcy Court should “confirm” this plan. Each creditor should read this combined

plan and disclosure statement carefully, discuss it with a lawyer, and then fill out the ballot that is attached. The Company will assemble the ballots and report to the Bankruptcy Judge on _____, **2010**. The Court will conduct the "Confirmation Hearing" in this case to decide whether to "Confirm" the plan on December 2, 2010 at 9:30 a.m. at the Bankruptcy Courtroom, 1300 Victoria, Laredo, Texas 78040.

12. Creditors Also Have the Right to Object to this Disclosure Statement and Creditors Have the Right to Object to the Confirmation of the Plan.

If a creditor believes that this combined plan and disclosure statement does not contain sufficient information to decide whether to vote for (or against) this plan, the Creditor may file a written objection with the Bankruptcy Court. If a creditor believes that the plan does not meet the requirements of the Bankruptcy Code, the creditor may file a written objection with the Bankruptcy Court. The deadline for objections has been set for _____, **2010**.

13. The Court May Approve this Plan and limit Creditor's Legal Rights.

The Court will consider only written objections that are timely filed and ballots that are timely filed. If no objections are filed (or if all objections are overruled by the Court) and at least one class of creditors accepts the plan, the Court may approve the plan. If the Court approves the plan, all creditors will be bound, even if a Creditor did not vote and even if a creditor voted against the plan. This means that a Creditor will not be allowed to collect its claim against Morales except as provided in the Plan.

14. How Does a Class "Accept" the Plan?

Each class is considered separately. Only the creditors who vote are counted. The Court will conclude that the class "accepts" the Plan if two requirements are met:

- (1) More than 50% of the voting creditors vote in favor of the plan; and,
- (2) Those creditors voting in favor of the plan hold at least 2/3 of the total amount of the debt that is voted.

15. Which Class are you as a Creditor in, and How Does the Company Propose to Pay the Class Under the Plan?

The following is a list of the Company's creditors and how the Company proposes to pay them under the Plan:

Class 1: **Secured Claim of U.S. Small Business Administration.** This debt is secured by the warehouse. The amount of this debt is \$148,000.00.

This debt is fully secured by the equity in warehouse 6. The SBA has the first lien on Warehouse 6.

Beginning on the Effective Date Debtor will pay a monthly amount of principal and interest sufficient to pay the total indebtedness over twelve years at an interest rate of 7.25% per annum until the debt is paid in full.

The monthly plan payment amount is: **\$1,541.80**

This class is impaired.

Class 2. **Secured Claims of Compass Bank.** Compass Bank has three claims, all of them are secured by Compass Bank's liens on Warehouse No. 7 and Warehouse No. 6. The Claims are fully secured and are as follows:

	\$586,250.82.
	\$128,449.97.
	<u>\$ 53,209.71</u>
Total compass Bank Debt:	\$767,910.50

This debt is secured by Compass Bank's lien on Warehouse No. 7, which attached to the proceeds of the sale of that building.

On the Effective Date Debtor will pay to Compass Bank the net proceeds from the sale of Warehouse 7, thereby reducing the Compass Bank Debt to \$478,421.53 (\$767,910.50 minus \$289,488.97 = \$478,421.53).

Beginning on the Effective Date Debtor will pay the \$478,421.53 balance of the Compass Bank debt by making monthly payment of in the amount of principal and interest sufficient to pay the total indebtedness over twelve years at an interest rate of 6.00% per annum until the debt is paid in full.

The monthly plan payment amount on this claim is: **\$4,668.68**

This class is impaired.

Class 3. **Secured Claim of Juan Jose Carrillo.** The amount of this claim is \$959,103.60.

The claim is fully secured by a first and only lien on Warehouse 1.

Debtor will continue to make monthly payments of principal and interest on this as originally provided in the note establishing this claim, until the claim

is paid in full. The payment will be made with the monthly rental paid on the warehouse by Laredo moving & Storage, Inc.

The monthly plan payment amount on this claim is: **\$11,861.90**

This class is not impaired.

Class 4 Secured Claims of Ad valorem taxing entities.

Pre Petition Ad valorem taxes on Warehouse No. 6.

City of Laredo	\$11,574.60
Webb County,	
Laredo Community College, and	
Webb County Road & Bridge	<u>11,760.93</u>
Total	\$23,335.53

Pre Petition Ad valorem taxes on Warehouse No. 1.

<u>Real Estate Taxes</u>	
United Independent School District Laredo	\$34,514.90
City of Laredo	\$18,400.77
Webb County,	
Laredo Community College, and	
Webb County Road & Bridge	<u>18,696.68</u>
Total	\$71,612.05

The total amount of these claims is \$94,947.58. The Company proposes to pay this amount over forty-eight (48) months, at 12% interest per annum. The taxing entities will participate pro rata in this payment. The first payment will be made on the Effective Date.

The monthly plan payment will be: **\$2,500.33**

This class is impaired.

Class 6: Secured claim on Fifth Third Bank. This is a claim for \$12,456.21 and secured by a 2009 Smart Car. The Company will continue to make regular monthly pursuant to the terms of the note.
This class is not impaired.

The monthly plan payment will be: **\$534.63**

This class is not impaired.

Class 7: **Secured claim on DeLage Landen financial Services.** This is a claim for \$127,676.64 and secured by a Track Mobile tractor to move railway cars. The Company will continue to make regular monthly pursuant to the terms of the note.

The monthly plan payment will be: **\$2,887.08**

This class is not impaired.

Class 8: **General Unsecured Claims**

There are no unsecured claims.

Class 9. The remaining class of creditor are the partners (interest holder) of the Company, Mr. William L. Hrnecir and wife, Laura Hrnecir. The partners will retain their partnership interests in the Company.

This class is not impaired.

The total amount to be paid monthly under the plan is: \$23,994.42

16. Current Ad Valorem Taxes

The current ad valorem taxes are the obligation of the tenant in each of the warehouses, Laredo Moving & Storage, Inc., and will be paid by this entity.

17. What If a Creditor Is Not Listed in Paragraph 15 above?

Paragraph 14 lists all creditors who will have an allowed claim. The proof of claim deadline is October 26, 2010. The government proof of claim deadline is _____, ___, 2010. All claims that the Company agrees to pay (or that are disputed) are listed in paragraph 9. If a claim is not listed in paragraph 15, the Company will not pay any money to that Creditor, but the Creditor's claim will nevertheless be discharged, (i.e., Even though the creditor will not be paid any money, the Creditor will not be allowed to collect any money from the Company.) If a Creditor believes that this violates its legal rights, the Creditor should contact a lawyer and file an objection with the Court.

18. Administrative Claims

The Administrative Expenses of the Chapter 11 case are to be paid in full on the Effective Date. These expenses include all the debt of the Debtor accrued post-petition. The anticipated

administrative expense holders are as follows:

Attorney's fees, estimated to be:	\$25,000.00
Accounting Fees estimated to be:	8,000.00
Court Cost & U.S. Trustee Fees:	\$ 1,000.00

19. What to Do for More Information?

Creditors should talk to a lawyer about their rights and responsibilities in this case. Creditors should have their lawyers call the lawyer for the Company. The Company's lawyer is:

Carl M. Barto
817 Guadalupe
Laredo, Texas 78040
(956) 725-7500.

If a creditor does not have a lawyer but still wants more information, that creditor can call the Company's lawyer directly. HOWEVER, REMEMBER THAT THE COMPANY'S LAWYER CANNOT GIVE CREDITORS LEGAL OR FINANCIAL ADVICE BECAUSE THE COMPANY'S LAWYER REPRESENTS THE COMPANY NOT CREDITORS.

20. How Much Does the Company Propose to Pay Creditors?

See paragraph 15 above.

21. Does the Company Have Enough Money and Earnings to Make the Payments Called for in the Plan?

Yes. See the discussion of Cash Flow in paragraph 6 herein.

22. Are there any alternatives to the plan?

There are two alternatives, liquidation or dismissal.

There is substantial equity in the remaining warehouses and other assets of the Debtor. Before this case is converted, however, the Debtor would ask the court to dismiss it. Debtor could sell or contribute these assets to more than pay all of its indebtedness in this case. However by the time all of these assets were liquidated, the debtor would be out of business. Debtor needs the warehouses to stay in business.

Dismissal would leave the Company and its creditors dealing with a multiplicity of collection efforts. Such a process, however, outside of the context of a bankruptcy case, would be long, drawn out, disorderly, and incredibly expensive in terms of litigation fees. The Debtor has the

financial ability to defend itself in state court litigation.

If the plan is confirmed everyone will be paid in full.

A liquidation analysis is attached hereto as Exhibit G.

23. Is There Any Risk That the Plan Might Not Succeed?

Yes. The Company got in trouble when its tenant quit making monthly rental payments. While the tenant and the Company have common ownership, the Company will not be able to make plan payments if the tenant defaults again. The Company relies on the payments from its tenant to make plan payments and therefore runs the risk that warehouse and freight forwarding business may decline in volume. If there is a decline in the need for these services the Company may not be able to make enough money to pay the plan. This would deprive the company of the money necessary to make its plan payments. The Debtor believes, however, that there has been increase in the freight and warehousing business in the Laredo, Webb County area in the last half of 2010.

24. Are There Any Tax Effects of this Plan?

- a. Tax effects for the company. The Company will have to pay a capital gains tax on the sale of Warehouse No. 7. The Company's accountant will calculate and provide the Company with the amount of capital gains that must be paid on this transaction. Debtor will supplement this disclosure statement when it receives this information.
- b. Creditors should consult their own tax advisors.

25. Please Vote for this Plan.

The Company asks that the Creditors vote in favor of this plan because it will allow the Company to pay all of its creditors in full and still stay in business.

REMEMBER THAT THE DEADLINE FOR BALLOTS IS _____, 2010.

Mail your ballot to:

Carl M. Barto
817 Guadalupe
Laredo, Texas 78040
(956) 725-7500.

WLH Investments, Ltd.

BY: /S/ William L. Hrncir
William L. Hrncir, Owner

/S/ CARL M. BARTO
Carl M. Barto
Attorney for WLH Investments, Ltd.

Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served by ECF or mailed to the following parties in interest by United States first class mail, postage pre-paid, this 1st day of November, 2010.

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/s/ Carl M Barto
Carl M. Barto