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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

GOD’S CHARIOTS TO THE HEAVENLY
HIGHWAY INC.,

Case No.: 16-13585 (SMB)
Chapter 11

Debtor.

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**DISCLOSURE STATEMENT, PURSUANT TO BANKRUPTCY CODE
SECTION 1125, FOR DEBTOR’S PLAN OF REORGANIZATION**

I. INTRODUCTION

God’s Chariots to the Heavenly Highway Inc., Debtor and Debtor-in-Possession (the “Debtor”), prepared this disclosure statement (the “Disclosure Statement”) pursuant to Bankruptcy Code Section 1125, in this Bankruptcy Case and in connection with the solicitation of acceptances or rejections of the Debtor’s Plan of Reorganization, dated October 12, 2018 (the “Plan”). The Plan was filed with this Court contemporaneously with the Debtor’s Disclosure Statement on October 12, 2018.

A complete copy of the Plan is annexed to this Disclosure Statement as Exhibit A.”

The purpose of this Disclosure Statement is to provide the Debtor’s Creditors and other parties adequate information to enable them to make an informed judgment about the acceptability of the Plan. This Disclosure Statement aims to give Creditors, as far as it is reasonably practicable for the Debtor to provide, that would allow a hypothetical reasonable

investor typical of the holders of Claims in classes Impaired under the Plan to make an informed judgment about whether to accept or reject the Plan.

The provisions of the Plan are binding on all Creditors.

A. Confirmation Hearing

The Court has scheduled a hearing (the “Hearing”) to consider Confirmation of the Plan on November 15, 2018 at 10:00 a.m., at the United States Bankruptcy Court, Southern District of New York, One Bowling Green, Courtroom 723, New York, NY 10004.

B. Objections to Confirmation

Objections to confirmation of the Plan, if any, must be in writing and must identify the objecting party and the nature of its interest in the Bankruptcy Case and must set forth in detail the nature and basis of the objection. Objections must be filed with the Clerk of the Court with the ECF system, with a copy to the Chambers of Judge Stuart M. Bernstein and served upon the following no later than November 8, 2018 at 5:00 P.M.:

Anthony M. Vassallo, Esq.
Law Office of Anthony M. Vassallo
305 Fifth Avenue, Suite 1B
Brooklyn, NY 11215

Office of the United States Trustee
201 Varick Street
New York, NY 10014
Attn: Brian Masumoto, Esq. and Gregory Zipes, Esq.

C. Overview of Voting on the Plan

Holders of Claims in all Classes are deemed to have accepted the Plan. Their respective Allowed Claims are not impaired. Therefore, they are not entitled to vote under the Plan. In accordance with Bankruptcy Code Section 1123(a), Allowed Administrative Claims are not

being classified under the Plan. The Plan provides that these Claims are to be paid in full on the distribution date.

D. General Description of Treatment of Claims

Set forth in detail elsewhere in this Disclosure Statement and the Plan is a description of the technical aspects of classification of Claims, the Distributions and treatment afforded to Holder of such claims upon the occurrence of the Effective Date and the consequences of the proposed Reorganization of the Debtor.

THE FOLLOWING IS A BRIEF SUMMARY OF THE TREATMENT AFFORDED TO CLAIMS AND CLASSES BY THE PLAN. THIS SUMMARY IS PROVIDED FOR CONVENIENCE PURPOSES ONLY AND IS ABSOLUTELY QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN. YOU ARE URGED TO CONSULT THE ACTUAL TEXT OF THE PLAN TO DETERMINE THE TREATMENT GIVEN TO THE CLASS WHICH ENCOMPASSES YOUR TYPE OF CLAIM.

II. BACKGROUND OF THE DEBTOR AND EVENTS DURING THE CHAPTER 11 CASE

A. History of the Debtor

The Debtor was established in late 2012 as a religious organization. Its principal purpose has been to foster, promote and nurture religious activities, develop centers of worship and provide services and assistances to all living creatures with a focus primarily on communities of Bronx County. In 2014, the Debtor received by deed the real property and building located at 844-862 SDt. Anns Avenue, Bronx New York. The Debtor has been governed by Board of Trustees who provide services on a voluntary basis without compensation. Effective as of July 6, 2016, the Internal Revenue Service granted the Debtor tax exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code. The Debtor has operated primarily through individual

contributions and donations. At certain times prior to its bankruptcy filing, the Debtor rented out certain spaces within its building to commercial tenants. Prior to filing its Bankruptcy Case and in anticipation of selling the Property in a vacant state to a purchaser, the Debtor permitted its leases with tenants to expire.

B. Summary of Chapter 11 Proceedings

On December 27, 2016, the Debtor filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The case number is 16-13585-SMB and the presiding judge is the Honorable Stuart M. Bernstein.¹

The Debtor is operating as a debtor in possession under the auspices of the Bankruptcy Court. No committee of unsecured creditors was formed.² The Debtor retained bankruptcy counsel, the Law Office of Anthony M. Vassallo, in the bankruptcy case. The Bankruptcy Court approved the retention of that firm by court order dated July 19, 2017.

The Debtor realized that its ability to continue its ministry depended on the disposition of its primary asset, real property located at 844-862 St Ann's Avenue, Bronx NY 10456 (the "St. Ann's Avenue Property"). Throughout 2017, the Debtor marketed the property and accepted an offer from Lagree Baptist Church to purchase the St. Ann's Avenue Property for approximately \$4 million.

¹ The Debtor commenced a prior chapter 11 case on April 30, 2015 under case number 15-11134-mg. After failing to find a potential buyer for its primary asset, the Debtor voluntarily dismissed its case on August 3, 2016.

² The NYCTL 2015-A Trust, holder of a tax lien against the St. Ann's Avenue Property, was active in this case and appeared at every hearing and status conference until its claim was paid in full after the closing of the sale in July 2018. On February 24, 2017, the Trust filed a motion to convert or dismiss the Bankruptcy Case. The Trust agreed to a series of adjournments of its motion based on the Debtor's progress toward a sale and its consummation.

On June 16, 2017, Applicant filed a motion with the Bankruptcy Court to obtain approval of the sale of the St. Ann's Avenue Property to Lagree Baptist Church. On July 18, 2017, the Bankruptcy Court conducted a hearing to consider the sale motion. On July 19, 2017, the Bankruptcy Court signed an order approving the sale of the St. Ann's Avenue Property to Lagree Baptist Church.

Thereafter the Debtor worked in concert with the purchaser to obtain the necessary approvals from the Department of Charities of the New York State Attorney General's Office to consummate the sale. On April 5, 2018, the New York Supreme Court for the County of The Bronx entered an order approving the sale pursuant to applicable New York state law. Thereafter, the sale of the Real Property closed on July 23, 2018.

At the sale closing, certain expenses were paid from the sale proceeds including the amount owed by the Debtor to the NYCTL 2015-A Trust to satisfy its tax lien of approximately \$449,000 against the St. Ann's Avenue Property. This payment satisfied the Debtor's primary liability that led to the bankruptcy filing. The Debtor also paid other outstanding taxes and water charges that had accrued in the period of the quarter beginning July 1, 2018. After paying these outstanding tax bills and related fees and expenses, the Debtor netted the sum of \$2,969,940, which was supplemented by a credit of \$46,000 from the Purchaser.

As agreed with the Purchaser, the Debtor timely vacated the premises at the Real Property and is presently seeking to rent new space to continue its mission.

Presently, the Debtor's outstanding liabilities include fees and expenses of bankruptcy counsel (estimated to be approximately \$45,000), a general unsecured claim of a party who lent money to the Debtor to pay taxes prepetition (\$25,000), the reimbursement of monies loaned by the Debtor's president for utilities, storage and other expenses (as approved by the Debtor's

board) estimated to be approximately \$79,000, and the administrative fees of the United States Trustee, which oversees bankruptcy administration (estimated to be \$10,000).

Throughout its Chapter 11 Case, a representative of the Debtor appeared at all hearings and substantially all of the status conferences in this Court. The Debtor also filed monthly operating reports and paid its administrative fees to the U.S. Trustee.

III. DESCRIPTION OF AVAILABLE ASSETS AND THEIR VALUE AND LIABILITIES

The Debtor's primary assets consist of cash on hand, representing the sale proceeds less certain expenses of operation and payment of the administrative fees to the U.S. Trustee. The current balance in the Debtor's bank account is \$3,002,290.

IV. ANTICIPATED FUTURE OF THE DEBTOR

The Debtor shall continue to operate as a not-for-profit organization for a short time after Confirmation. The Debtor contemplates taking steps to dissolve the Debtor and transfer its assets to a new not-for-profit corporation after all Claims are paid and the Debtor's Estate has been fully administered.

V. SOURCES OF INFORMATION CONTAINED IN THIS STATEMENT

The sources of information for this Disclosure Statement are Irma Hernandez, the Debtor's President, and the Debtor's books and records.

VI. LIQUIDATION ANALYSIS

Based on the assets and liabilities discussed above, the Debtor estimates that there is approximately \$3,002,290 in Cash representing substantially all of the Debtor's assets. Physical assets are of minimal value. The Debtor has no intangible assets such as intellectual property.

VII. ACCOUNTING METHOD USED TO PRODUCE THE FINANCIAL DATA

The Debtor uses a cash method of accounting.

VII. THE FUTURE MANAGEMENT OF THE COMPANY

The Debtor's management will continue to operate the Debtor after confirmation of the Plan. Irma Hernandez, the Debtor's president, shall remain the Debtor's president. The Debtor's board of trustees shall remain intact without change and guide the Debtor in accordance with Section 5 of the New York Religious Corporations Law and other applicable law.

Prior to the commencement of the Bankruptcy Case, the Debtor had decided to incorporate a new religious not for profit corporation, Wings of the Wind, to pursue its mission. Wings of the Wind has been duly incorporated and like the Debtor has received tax exempt status from the Internal Revenue Service. It is the Debtor's intention to dissolve the Debtor after the Bankruptcy Case is closed. After Consummation, the Debtor intends to transfer certain funds and assets to fund the operations and mission of Wings of the Wind. The Debtor has advised the Department of Charities of the New York State Attorney General's Office to ensure that applicable statutes and procedures are followed. The Debtor anticipates that after Consummation, the Debtor will begin the process of seeking applicable authority from the Bronx Supreme Court to accomplish this transfer.

VIII. ESTIMATED ADMINISTRATIVE EXPENSES

Allowed Administrative Claims are comprised of the claim of the Law Office of Anthony M. Vassallo, counsel to the Debtor and Debtor-in-Possession, for total compensation of approximately \$45,000.00 with expenses of approximately \$1,000 for professional services rendered during this Chapter 11 case.

As of the date of this Disclosure Statement, the Debtor is current with quarterly fees due to the Office of the United States Trustee under 28 U.S.C. § 1930. The U.S. Trustee's fees will continue to be due and payable until a Final Decree is entered or the case is dismissed or

converted, whichever is earlier. After Confirmation, the Reorganized Debtor will be responsible for the payment of U.S. Trustee fees.

IX. AMOUNT REALIZABLE FROM PREFERENCE AND FRAUDULENT CONVEYANCES

Debtor's counsel examined the Debtor's financial history and determined that there are no voidable preferences or fraudulent conveyances.

X. LITIGATION LIKELY TO ARISE IN A NON-BANKRUPTCY CONTEXT

The Debtor does not anticipate any litigation to arise in a non-bankruptcy context.

XI. THE TAX ATTRIBUTES OF THE DEBTOR

The Debtor does not have a loss-carry forward. The Debtor does not expect the Plan or its consummation to have any negative tax consequences. There were no adverse tax consequences or transfer taxes due from the sale of the St. Anns Avenue Property.

XII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor will assume all of its executory contracts and unexpired leases.

XIII. THE DEBTOR'S PLAN OF REORGANIZATION

THE FOLLOWING IS A SUMMARY OF THE PROVISIONS OF THE PLAN AND, ACCORDINGLY, IS NOT AS COMPLETE AS THE FULL TEXT OF THE PLAN THAT ACCOMPANIES THIS DISCLOSURE STATEMENT. THE PLAN ITSELF SHOULD BE READ IN ITS ENTIRETY. IN THE EVENT OF ANY INCONSISTENCIES BETWEEN THE DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN ITSELF, THE PROVISIONS OF THE PLAN SHALL CONTROL.

A. General

The Debtor believes that under the circumstances, the Plan provides for the best possible recovery to, and a fair treatment of each Class of Claims in accordance with the provisions of,

and restrictions imposed by, the Bankruptcy Code. The Plan contains different articles detailing definitions, classification, treatment of Claims, means of implementation and other miscellaneous provisions that will, if the Plan is confirmed after appropriate notice and a hearing, be binding on the Debtor, any Entity acquiring property under the Plan, and all Creditors. If confirmed, the Plan will be binding whether or not a Claim is impaired under the Plan and whether or not a Creditor has accepted the Plan. All Claims are unimpaired and no Creditor is entitled to vote.

Solicitation of Acceptance of the Plan. This Disclosure Statement has been provided to all Creditors and parties in interest in this Case. All creditors are unimpaired under the Plan. Therefore, all the creditors are deemed to have accepted the Plan and are not entitled to vote.

Hearing on Confirmation of the Plan. The Bankruptcy Court has scheduled a Hearing to determine if the Plan has been accepted by the required number of holders of Claims and if other requirements for Confirmation of the Plan outlined in the Bankruptcy Code have been satisfied. The hearing on Confirmation of the Plan shall commence on November 15, 2018, at the United States Bankruptcy Court, located at the United States Bankruptcy Court, One Bowling Green, Courtroom 723, New York, New York 10004. Any objections to confirmation of the Plan must be in writing, filed with the Clerk of the Bankruptcy Court, and served on counsel for the Debtor on or before seven (7) days prior to the Confirmation Hearing.

B. Underlying and Summary of Plan Provisions

The Plan is a 100% plan. The source of the funds to satisfy Claims are set forth more fully below. The following sections describe in detail why the Plan is feasible and where and how the Debtor will make the payments to Creditors.

Article I of the Plan contains a series of definitions that are applicable to both the Plan and this Disclosure Statement. Readers are referred to the text of Article I of the Plan for a description of each defined term.

Article II of the Plan describes the classification of Claims. The Plan classifies Claims separately in accordance with the Bankruptcy Code and provides different treatment to different Classes. The Plan provides for one (1) Class of Claims which is accorded the treatment proposed for such Class or group under the Plan. Payments, Distributions and treatment provided under the Plan to, or for the benefit of, all Creditors will be in full satisfaction and discharge of Claims, as more particularly explained in other Articles of the Plan.

Pursuant to section 1141 of the Bankruptcy Code, upon Confirmation of the Plan and achievement of the Effective Date, and except as otherwise provided for in the Plan, the Debtor will be discharged from all Claims that have arisen before Confirmation of the Plan.

C. Summary of Treatment of Unclassified Claims

1. Allowed Administrative Claims

Allowed Administrative Claims are Claims against the Debtor and the Estate for administrative expenses (normally expenses accruing during the Bankruptcy Case) referred to in and allowed under sections 503(b) and 507(a)(1) of the Bankruptcy Code including, but not limited to, actual and necessary costs and expenses of preserving the Estate. Administrative Claims include, by way of example only, wages, salaries, or commissions for services rendered after the Relief Date, compensation and reimbursement of expenses awarded by Final Order of the Bankruptcy Court to Professional Persons, and costs associated with solicitation of acceptances and rejections of the Plan.

Administrative Claims representing liabilities incurred in the ordinary course of the Debtor's business are being paid in due course during the Bankruptcy Case, or will be paid thereafter, when same become owing pursuant to their terms. To the extent any such liabilities remain unpaid and are due pursuant to terms as of the Effective Date, they will be paid by the Debtor Post-Effective Date pursuant to and in accordance with ordinary business terms.

Claims for unpaid compensation and reimbursement of expenses to Professional Persons will be paid in Cash on the Effective Date, subject to same having been allowed and approved by the Bankruptcy Court, unless the Debtor and the holder(s) of such Allowed Claims agree to other payment terms.

D. Summary of Treatment of Classes of Claims

Allowed Secured Claims (Class 1) – There are no secured claims in Class 1.

Allowed Priority Tax Claims (Class 2) – Allowed Priority Tax Claims will be paid on the Effective Date of the Plan. One claim has been filed but the Debtor disputes it.

Allowed Unsecured Claims (Class 3) – Allowed Unsecured Claims will be paid on the effective date of the Plan. The Debtor believes there is one Allowed Claim in this Class in the amount of \$25,000.

E. Summary Description Plan Concerning Rejection and Assumption of Executory Contracts

The Debtor will assume all of the Debtor's unexpired executory contracts or leases pursuant to the Plan.

F. Summary Description of Plan with Regard to Provisions Concerning Distributions

The Plan provides that payments and Distributions to be made by the Debtor on the Effective Date shall be made on that date, or in certain instances within a reasonable period thereafter, except as is otherwise ordered by the Court or agreed to by the Debtor and a Creditor.

If any payment or Distribution shall be due on a day other than a Business Day, the payment or Distribution shall be made on the next Business Day. At the election of the Debtor, Distributions to be made in Cash shall be made by check drawn on a domestic bank or by a wire transfer from a domestic bank. No payments of fractional cents shall be made. If any Entity fails to claim the distribution within one hundred and eighty (180) days from the date of such Distribution, then such payment shall be deemed Unclaimed Property. In such event, the unclaimed monies shall be returned to the Debtor.

G. Summary Description of Plan Concerning Discharge and Injunctions

The Plan provides specific provisions regarding discharge of Claims, releases and terminations. All Creditors and parties in interest should refer specifically to the Plan with regard to provisions concerning discharge of Claims and interests vesting of property in the Debtor, injunctions, releases, effect on certain Claims. If Confirmation of the Plan does not occur, the Plan shall be deemed null and void and, in such event, nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtor, or any other Entity or to prejudice in a manner the rights of the Debtor or any Entity in any further proceedings involving the Debtor. Nothing contained herein or in the Plan is nor shall such be deemed an admission of any fact by the Debtor. Only the Plan, when confirmed, will govern the rights and liabilities as between and among the Debtor, and any Creditor or party-in-interest or such other Person or Entity whose rights are affected by the Plan.

H. Summary Description of Provisions Regarding Procedures for Resolving Disputed Claims.

Claim Objections. The Plan grants the Debtor the right to serve and file objections to the allowance, amount or classification of any Claim no later than forty-five (45) days subsequent to the Confirmation Date or within such other time as may be fixed by the Court.

Payment of Disputed Claims. In the event any payment or Distribution must be made to a holder of a Disputed Claim which become an Allowed Claim, the treatment or Distribution shall be made in accordance with the provisions of the Plan with respect to the Class of Creditors to which the respective Holder of such Claim belongs.

I. Summary Description of Plan Provisions Regarding Retention of Jurisdiction

The Plan provides that the Court shall retain jurisdiction of the Bankruptcy Case following Confirmation of the Plan for a wide range of matters and issues and for various purposes, including interpretation of the Plan, resolution of disputes concerning orders of the Court, pending litigation, Professional Persons compensation issues, determination of disputes and issues regarding property and rights of the Debtor. All Claimants and parties-in-interest should refer specifically to the Plan for a full and complete statement of the various matters in which the Bankruptcy Court shall, under the terms of the Plan, retain jurisdiction.

J. Summary Description of Plan Provisions Regarding Retention of Assets and Title to Property

The Plan that upon Confirmation of the Plan of Reorganization that title to the Property of the Estate shall vest in the Debtor.

K. Disbursing Agent

All Distributions pursuant to the Plan will be made when due, in accordance with the Plan, by the Debtor acting as its own Disbursing Agent. The Debtor shall establish such accounts or funds which will be held in trust for the Creditors entitled to distribution, which shall not constitute property of the Estate.

L. Summary Description of General Provisions of The Plan

Under the Plan, the Debtor reserves the right, in accordance with the Bankruptcy Code, to amend or modify the Plan. The Plan also prescribes certain rules pertaining to notice to the

Debtor and other Entities post-Confirmation. The Plan shall, except to the extent governed by the Bankruptcy Code or applicable federal law, be governed, construed and enforced in accordance with the laws of the State of New York.

XIV. PLAN FUNDING AND MEANS FOR EXECUTION OF THE PLAN

The Plan is to be implemented in a manner consistent with section 1123 of the Bankruptcy Code, which essentially sets forth the minimum requirements and elements that a plan of Reorganization must contain in order to meet the standards for Confirmation.

A. Funding

The Debtor will fund the Plan and Distributions by using Cash on hand from its Debtor in Possession bank account. The Debtor presently has more than \$2,900,000 on hand in its bank account. The Debtor estimates payment of all Claims will total less than \$100,000.

B. Vesting of Title

As of the Effective Date, the Debtor shall retain all legal title to its property to which it has good title as of the Petition Date. All Assets possessed by or titled to the Debtor or the Estate will vest in the Debtor free and clear of all Claims and, except as may be provided for in the Plan.

XIX. ALTERNATIVES TO THE PLAN

A potential alternative to the Plan would be conversion of the Bankruptcy Case to Chapter 7 liquidation or liquidation within Chapter 11 through a liquidating plan. As all Creditors will be paid in full, it is unlikely that creditors would fare better with recoveries in a Chapter 7 case. The increased administrative costs of administering a Chapter 7 case. Dismissal of the Bankruptcy Case is another alternative to the Plan. However, the consequences of such a course would be little different than the results of conversion to Chapter 7 or liquidation in

Chapter 11. The Debtor submits there is no viable better alternative to the Plan. Any alternative would be significantly prejudicial to all Creditors and parties-in-interest. For all of the above reasons, the Debtor believe the Plan meets the best interest of creditors test.

RECOMMENDATION

Based on the foregoing, in the opinion of the Debtor, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtor's creditors than would otherwise result in any other scenario.

Dated: Brooklyn, New York 11215
October 12, 2018

**GOD'S CHARIOTS TO
THE HEAVENLY HIGHWAY INC.**

By: /s/Irma Hernandez
Irma Hernandez, President

**LAW OFFICE OF ANTHONY M.
VASSALLO**
Attorney for the Debtor and Debtor-in-
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