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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	Chapter 11
	§	
WILLIAMS FINANCIAL GROUP, INC., et al.,[1]	§	Case No. 17-33578-HDH
	§	
Debtors.	§	Jointly Administered

ARBITRATION CREDITORS' OBJECTIONS
TO AMENDED DISCLOSURE STATEMENT

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Williams Financial Group, Inc. (8972); WFG Management Services, Inc. (7450); WFG Investments, Inc. (7860), and WFG Advisors, LP (9863). The address for all the Debtors is 2711 N. Haskell Ave., Suite 2900, Dallas, TX 75204.

The Arbitration Creditors[2] hereby file these objections to the Amended Disclosure Statement proposed by the Debtors. (ECF 406).

1. The Arbitration Creditors join the objections filed by the Customer Creditors (ECF 442).

2. While the Amended Disclosure Statement ("Disclosure Statement") (ECF 406 pg. 26) discloses that the Arbitration Creditors are seeking to arbitrate their claims in a consolidated FINRA arbitration against Debtor WFG Investments, Inc. ("WFGI"), it does not disclose the court's ruling today that conditionally granted the Arbitration Creditors' Renewed Motion to Lift Stay and Renewed Motion to Compel Arbitration ("Renewed Motions") (ECF 420 and 421). The Disclosure Statement also does not disclose that the Amended Joint Plan of Liquidation ("Liquidation Plan") (ECF 407) does not have any provision for the resolution of the Arbitration Creditors' claims in a consolidated FINRA arbitration. The Arbitration Creditors cannot reasonably vote on the Liquidated Plan, based on a disclosure in the Disclosure Statement regarding their consolidated FINRA arbitration, which does not have any corresponding provision in the actual plan.

3. The Liquidation Plan provides for only two methods for resolving securities-related claims: determination by an arbitrator picked by the Debtors or estimation by this Court. (ECF 406 pp. 26-28; 407 pp. 23-26) The Amended Disclosure Statement does not disclose any additional information about who the arbitrator would be. The identity of this arbitrator picked by the Debtors is important information, because he or she could have a

[2] The "Arbitration Creditors" are listed on the first page of this document.

history of rulings that are unfavorable to investors or could have other disqualifying or inappropriate characteristics.

4. The Disclosure Statement does not contain any information about the procedure by which this arbitrator would conduct the arbitration. It states only that the arbitrator might receive evidence, the arbitration would be less formal than FINRA arbitrations, and the arbitrator would have discretion to establish procedures. (ECF 406 pg. 28) It does not say, for example, whether creditors could request documents from the Debtors or take depositions, whether creditors could request subpoenas, whether the arbitrator in fact would take evidence, or whether the arbitrator would be bound in any way by ordinary principles of due process. FINRA, for example, has arbitrators who are trained in a Code of Arbitration Procedure that provides assurance that due process principles will be followed. (See attached Exhibit "A.")

5. The Disclosure Statement is even more uncommunicative about the estimation process in this Court. The Disclosure Statement states only that creditors have the opportunity to elect this process, without providing any other information about it. (ECF 406 pg. 28)

6. For example, the Servergy, Inc. ("Servergy"), investments at issue were sold to the Arbitration Creditors by four WFGI representatives–Mark L. Baggerly ("Baggerly"), Stephen A. Pierce ("Pierce"), Damian M. Bell ("Bell"), and James A. Conwell, II ("Conwell")–all of whom are in Alabama. These representatives are important potential witnesses because they actually sold the Servergy product. The Arbitration Creditors also believe that these representatives may have done whatever due diligence investigation of the Servergy investment was done, if any, rather than WFGI's headquarters personnel. The

Arbitration Creditors would not be able to require these former WFGI Alabama representatives to appear at a hearing in Dallas. The Disclosure Statement provides no information on whether the Arbitration Creditors could issue subpoenas to these WFGI representatives for documents or depositions or otherwise present their testimony to this Court.

7. The Disclosure Statement does not disclose what procedures this Court would use to estimate the Arbitration Creditors' claims, whether an evidentiary hearing would be held, or what methodology this Court would use to estimate these claims. A proper evidentiary hearing in this Court for determining liability and estimating the Arbitration Creditors' claims would take at a minimum several days. See In re Mud King Products, Inc., 2015 WL 862319, at *2 (S.D. Tex. Feb. 27, 2015) ("The Bankruptcy Court conducted an . . . evidentiary hearing on Mud King's Motion to Estimate Claim for eight days . . . .").

8. The Disclosure Statement also does not disclose that no procedure is provided for creditors to obtain a final judgment on their claims. As the Arbitration Creditors have stated in their other filings in this Court, a judgement is needed to pursue claims against WFGI's insurers and to seek an award from the Florida Securities Guaranty Fund.

9. Before the Debtors may solicit votes on a reorganization plan, this Court must approve a disclosure statement. "The disclosure statement must be approved after notice and a hearing, by the bankruptcy court as containing adequate information." Texas Extrusion Corp. v. Lockheed Corp. (In re Texas Extrusion Corp.), 844 F.2d 1142, 1157 (5th Cir. 1988).

10. "[A]dequate information" is defined in the Bankruptcy Code as

> information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information.

11 U.S.C. § 1125(a)(1).

11. As stated above, the Disclosure Statement does not contain adequate information that would allow the Arbitration Creditors and others to make an informed judgment about the plan. Accordingly, the disclosure statement does not provide adequate information under 11 U.S.C. § 1125 and should be rejected.

Dated: April 20, 2018

Respectfully submitted,

GOODMAN & NEKVASIL, P.A.

/s/ Stephen Krosschell

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Counsel for the Arbitration Creditors

CERTIFICATE OF SERVICE

The undersigned counsel certifies that, on April 20, 2018, he caused copies of the foregoing document to be served on all parties receiving electronic notice through the Court's CM/ECF System.

/s/ Stephen Krosschell
Stephen Krosschell