

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION**

In Re: Jeanette M. Gutierrez § **Case No. 15-52100g**
§
DEBTOR § **Chapter 11**

DEBTOR-IN-POSSESSION'S DISCLOSURE STATEMENT

Jeanette M. Gutierrez, Debtor-in-Possession herein (Debtor), files this disclosure statement, and would show the Court as follows:

I.

Preface and Introduction

The Debtor hereby files its Disclosure Statement in the above-entitled case and includes herein a disclosure of all information deemed by the Debtor to be material, important and necessary for creditors to arrive at a reasonably informed decision in exercising their right to vote on the Plan of Reorganization. Both the Plan and this Disclosure Statement are presently on file with the United States Bankruptcy Court for the Western District of Teas, San Antonio Division.

1.01 Creditors may vote on the Plan of Reorganization (Plan) by completing and mailing a ballot to counsel for Debtor, David T. Cain, 8610 N. New Braunfels, Suite 309, San Antonio, Texas 78217. All Creditors may vote in the amount listed by the Debtor or the amount on a properly filed and allowed Proof of Claim.

1.02 As a Creditor, your vote is important. The Plan can be confirmed by the Bankruptcy Court if it is accepted by the holders of two-thirds in amount and more than one-half in number of the claims in each class voting on the Plan. In the event the requisite acceptances are not obtained, the Bankruptcy Court may still confirm the Plan if the Court finds that the Plan accords fair and equitable treatment to the Class or Classes rejecting it and that the Plan fulfills certain other statutory requirements contained in §1129 of the Code.

1.03 In the event that any Impaired class fails to accept the Plan, Debtor will request the Court to confirm the Plan pursuant to the provisions of 11 U.S.C. §1129(b), which provides that a Secured Creditor must receive deferred cash payments totaling at least the allowed amount of its claim, of a value, as of the Effective Date of the Plan, of at least the value of that Creditor's interest in the Estate's interest in its collateral, the proceeds of sale of its collateral, or the indubitable equivalent. Should a class of unsecured Creditors reject the Plan, they must receive property of a value, as of the Effective Date of the Plan, equal to the allowed amount of their claims, if any class junior to them receives or retains any interest in the Debtor. Additionally, any rejecting class of unsecured Creditors must receive payments or property, which have a value at least equal to the amount they would receive if the property of the Estate were distributed to them. In the alternative, any requirement as set forth above can be fulfilled by the affected class of Creditors voting to accept the Plan.

1.04 The only Creditors of Interest Holders who must have filed a Proof of Claim or interest with the Court in order to receive the benefits of the Plan are the following:

(a) those who have not been listed by the Debtor in the Schedules and Statement of Financial Affairs previously filed with the Court; or

(b) those who have been listed by the Debtor in the Schedules and Statement of Financial Affairs filed with the Court but whose claims were listed as disputed, contingent or unliquidated.

1.05 The bar date for the filing of a Proof of Claim in this case, as established by the Court in its Order setting First Meeting of Creditors was February 16, 2016.

Any Creditor or Interest Holder who has been listed by the Debtor in the Schedules and Statement of Financial Affairs filed with the Court, but has been listed with an incorrect amount, will receive payment under the Plan only in the amount stated in the Schedules and Statement of Financial Affairs, unless the Creditor or party-in-interest in question timely filed a Proof of Claim or interest setting forth the correct amount.

II.

Disclaimers

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN, NEITHER IS IT EXPECTED THAT THE SECURITIES AND EXCHANGE COMMISSION WILL PROVIDE ANY APPROVAL OR DISAPPROVAL OF THIS DISCLOSURE STATEMENT OR THE STATEMENTS CONTAINED HEREIN.

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY AS TO HIS FUTURE OPERATIONS, THE VALUE OF HIS PROPERTY, OR THE VALUE OF ANY NOTES, DEBENTURES OR OTHER DISTRIBUTIONS TO BE ISSUED OR MADE UNDER THE PLAN OF REORGANIZATION OTHER THAN THOSE SET FORTH IN THE DISCLOSURE STATEMENT ARE AUTHORIZED BY THE DEBTOR. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO THE DEBTOR OR TO COUNSEL FOR THE DEBTOR WHO, IN TURN, SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN INDEPENDENTLY AUDITED. THE RECORDS KEPT BY DEBTOR RELY FOR THEIR ACCURACY UPON BOOKKEEPING PERFORMED BOTH INTERNALLY AND BY OUTSIDE SERVICES. FOR THIS REASON, DEBTOR DOES NOT WARRANT NOR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS CORRECT, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO BE ACCURATE

AND, TO THE EXTENT THAT ANY INACCURACY IS BROUGHT TO THE ATTENTION OF DEBTOR, APPROPRIATE AMENDMENT WILL BE SUBMITTED TO THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT CONTAINS ONLY A BRIEF SUMMARY OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY THE TERMS AND PROVISIONS OF THE PLAN. EACH CREDITOR IS URGED TO REVIEW THAT PLAN IN FULL PRIOR TO VOTING ON THE PLAN TO ENSURE A COMPLETE UNDERSTANDING OF THE PLAN AND THIS DISCLOSURE STATEMENT.

ANY REPRESENTATION MADE IN THIS DISCLOSURE STATEMENT IS BASED UPON OPINION AND NO PARTY, INDIVIDUAL OR OTHER ENTITY WARRANTS ANY INFORMATION OR REPRESENTATION SET FORTH HEREIN OR IN ANY OF THE APPENDICES OR ATTACHMENTS. ALL PARTIES, INDIVIDUALS OR OTHER ENTITIES WHO HAVE ASSISTED IN THE PREPARATION OF THESE MATERIALS EXPRESSLY DISCLAIM ANY AND ALL LIABILITY FOR ANY AND ALL ERRORS, OMISSIONS OR OTHER DEFECTS. ANY FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED AND HAS BEEN OBTAINED FROM SUCH SOURCES AS ARE AVAILABLE TO THE DEBTOR.

THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF CREDITORS OR THE DEBTOR TO ENABLE SUCH CREDITORS OR THE DEBTOR TO MAKE AN INFORMED DECISION ABOUT THE PLAN.

THE BANKRUPTCY COURTS APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF THE PLAN.

III.

Definitions

Applicable definitions contained in the Bankruptcy Code are incorporated into this Disclosure Statement. The definitions of the Plan are incorporated herein.

IV.

History of Debtor Prior to Filing of the Chapter 11

4.01 The Debtor is an individual who resided in San Antonio, Texas. The Debtor and her spouse own and operate a couple of businesses San Antonio, Texas. These include GP Auto Sales, Inc., which was formed in June 2016 and which is involved in used car sales; Gutierrez P. Enterprises, LLC, which was formed in October 2010 and which owns and rents several residual rental properties in San Antonio, Texas; and FCRE, Inc., which was formed in June 2011. FCRE, Inc. formerly operated an income tax return preparation business but that business was sold in 2012 and that entity now receives monthly payments as proceeds from the sale.

4.02 The major factor contributing to the Debtor's recent financial problems was audits by the Internal Revenue Service which resulted in the assessment of civil penalties and substantially more income tax liability than the Debtor anticipated. The Debtor and her spouse were also forced

to sell their income tax return preparation business which resulted in a decrease of their income. Additionally, the debtor's husband was sued for breach of a lease agreement and the landlord obtained a judgment against him that he was not able to pay. On August 31, 2015 the Debtor filed for protection under the Chapter 13 of Title 11 of the Bankruptcy Code to protect her property from actions by her creditors and to reorganize his debts. Her case was converted to Chapter 11 on October 21, 2015.

V.

Debtor's Operations During Chapter 11

5.01 The Debtor is operating in this Chapter 11 case as a Debtor-in-Possession, maintaining full management responsibilities under the Court's supervisory control and the reporting requirements of the Bankruptcy Code.

5.02 Since filing for Bankruptcy protection, the Debtor and her spouse have continued to operate their three business. Debtor and her spouse have also been actively marketing 11 of their rental properties for sale in an effort to obtain funds with which to pay her creditors through her Plan of Reorganization. The Debtor has five properties that are currently under contracts for sale.

5.04 The Debtor has filed monthly operating reports in conformance with Local Court Rules and the Office of the United States Trustee. These reports contain an accounting of the Debtor's monthly income and expenditures during Chapter 11. Copies of the Debtor's monthly operating reports may be obtained from the Bankruptcy Clerk's office at 615 E. Houston, San Antonio, TX 78205. The Debtor's most recent monthly operating report is attached.

VI.

Summary of Liabilities

The Debtor's estimated (pre-petition) liabilities, excluding lease balances, are as follows:

Priority and Secured Creditors:	\$ 1,079,928.00
Unsecured Creditors:	\$ <u>32,500.00</u>
Total Liabilities	\$ 1,112,428.00

VII.

Administrative Expenses

The Debtor estimates that administrative expenses for legal fees, excluding amounts already paid, will total approximately \$15,000.00. The amount of legal fees that have been allowed in this case to date are \$10,575.00. The Debtor believes that no other post-petition expenses exist.

VIII.

Assets of the Estate

The following schedule of the Debtor's assets reflect any increases or decreases in the value of the Debtor's property since the date of filing its petition for Bankruptcy relief on August 31, 2015. The values set forth represent the Debtor's opinion of what the assets could be sold for in the event of liquidation. None of the Debtor's assets have been appraised by an independent appraiser.

<u>Description</u>	<u>Value</u>
Petty Cash	\$50.00
Checking Accounts	\$100.00
Real Property at 4631 Del Mar Trail, San Antonio, Texas	\$421,000.00
Real Property at 215 Readwell, San Antonio, Texas	\$12,500.00
Real Property at 4215 Skelton, San Antonio, Texas	\$57,000.00
Real Property at 1219 Upland, San Antonio, Texas	\$64,000.00
Real Property at 257 Longview, San Antonio, Texas	\$55,000.00
Real Property at 256 Longview, San Antonio, Texas	\$62,000.00
Real Property at 215 Longview, San Antonio, Texas	\$57,500.00
Real Property at 7272 Culebra, San Antonio, Texas	\$800,000.00
Real Property at 9407 Valley Rock, San Antonio, Texas	\$100,000.00
Real Property at 6126 Valley Cliff, San Antonio, Texas	\$86,500.00
Real Property at Dancing Bear Ranch, Medina, Texas	\$110,000.00
The Palms Country Club Time Share in Osceola County Florida	\$15,000.00
Household Furnishings	\$10,000.00
Jewelry	\$700.00
Clothing	\$1,200.00
Hobby equipment:	\$1,700.00
Firearms	\$629.00
Gutierrez P. Enterprises, LLC***	\$447,500.00
GP Auto Sales, Inc.	\$12,000.00
FCRE, Inc.	\$952,194.00
2008 Mercedes-Benz ML350	\$15,000.00
2014 Lincoln Navigator	\$31,000.00
Manufactured office building	\$4,000.00
Machinery, equipment & tools	\$1,200.00
Office Equipment	<u>\$3,800.00</u>
Total Assets	<u>\$3,321,573.00</u>

***(Gutierrez P. Enterprises, LLC owns the following properties: Real Property at 1015 Fresno, San Antonio, Texas, Real Property at 1017 Fresno, San Antonio, Texas, Real Property at 1017 Fresno, San Antonio, Texas, and Real Property 5710 Old Pearsall Rd., San Antonio, Texas)

IX.

Summary of the Plan of Reorganization

9.01 The Debtor proposes to pay all Priority Creditors, Secured Creditors and General Unsecured the full amount of their Allowed Claims. The Debtor proposes to fund its Plan through revenues derived from the continued operation of the Debtor's used car business, from the monthly proceeds that she received from the sale of the tax return preparation business that she and her husband sold in 2013, and from the sale of eleven (11) parcels of real property owned by the Debtor and her spouse or owned by Gutierrez P. Enterprises, LLC. The Plan proposes to make regular monthly payments to Secured and Priority Creditors. General Unsecured Creditors will be paid pro rata in monthly installments along with Priority and Secured Creditors.

X.

Means of Implementation

10.01 The means necessary for the execution of the Debtor's Plan includes the continuation of the Debtor's business and that raising of new capital as set forth below.

10.02 Continuation of the Debtor's Business. The Debtor shall fund the Plan payments to Creditors from revenue that she receives from the continued business operations her used car business and from revenue that she receives from FCRE, Inc., Although FCRE, Inc. does not currently engage in any business operations, it holds the promissory note and receives monthly installment payments of \$7,705.00 from the buyer of the Debtor's prior tax return preparation business. Based upon the Debtor's projection of profits from Debtor's legal business operations, the Debtor will have approximately \$2,500.00 per month to use for payments to Creditors after Plan Confirmation. A detailed analysis of the Debtor's projected income and expenses is set forth on the Projected Cash Flow Statement attached hereto as Exhibit "A". The Debtor's proposed Plan Payment Schedule is attached hereto as Exhibit "B".

10.03 Sale of Assets. The Debtor proposed to sell the real property on the Sale of Property List, attached hereto as Exhibit C, within six (6) months from the Confirmation Date. The net proceeds realized from the sales shall be used to fund payments to secured creditors as provided in this Plan.

XI.

Priority Tax Claims of Governmental Entities

The Allowed Priority of governmental entities entitled to priority pursuant to §507(a)(8) of the Code consists of the claim of the Internal Revenue Service (IRS) totaling approximately \$330,700.00. This claim is partially disputed by the Debtor and is subject to a pending adversary proceeding in Bankruptcy Court. The Allowed Priority Claim of the IRS shall be paid in full in

monthly installments in accordance with the provisions of 11 U.S.C. Section 1129(a)(9)(C), beginning on the Effective Date of the Plan. The Priority Claim of the IRS will receive interest at the rate of 3% per annum.

XII.

Classification of Claims

12.01 **Class I:** The Allowed Secured, Priority and Unsecured Claims of the Internal Revenue Service, secured by a lien on Debtor's real and personal property.

12.02 **Class II:** The Allowed Secured Claim of Bexar County, Texas secured by a lien on office equipment.

12.03 **Class III:** The Allowed Secured Claim of Jefferson Bank, secured by a lien on the real property at 7272 Culebra, San Antonio, Texas.

12.04 **Class IV:** The Allowed Secured Claim of Jefferson Bank, secured by a lien on four rental properties.

12.05 **Class V:** The Allowed Secured Claim of Community National Bank, secured by a lien on real property at Dancing Bear Ranch, Bandera County, Texas.

12.06 **Class VI:** The Allowed Secured Claim of M2G Real Estate, Ltd., secured by a lien on real property at by a judgment lien on the debtor's non-exempt real property.

12.07 **Class VII:** The Allowed Secured Claim of Deutsche Bank Trust Company, secured by a lien on real property at 4631 Del Mar Trail, San Antonio, Texas.

12.08 **Class VIII:** The Allowed Secured Claim of Randolph Brooks FCU, secured by a lien on the real property at 256 Longview, San Antonio, Texas.

12.09 **Class IX:** The Allowed Secured Claim of Ovation Finance, secured by a lien on real property at 4631 Del Mar Trail, San Antonio, Texas.

12.10 **Class X:** All Allowed General Unsecured Claims of creditors, which are not otherwise classified.

XIII.

Treatment of Claims

13.01 **Class I:** This class consists of the Allowed Secured, Priority and Unsecured Claims of the Internal Revenue Service (IRS). The IRS has filed a Claim in in the amount of \$1,489,828.00. This claim is partially disputed by the Debtor and is subject to a pending adversary proceeding in Bankruptcy Court The Debtor believes the claim is overstated by approximately \$1,102,828.00 and therefore should be closer to \$387,000.00. These claims will pay will be paid in part from the sale of the Debtor's real property as forth on Sale of Property List, attached hereto as Exhibit "C", within six (6) months from the Confirmation Date. To the extent the Allowed Claims of the IRS are not paid in full from the sale pf the real properties, the balance shall be paid in full in monthly installments in accordance with the provisions of 11 U.S.C. Section 1129(a)(9)(C), beginning on the Effective Date of the Plan. The IRS shall retain its pre-petition lien securing its tax claim until the claim is paid in full. Class I is Impaired.

13.02 Class II: The Allowed Secured Claim of Bexar County Texas. This creditor holds a claim with a balance of \$36,165.57. This claim is secured by a lien on the Debtor's real and personal property. A portion of this claim totaling \$23,825.85 shall be paid from the proceeds of the sale the real properties described on the Sale of Property List, attached hereto as Exhibit C. The balance of this claim totaling \$12,338.72 shall be paid as set forth in the Plan Payment Schedule, attached hereto as Exhibit "B". Bexar County shall be paid interest at the rate of 12 % per annum. Bexar County Texas shall retain its pre-petition lien securing its tax claim until the claim is paid in full. Class II is Impaired.

13.03 Class III: The Allowed Secured Claim of Jefferson Bank. This creditor holds a claim with a balance of approximately \$175,951.00. This claim is secured by a lien on the real property at 7272 Culebra, San Antonio, Texas. This claim shall be paid in full upon the sale of the real property at 7272 Culebra, San Antonio, Texas. Interest at the contract rate shall accrue on the entire balance. Jefferson Bank shall retain its lien on the real property until the claim is paid in full. Class III is Impaired.

13.04 Class IV: The Allowed Secured Claim of Jefferson Bank. This creditor holds a claim with a balance of approximately \$119,750.00. This claim is secured by a lien on the following parcels of real property in San Antonio, Texas: 6126 Valley Cliff, 4215 Skelton, 9407 Valley Rock, 257 Longview, 215 Longview, and 1219 Upland. This claim shall be paid in full upon the sale of the six properties. Interest at the contract rate shall accrue on the entire balance. Jefferson Bank shall retain its lien on the real properties until the claim is paid in full. Class IV is Impaired.

13.05 Class V: The Allowed Secured Claim of Community National Bank. This creditor a claim with a balance of approximately \$67,667.00. This claim is secured by a lien on the real property at Real Property at the Dancing Bear Ranch, Bandera County, Texas. This claim shall be paid according to the terms of the loan agreement between the Deutsche and the Debtor. Interest at the rate of 12% per annum shall accrue on the entire balance. Community National Bank shall retain its lien on the real property until the claim is paid in full. Class IV is Impaired

13.06 Class VI: The Allowed Secured Claim of M2G Real Estate, Ltd. This creditor holds a claim with an approximate balance of \$54,330.00. This claim is secured by a judgment lien on the debtor's non-exempt real property. This claim shall be paid shall be paid from the proceeds of the sale the real properties described on the Sale of Property List, attached hereto as Exhibit C, provided that the net proceeds are sufficient to pay this claim. To the extend the net proceeds are not sufficient to pay this claim, then the unpaid balance of the claim shall be paid as set forth in the Plan Payment Schedule, attached hereto as Exhibit "B". Payments shall begin thirty (30) days from the Confirmation Date. M2G Real Estate, Ltd shall retain its pre-petition lien securing its claim until the claim is paid in full. Class V is Impaired.

13.07 Class VII: The Allowed Secured Claim of Deutsche Bank Trust Company (Deutsche). This creditor holds a claim with an approximate balance of \$200,765.00. This claim is secured by a lien on real property at 4631 Del Mar Trail, San Antonio, Texas. This claim shall be paid according to the terms of the loan agreement between the Deutsche and the Debtor. The Deutsche shall retain its pre-petition lien securing its claim until the claim is paid in full. Class VI is Unimpaired.

13.08 Class VIII: The Allowed Secured Claim of Randolph Brooks FCU. This creditor holds a claim with an approximate balance of \$31,800.00. This claim is secured by a lien on the real property at 256 Longview, San Antonio, Texas. This claim shall be paid in full upon the sale of the real property at 256 Longview, San Antonio, Texas. Texas. Interest at the contract rate shall

accrue on the entire balance. Randolph Brooks FCU shall retain its lien on the real property until the claim is paid in full. Class VII is Impaired.

13.09 Class **IX**: The Allowed Secured Claim of Ovation Finance. This creditor holds a claim with a balance of \$6,500.00. This claim is secured by a lien on real property at 4631 Del Mar Trail, San Antonio, Texas. This claim shall be paid in full over a period of 25 months, as set forth in the proposed Plan Payment Schedule attached hereto as Exhibit "B". Payments shall begin thirty (30) days from the Confirmation Date. Interest at the rate of 12% per annum shall accrue on the entire balance. Payments shall begin thirty (30) days from the Confirmation Date. Ovation Finance shall retain its pre-petition lien securing its claim until the claim is paid in full. Class IX is Impaired.

13.10 Class **X**: All Allowed General Unsecured Claims of creditors which are not otherwise classified. These claims total approximately \$32,500.00. This class shall be paid in full over no more than 46 months as set forth in the Plan Payment Schedule attached hereto as Exhibit "B". The amounts of the claims in this class are based upon the Debtor's Schedules of Assets and Liabilities, the Proofs of Claim filed as of the claim Bar Date, and disputes with creditors over the amounts of their claims. Class IX is Impaired.

XIV.

Payment of Administrative Claims

All allowed administrative claims will be paid in full on or before the Plan's Effective Date in accordance with the provisions of 11 U.S.C. Section 1129(a)(9)(A), or as otherwise agreed to by administrative claim holders.

XV.

Executory Contracts and Unexpired Leases

15.01 The Debtor has not pending executory contracts or unexpired leases.

XVI.

Operation and Post-Petition Management

The Debtor and her spouse will continue to manage and operate her business operations during the Term of the Plan. The Debtor and her spouse expect to receive joint monthly of \$10,221.00, from which the Debtor will make her Plan of Reorganization payments to creditors as set for the herein.

XVII.

Income and Expense Information

The Debtor's Projected Cash Flow Statement is attached hereto as Exhibit "A" and is

incorporated herein by reference.

XVIII.

Feasibility of the Plan

18.01 The feasibility of the Debtor's Plan is directly dependent upon the operation of her businesses and the sale of her real property. The Plan is feasible as a result of the income that will be generated from future business operations. As evidenced by the Projected Cash Flow Statement, attached hereto as Exhibit "A", the income the Debtor receives from the operation of the businesses will be sufficient to fund the Plan, while allowing the Debtor sufficient cash capital with which to operate the businesses. The Debtor's projection of income and expenses is based on the history of its business operations both before and after it filed for relief under Chapter 11 and on the current economic climate in San Antonio, Texas.

18.02 The feasibility of the Debtor's Plan is also dependent upon his ability to sell the real property listed on Exhibit "C" for the amounts that the Debtor believes they are worth. None of these assets have been formally appraised. However, the Debtor has researched the sales of comparable items on the Internet and believes the values places on Exhibit C are realistic.

18.03 Debtor believes that the Plan provides the best prospect for the realization of the highest and best return to all of the Creditors and other parties-in-interest in this case and will achieve a higher dividend to the Creditors and other parties-in-interest than if this case were converted to Chapter 7 and liquidated by a trustee.

XIX.

Risks

The distribution to Creditors contemplated under the Plan is contingent upon a number of assumptions, some of which could fail to meet expectations and preclude the Plan for becoming effective or reduce anticipated distributions. Some of those risks include:

- (a) Acceptance of the Plan by the requisite number and amount of Creditors and Confirmation of the Plan by the Court;
- (b) The performance of the Debtor's businesses at projected levels depends in part on the ability to maintain existing business or attract new business;
- (c) Uncertainty in the local company may affect the Debtor's efforts to obtain new clients.

XX.

Federal Income Tax Consequences

20.01 The Federal income tax aspects of reorganizations under Chapter 11 are complicated and uncertain. It is the Debtor's opinion that no adverse tax consequences will occur to the Debtor as a result of the reorganization.

20.02 It is not possible to present in this Disclosure Statement a detailed analysis of the tax consequences of the actions contemplated by the Plan. Each Creditor and other party-in-interest is urged to consult it's own tax advisers with respect to the potential tax consequences of the Plan upon such Creditor, Interest Holder or other party-in-interest.

XXI.

Estimated Distribution on Liquidation

21.01 The Debtor owns assets that have a current estimated value of \$3,321,573.00. The Debtor has claimed some of those assets having a value of \$185,046.00 as exempt under the Texas property Code. The total amount of claims filed by creditors is approximately \$2,014,491.00. After satisfaction of Secured and Priority claims there would be non-exempt assets with which to pay unsecured creditor claims in the event of Chapter 7 and a liquidation of the Debtor assets.

XXII.

Litigation

22.01 To the best of Debtor's knowledge and belief, there are no other legal proceedings likely to arise in a non-bankruptcy context.

XXIII.

Summary of Significant Court Orders in Case

23.01 On August 31, 2015 the Court entered an Order for Relief pursuant to the filing of the Debtor's Voluntary Chapter 13 Petition.

23.02 On October 21, 2015 the Court entered an Order on Motion to Convert Chapter 13 Case to Chapter 11.

23.03 On October 30, 2015 the Court entered an Order on the Application to Employ Attorney.

23.04 On January 13, 2016 the Court entered an Order Application to Approve Employment and Compensation of Special Tax Attorney.

23.05 On July 18, 2016 the Court entered an Order on Motion to Sell Property Free and Clear of Liens.

23.06 On July 25, 2016 the Court entered an Order on Motion of M2G Real Estate LTD, to Convert Chapter 11 Case to Chapter 7 Case.

23.07 On August 15, 2016 the Court entered Order Approving First Interim Application for Compensation of Attorney.

XXIV.

Retention of Jurisdiction

The Court shall retain jurisdiction over this Chapter 11 case to determine all disputes relating to claims, causes of action of Debtor against third parties and other issues presented by the Plan, and to issue such orders as may be necessary for the consummation of the Plan and to enter a final order concluding the case.

XXV.

Voting Procedures and Requirements

In addition to this Disclosure Statement and a copy of the Plan, each Creditor entitled to vote will be provided with a ballot to be used for voting to accept or reject the Plan.

25.01 In order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be completed and returned to Counsel for the Debtor, David T. Cain. The deadline for return of the ballots for acceptance or rejection of the Plan will be set forth in a future notice to each creditor or other party-in-interest in the Case.

25.02 Whether or not any Creditor or other interested party entitled to vote expects to attend the hearing on Plan Confirmation, each Creditor or other party-in-interest entitled to vote is urged to complete, date, sign and properly mail the ballot to the following address:

David T. Cain
Law Office of David T. Cain
8610 N New Braunfels, Suite 309
San Antonio, Texas 78217

25.03 Under §1124 of the Bankruptcy Code, a class or equity interest is Impaired under the Plan unless, with respect to each claim or equity interest of such class, the Plan:

- (a) Leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest.
- (b) Notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default:
 - i) cures any such default that occurred before or after the commencement of the case under the Code, other than a default of a kind specified in §365(b)(2) of this title;
 - ii) reinstates the maturity of such claim or interest as such maturity existed before such default;
 - iii) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and
 - iv) does not otherwise alter the legal, equitable or contractual rights to which such

- claim or interest entitles the holder of such claim or interest; or
- (c) Provides that, on the Effective Date of the Plan, the holder of such claim or interest receives, on account of such claim or interest, cash equal to:
- i) with respect to a claim the allowed amount of such claim; or
 - ii) with respect to an interest, if applicable, the greater of:
 - A) any fixed liquidation preference to which the terms of any security representing such interest entitled the holder of such interest; or
 - B) any fixed price at which the Debtor, under the terms of such security, may redeem such security from such holder.

25.04 Any Creditor or other party-in-interest who is Impaired under the Plan is entitled to vote if either

- (a) Its claim has been scheduled by the Debtor and such claim is not scheduled as disputed, contingent or unliquidated; or
- (b) It has filed a Proof of Claim on or before the Bar date set by the Court.

25.05 Any claim as to which an objection has been filed and concerning which such objection is still pending is not entitled to vote, unless the Court temporarily allows the claim in an amount which it deems proper for the purpose of accepting or rejecting the Plan upon application by the Creditor. Such application must be heard and determined by the Court at such time as specified by the Court. The vote of a Creditor or other party-in-interest entitled to vote may be disregarded if the Court determines that the vote to accept or reject the Plan was not in good faith, or was not solicited or procured in good faith or in accordance with the provision of the Bankruptcy Code.

25.06 Under the proposed Plan, Creditors holding claims in all Classes, except Class VI, are Impaired and are eligible to vote to accept or reject the Plan. Class VI is Unimpaired and the creditor holding this claim is not eligible to vote on the Plan.

XXVI.

Confirmation of the Plan

Section 1128(a) of the Code requires that, after notice, the Court shall hold a hearing on Confirmation of a Plan and further provides that a party-in-interest may object to the Confirmation of a Plan.

26.01 The time and date of the Confirmation Hearing will be set forth in a notice to each Creditor and other party-in-interest in the case. The hearing on Confirmation may be adjourned from time to time by the Court without further notice except for an announcement made at the Confirmation Hearing or any adjournment thereof.

26.02 Acceptance or rejections of the Plan are governed by Rule 3018 of the Bankruptcy Rules and, generally, must be in writing, indicating whether the Plan is accepted or rejected, be signed by the Creditor or Equity Security Holder or an authorized agent thereof, and conform to Official Form No. 30. Further, if more than one Plan is transmitted pursuant to Bankruptcy Rule 3017, an acceptance or rejection may be filed by each Creditor or Equity Security Holder for any number of Plans transmitted and if acceptances are filed for more than one Plan, the Creditor or

Equity Security Holder may indicate a preference or preferences among the Plans so accepted. With respect to a Creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, such Creditor shall be entitled to accept or reject a Plan in both capacities and any such Creditor is advised to seek the assistance and advice of counsel prior to voting.

26.03 The purpose of the Confirmation Hearing is for the Court to consider the Plan, hear evidence and determine whether or not the requirements of §1129 of the Code have been satisfied. In the event the Court determines that the requirements of §1129 of the Code have been satisfied and that the Plan should be confirmed, the Court will enter an Order confirming the Plan.

26.04 The requirements of §1129 of the Bankruptcy Code are generally as follows:

(a) That the Plan complies with the applicable provisions of the Code;
(b) That the proponent of the Plan has complied with the applicable provisions of the Code;
(c) That the Plan has been proposed in good faith and not by any means forbidden by law;

(d) That any payment made or promised by the proponent of the Plan or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in, or in connection with the case or in connection with the Plan and incident to the case, has been disclosed to the Bankruptcy Court and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

(e) That the proponent of the Plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint Plan with the proponent, or a successor to the Debtor under the Plan; and the appointment to, or continuance in, such office of such individual, is consistent with the interest of Creditors and Equity Security Holders and with public policy; and the proponent of the Plan has disclosed the identity of any insider that will be employed or retained by the reorganized Debtor, and the nature of any compensation for such insider;

(f) That any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtor has approved any rate change provided for in the Plan, or such rate change is expressly conditioned upon such approval;

(g) That with respect to each Impaired class of claims or interest, either each holder of a claim or interest of such class has accepted the Plan or will receive or retain under the Plan, on account of such claim or interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code on such date;

(h) That each class of claims or interest has either accepted the Plan or is not Impaired under the Plan;

(i) That except to the extent that the holder of a particular claim has agreed to a different treatment of such claim the Plan provides that administrative expenses shall be paid in full on the Effective Date;

(j) That at least one class of claims that is Impaired under the Plan has accepted the Plan, such acceptance of such class being determined without including any acceptance of the Plan by an

insider holding a claim of such class;

(k) That confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

26.05 The proponent of this Plan believes that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, that the proponent has complied or will have complied with all of the requirements of Chapter 11 and that the proposal of the Plan is made in good faith.

26.06 The proponent believes that the holders of all claims Impaired under the Plan will receive payment thereunder having a present value as of the Effective Date in amounts of not less than the amounts which would be likely to be received by such claim holders if the Debtor was liquidated in a case under Chapter 7 of the Bankruptcy Code on the date of the Confirmation Hearing.

26.07 In the event that any Impaired class of claims does not accept the Plan, the Court may confirm the Plan at the request of the proponent if, as to each Impaired class which has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable". A Plan or Reorganization is said not to discriminate unfairly within the meaning of the Code if no class receives more than it is legally entitled to receive for its claim or equity interest. The term "fair and equitable" has different meanings under the Code for secured and unsecured claims.

26.08 Under §1129(b)(2) of the Code, the condition that a Plan be fair and equitable with respect to a class of secured claims includes the following requirements:

- (a) That the holder of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the Debtor or transferred to another entity, to the extent of the allowed amount of such claims; and that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value of such holder's interest in the Estate's interest in such property;
- (b) Property subject to the lien of the Impaired secured Creditor is sold free and clear of any such lien, with such lien attaching to the proceeds of the sale, and such lien proceeds must be treated in accordance with clauses (a) or (c) hereof; or
- (c) The Impaired secured Creditor realizes "the indubitable equivalent" of its claim under the Plan.

26.09 With respect to an unsecured claim, §1129(b)(2)(B) provides that with respect to a class of such claims, the Plan, in order to be "fair and equitable" must provide either:

- (a) That each Impaired unsecured Creditor receive or retain property of a value equal to the amount of its allowed claim; or
- (b) The holders of claims and interest that are junior to the claims of the dissenting class will not receive any property under the Plan.

26.10 In the event one or more classes of Impaired claims rejects the Plan, the Court will determine, at the Confirmation Hearing, whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting Impaired class of claims.

XXVII.

Procedure for Resolving Contested Claims

The procedure for claims allowance is set out in the Plan.

XXVII.

Reorganized Debtor as Disbursing Agent

After the Effective Date of the Plan, the Debtor shall conduct the consummation of the Plan as confirmed. The Debtor shall serve as the disbursing agent for payments to Plan Creditors.

XXIX.

Modification of the Plan

The Debtor may propose amendments or modifications to its Plan at any time prior to the date of the entry of the Order Confirming Plan, with leave of the Court, and upon proper notice to parties in interest. After the date of the Order Confirming Plan, Debtor may, with approval of the Court, so long as it does not materially or adversely affect the interest of creditors, remedy any defects or omissions or reconcile any inconsistencies in the Plan or in the Order Confirming Plan in such manner as may be necessary to carry out the purpose and effect of this Plan.

XXX.

Conclusion

30.01 Debtor submits this Disclosure Statement and the information contained herein in good faith, in accordance with the provisions of 11 U.S.C. Section 101, et seq., for consideration by creditors and other parties in interest, and as the sole source of information furnished by Debtor, or to be furnished by the Debtor, in solicitation of acceptance of Debtor's Plan of Reorganization.

30.02 Debtor believes that acceptance of the Plan is in the best interest of all parties-in-interest in this case. The Plan provides for maximizing the distribution to unsecured Creditors. Debtor seeks confirmation under Section 1129(a) or, in the alternative, if necessary, under Section 1129(b) of the Code.

Respectfully submitted,

/s/ Jeanette M. Gutierrez

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State Bar No. 03598800

CERTIFICATE OF SERVICE

I hereby certify that on August 24, 2016 a true and correct copy of the above and foregoing was served upon the following parties via electronic means as listed on the Court's ECF Noticing System or by regular first class mail:

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