

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

IN RE §
GTHCC, INC. § CASE NO. 51942-CAG
DEBTOR § CHAPTER 11

**DISCLOSURE STATEMENT TO PLAN OF REORGANIZATION OF
GTHCC, INC.**

I. INTRODUCTION

On August 15, 2017, GTHCC, Inc. (hereinafter the "Debtor"), filed its voluntary petition under Chapter 11 of the United States Bankruptcy Code. Since that time it has continued to operate as Debtor in Possession pursuant to the provisions of Section 1108 of the Bankruptcy Code¹.

This Disclosure Statement To Plan of Reorganization (hereinafter "Disclosure Statement") has been prepared by the Debtor pursuant to Section 1125 of the Bankruptcy Code, which requires that creditors receive a written Disclosure Statement containing sufficient information about the Debtor to enable creditors to make an informed and intelligent decision regarding the Plan of Reorganization (hereinafter "Plan"). Prior to the solicitation of your vote on the Plan, and as required by the Bankruptcy Code, the Bankruptcy Court has approved this Disclosure Statement as containing adequate information on the Debtor.

In addition to this Disclosure Statement and accompanying Plan, you will also receive an order of the Court setting the hearing on the confirmation of the Plan and establishing deadlines for casting your vote or filing objections to confirmation. Mailing instructions are included in your Ballot. YOUR VOTE IS IMPORTANT. In order for the Plan to be accepted, at least two-third (2/3's) in amount and one-half (1/2) in number of the voting creditors in each class must affirmatively vote for the Plan. Even if all classes of claims accept the Plan, the Bankruptcy Court may refuse to confirm the Plan. Among other things, Section 1129 requires that the Plan be in the best interests of the creditors and other parties in interest, and generally requires that the holders of the claims not receive less than would otherwise be realized if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

In appropriate circumstances, the Bankruptcy Court may confirm a Plan even though less than all of the classes of claims accept the Plan. The circumstances warranting confirmation notwithstanding

¹Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

the vote of a dissenting class or classes of creditors are set forth in Section 1129(b) of the Bankruptcy Code. Except as otherwise provided in the Plan, the Order of Confirmation, or Section 1141(d), confirmation of the Plan will discharge the Debtor from all of its debts. Confirmation makes the Plan binding on the Debtor and all of his creditors, regardless of whether or not they have accepted the Plan.

A. The Debtor. The Debtor is GTHCC, Inc.

B. The Disclosure Statement.

Pursuant to Section 1125(b) of the Bankruptcy Code (Title 11 of the United States Code, hereinafter referenced as 11 U.S.C. section number), a precondition to solicitation of acceptances and rejections of a Plan of Reorganization from holders of claims or interests in the bankruptcy estate is that the holders be furnished with a copy of the Plan or a summary of the Plan and a written Disclosure Statement which contains "adequate information".

"Adequate information" means 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, that would enable a hypothetical reasonable investor typical of holders of claims or interests 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. 11 U.S.C. 1125(a)(1).

Whether or not a Disclosure Statement contains adequate information is determined by the Court upon notice and hearing. 11 U.S.C. 1125(b). All parties in interest may participate in this determination. After the Disclosure Statement is approved by the Court, a hearing will be set on confirmation of the Plan and a Plan package which includes copies of the Order Approving Disclosure Statement, Plan, Disclosure Statement and Ballot will be sent to the parties entitled to vote on the Plan.

C. Chapter 11.

Chapter 11 is a portion of the Bankruptcy Code which provides businesses and certain individuals with protection from creditors while it seeks to reorganize its financial affairs, including the repayment of its debts. The terms of the proposed reorganization are embodied in a Plan of Reorganization. While the Bankruptcy Code gives the Debtor many aids in the reorganization of its financial affairs, these aids are balanced with rights and protections afforded to creditors. Confirmation of a Plan of Reorganization is the objective of the Debtor in a Chapter 11 Reorganization Case. Performance of the confirmed Plan is the objective of the Reorganized Debtor. The Plan is the terms by which the claims against and interests of the Debtor is satisfied.

D. The Process of Confirmation.

1. Hearing on Confirmation. Confirmation of a Plan is simply approval by the Court. This approval is sought by the Plan proponent at the hearing on confirmation. In order to obtain approval of the Court, the Plan proponent must show that the Plan meets all requirements for confirmation.

2. Requirements for Confirmation. The requirements for confirmation are listed in 11 U.S.C.

Section 1129(a). These requirements are part of the balancing of rights and aids between the Debtor and its creditors. Certain of the requirements for confirmation necessitate the solicitation of ballots from the holders of claims against and interests in the Debtor indicating either the acceptance or rejection of the Plan. Section 1129(a) does not require that each and every holder of a claim against or interest in the Debtor's vote to accept the Plan in order for it to be confirmed by the Court. First, only those holding claims or interests which are in classes which are impaired are entitled to vote. Impairment is defined in 11 U.S.C. 1124.

Impairment basically means an alteration of the legal, equitable or contractual rights of the holder of the claim or interest. The Plan proponents must assert in the Disclosure Statement whether or not each class is deemed by them to be impaired. The proponents' conclusion may be disputed by a creditor and the dispute resolved by the Court. If a Plan impairs or changes the rights of any creditor, it must be accepted by at least one Class of impaired claims. Second, only those ballots that are properly completed and timely delivered are counted. Third, of those voting in each class, only a majority of the claims in number and at least two-thirds (2/3) in amount are needed for the acceptance of the Plan by that class.

Even if all Classes of claims and interests accept the Plan, its confirmation may be denied by the Bankruptcy Court for the failure to meet some other requirement of Section 1129 of the Bankruptcy Code. Among those requirements is one that the Plan be in the best interest of claimholders and interest holders. That generally requires that the value to be distributed to claimholders and interest holders may not be less than such parties would receive if the Debtor were liquidated under Chapter 7 of the Code.

3. Cramdown. The Court may confirm a Plan even though a class of claims or interest holders rejects the Plan. Confirmation of a Plan over the rejection by one or more classes of claims or interests is generally referred to as "cram down". In order for the Plan to be confirmed in spite of the rejection by a class of claims or interests, the proponent of the Plan must show that the Plan does not discriminate unfairly and is fair and equitable with respect to each class of claims or interests that is impaired and has not accepted the Plan.

Section 1129(b)(2) provides that the following standards are among the issues to be considered in determining whether the Plan is "fair and equitable" with respect to a particular class:

Secured Claims. The Plan is fair and equitable with respect to a class of secured claims if it provides that either:

1. The holders are to retain their lien, whether the collateral is retained by the Debtor or transferred to another entity, to the extent of the allowed amount of their secured claim, and are to receive deferred cash payments totaling not less than the allowed amount of their claims and having a present value of not less than the value of the collateral.

2. The collateral is to be sold in a sale permitting the holder to "bid in" free and clear of holder's lien, with such lien to attach to the proceeds of such sale, and the treatment of the lien on such proceeds under either clause (1) or (3) hereof; or

3. The holders are to receive the "indubitable equivalent" of their claims.

Unsecured Claims. The fair and equitable requirement in the context of a class of unsecured claims requires that either:

1. The holders are to receive property with a present value equal to the allowed amount of their claims; or
2. No holders in a class junior to the rejecting class are to receive any property.

II. REPRESENTATIVES

The statements contained in this Disclosure Statement are made as of the date of this Disclosure Statement unless another time is specified. Except as stated herein, no other representations concerning the Debtor, its financial affairs, the value of its property, or the value of any benefits offered to you in the Plan are authorized. ANY REPRESENTATIONS OR INDUCEMENTS WHICH ARE CONTRARY TO THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, and such representations or inducements and their origin should be immediately reported to William R. Davis, Jr., Langley & Banack, Inc., Counsel for the Debtor, 745 E. Mulberry, Suite 700, San Antonio, Texas 78212 Telephone: (210) 736-6600.

THE DEBTOR AND ITS COUNSEL HAVE MADE EVERY EFFORT TO INSURE THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS ACCURATE. WE CANNOT, HOWEVER, WARRANT THAT ALL OF THE DATA IS COMPLETELY ACCURATE, THOUGH WE FEEL IT IS MATERIALLY ACCURATE TO OUR BEST KNOWLEDGE, INFORMATION AND BELIEF. THE INFORMATION IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO AN INDEPENDENT AUDIT, AND FINANCIAL INFORMATION HAS BEEN BASED UPON OUR INTERNAL RECORDS. IF ANY STATEMENTS OF FINANCIAL MATTERS WERE MADE BY THIRD-PARTY ACCOUNTING PROFESSIONALS ACCOMPANY THIS DISCLOSURE STATEMENT, THEY WILL CONTAIN A DISCLAIMER REQUIRED OF UNAUDITED FINANCIAL INFORMATION. FURTHER, YOU SHOULD NOT CONSTRUE THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT AS AN ENDORSEMENT OF THE PLAN OR A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION PRESENTED HEREIN.

The Debtor has expended considerable time in devising a Plan which it believes to be financially feasible and fair to its creditors. Consequently, the Debtor urges you to vote for acceptance of the Plan.

III. INFORMATION CONCERNING THE DEBTOR

A. History of the Debtor

1. Description of the Debtor's Operations

The Debtor is in the residential construction business. The Debtor is currently constructing a

single family residence located at 5117 Alysheba Lane, Midland, Texas 79705 (the “Real Property”). The Debtor purchased the Real Property as a vacant lot from a developer, Black Family Partnership, Ltd on October 22, 2012. The Debtor believes that it owns the Real Property free and clear of all liens. Once the Debtor has completed construction, it will sell the Real Property and use the proceeds from the sale to pay creditors. The Debtor anticipates that it will complete construction of the Real Property and list the Real Property for sale in July 2018.

2. Results of Operations as Debtor in Possession

The Debtor has continued to build the Real Property while it has been a debtor in possession. The value of the Real Property is increasing as the construction progresses.

3. Estimated Future Income and Expenses

The Debtor anticipates that it will continue needing cash to purchase materials and pay laborers to continue the remodel of the Real Property. The Debtor does not anticipate generating any income while during the remodel process. GTHCC 2017, LLC will continue paying the construction and labor costs until the Real Property is finished. Additionally, GTHCC 2017, LLC will make the proposed monthly plan payments herein until the Debtor sells the Real Property. The Debtor anticipates receiving a large lump sum once the construction is complete and the Real Property is sold. The Debtor estimates that the sales proceeds will be sufficient to pay all priority claims in full and the unsecured claims in accordance with the terms proposed in the Plan.

4. Future Management of the Reorganized Debtor

No changes are proposed, other than as discussed herein.

5. Causes of the Bankruptcy Filing

Prior to filing this case, the Debtor was in receivership. The Debtor owned the Grand Texas Hotel and Convention Center (the “Hotel”) in Midland, Texas. To purchase the Hotel, the Debtor borrowed money and pledged the Hotel as collateral. The Debtor fell behind on its debt service payments, and the lender filed a lawsuit in the District Court for the Western District of Texas on February 21, 2017. In the lawsuit, the lender sought to appoint a receiver to run the operations of the Hotel. The Debtor and lender agreed to an order appointing a receiver on March 20, 2017.

Prior to trial, the Debtor sold the Hotel in an amount to pay the lender in full. The District Court litigation was dismissed and the receivership was terminated. The Hotel was the Debtor’s sole source of income, and following the sale of it, the Debtor lacked income generating operations to pay outstanding claims from the Hotel operations.

Additionally, the Debtor was required to finish construction and renovation of the Real Property within two (2) years of starting construction, pursuant to covenants and agreements with the developer. On or about November 30, 2016, the Debtor approached Black Family Partnership, Ltd

and requested more time to finish building the Real Property. Black Family Partnership, Ltd. agreed to give the Debtor more time to construct the Real Property, but imposed draconian conditions on the Debtor. Black Family Partnership, Ltd required the Debtor to execute a general warranty deed conveying the Real Property to Black Family Partnership, Ltd. dated July 31, 2017 to be held in escrow and provide Black Partnership, Ltd with a certificate of occupancy by July 31, 2017, otherwise Black Family Partnership, Ltd would record the deed. The construction of the Real Property was delayed when the City of Midland placed stop orders on the construction process. The City of Midland refused to allow the Debtor to work on the Real Property without hiring third party contractors.

Thinking it had no other options in order to retain ownership of the Real Property, the Debtor executed the general warranty deed. The Debtor was unable to finish construction of the Real Property by July 31, 2017 because of problems obtaining permits from the City of Midland. Upon information and belief, Black Family Partnership, Ltd influenced the City of Midland to frustrate its efforts to obtain permitting that would allow it to complete construction of the Real Property by July 31, 2017. Upon further information and belief, Black Family Partnership, Ltd has not recorded the deed.

The Debtor plans to sue Black Family Partnership, Ltd to avoid the transfer of the Real Property by deed dated July 31, 2017 and clear up the ownership issues relating to the Real Property.

6. Changes to Operations

The Debtor is no longer operating the Hotel. As discussed earlier, the Debtor is now constructing the Real Property as its primary business operation.

IV. ANALYSIS AND VALUATION OF PROPERTY

A. Real Property

The Debtor owns the Real Property as set forth on the Schedule A - Real Property filed in its bankruptcy case. The Real Property is described as follows:

	<u>Market Value</u>
1. 5117 Alysheba Lane, Midland, Texas 79705	\$1,000,000

B. Personal Property

Attached hereto as Exhibit "C" is the Schedule B - Personal Property filed by the Debtor with the Court.

C. Leases

Attached hereto as Exhibit "D" is a copy of Schedule G - Executory Contracts and Unexpired Lease, which lists the leases to which the Debtor is a party.

D. Liquidation Value

The Debtor's analysis of the distribution to creditors in a Chapter 7 liquidation scenario concludes that the estate's administrative and priority creditors should be paid in full. The estate's unsecured creditors will receive minimal distributions should the case be converted to a case under Chapter 7 and the assets liquidated. The secured claims of Midland CAD is secured by the Real Property.

V. SUMMARY OF PLAN OF REORGANIZATION

A. Classification and Treatment of Claims

Administrative claims consist of the professionals who have provided services to the Debtor during the pendency of this Chapter 11 case and the administrative expense claim filed by the Texas Workforce Commission. These claims are not classified and are not entitled to vote on the Plan. These claimants and the estimated amount of their claims are as follows:

Langley & Banack, Inc. (Attorneys)	\$15,000.00
Texas Workforce Commission	\$986.61
Total Estimated Administrative Claims	<u>\$15,986.61</u>

The amount of the professional fees disclosed above is an approximate amount. It is unknown at this time exactly how much money will be incurred in professional fees in this Chapter 11 case. A final determination cannot be made until such time as the case is closed as to reasonable professional fees for the provision of whatever services become necessary in this Chapter 11 case. Any other allowed costs and expenses of administration of the Debtor's Chapter 11 bankruptcy case are also included as administrative claims. These claims will be paid in full at confirmation, less any retainers already received, after approval by the Court of said fees. The anticipated administrative expenses of the Debtor are moderate, with the largest estimated administrative expense claim being the legal fees of Langley & Banack, Inc.

Administrative claims are unimpaired under the Plan and not entitled to vote on the Plan.

Class 1 - Secured local taxing authority (Midland CAD).

The Class 1 claims consist of the secured tax claims of Midland CAD. The tax claims are secured by statutory tax liens which automatically attach to the real and personal property belonging to the Debtor. Midland CAD timely filed a Proof of Claim in the amount of \$76,241.39. The claim of the tax creditor is fully secured and will retain its statutory liens until the Class 1 tax claims have been paid in full under the terms of this Plan. Post-petition taxes will be paid by the Debtor in a timely manner when they come due, whether through escrow with lenders or directly by the Debtor.

The pre-petition ad valorem tax claims for Midland CAD are to be paid in full through monthly payments of principal and interest (12% per annum from the case filing) based upon a fifty-five month term by GTHCC 2017, LLC until the Real Property is sold at which time the Debtor will pay the remaining Class 1 claims in full. The projected monthly payments are as follows: Midland CAD - \$1,808.92. The monthly payments to the Class 1 creditor are to begin on the 15th day of the month following the Effective Date of the Plan, and continue on the 15th day of the month thereafter until paid in full. The taxing authority will retain its statutory liens until its claims have been paid in full. If the Debtor sells any personal property which secures the claims of Midland CAD, the taxing authority will be paid an approximate amount based upon the amount of the item sold relative to the total value of the assets times the balance owing on the tax claims (pro-rata payment). In the event the Debtor sells the Real Property prior to the expiration of the payment period described herein, the Debtor shall use the sale proceeds to pay the Midland CAD claim in full.

The Class 1 claims are unimpaired under the Debtor's Plan of Reorganization and are not entitled to vote on the Plan.

Class 2 - Priority Claims of the IRS

The Class 2 claims consist of the unsecured priority claims of the IRS. The IRS filed a Proof of Claim asserting a priority unsecured claim in the amount of \$5,000. The basis for the unsecured claim is the Debtor's unfiled corporate tax return for 2016 and the Debtor's unfiled unemployment tax return for 2017. Once the Debtor files these returns, the IRS priority unsecured tax claims will decrease or go away. To the extent the IRS still has an unsecured priority tax claim after the Debtor files the returns, the claim will be paid in full pursuant to 11 U.S.C. Section 1129(a)(9)(C) through monthly payments commencing in the month following the Effective Date and ending five (5) years after the Petition Date by GTHCC 2017, LLC until the Real Property is sold at which time the Debtor will pay the remaining Class 2 claims in full.

The Class 2 claims are unimpaired under the Debtor's Plan of Reorganization and are not entitled to vote on the Plan.

Class 3 - Priority Claims of the Texas Workforce Commission (TWC)

The Class 3 claims consist of the unsecured priority claims of the TWC. The TWC filed a proof of claim asserting a priority unsecured claim in the amount of \$5,629.73. The TWC's priority claim will be paid in full pursuant to 11 U.S.C. Section 1129(a)(9)(C) through monthly payments commencing in the month following the Effective Date and ending five (5) years after the Petition Date by GTHCC 2017, LLC until the Real Property is sold at which time the Debtor will pay the remaining Class 3 claims in full. In the event the Debtor sells the Real Property prior to the expiration of the payment period described herein, the Debtor shall use the sale proceeds to pay the TWC claim in full.

The Class 3 claims are unimpaired under the Debtor's Plan of Reorganization and are not entitled to vote on the Plan.

Class 4 - Priority Claims of the Texas Comptroller of Public Accounts (Comptroller)

The Class 4 claims consist of the unsecured priority claims of the Comptroller. The Comptroller filed a proof of claim asserting a priority unsecured claim in the amount of \$5,486.06. The Comptroller's priority claim will be paid in full pursuant to 11 U.S.C. Section 1129(a)(9)(C) through monthly payments commencing in the month following the Effective Date and ending five (5) years after the Petition Date by GTHCC 2017, LLC until the Real Property is sold at which time the Debtor will pay the remaining Class 4 claims in full.

The Class 4 claims are unimpaired under the Debtor's Plan of Reorganization and are not entitled to vote on the Plan

The Class 5(a) claims consist of the general unsecured creditors which existed prior to the Petition Date. The amount of general unsecured claims consist of the claims scheduled on the Debtor's Schedules (Schedule F) filed with the Court, and as amended, and the Proofs of Claim filed in this case. The Proof of Claim deadline was December 18, 2017. The Debtor believes that the total amount of allowed general unsecured claims will be in the approximate amount of \$219,737.52.

The Class 5(a) unsecured claims will be paid 100% of their allowed unsecured claim(s) through equal quarterly payments of principal based on a 10-year Plan term, with payments beginning on the first day of the third month following the Effective Date of the Plan. The projected quarterly payments are estimated to be in the amount of \$5,493.43, and will be disbursed on a pro-rata basis to unsecured creditors based upon the amount of their allowed claims. Such quarterly payments will be made by GTHCC 2017, LLC until the Real Property is sold at which point the Debtor will make the remaining quarterly payments from the proceeds from the sale of the Real Property.

Alternatively, Class 5(a) creditors may elect to receive a lump sum cash distribution equal to twenty-five percent (25%) of the unsecured creditor's allowed claim. The 25% distribution will be made by the Debtor on or before the one-hundred twentieth (120th) day following the Effective Date of the Plan. If the Real Property has not been sold by the 120th day following the Effective Date, GTHCC 2017, LLC will pay the Class 5(a) creditor claims that elect to receive the lump sum cash distribution. If the Real Property has been sold by the 120th day following the Effective Date, the Debtor will pay the Class 5(a) creditor creditors that elect to receive the lump sum cash distribution from the proceeds from the sale of the Real Property.

The class 5(a) unsecured creditors may elect on their ballot either of the above proposed treatment terms - a one hundred percent (100%) payout over time or a lump sum distribution of twenty-five percent (25%) of the class 5(a) creditors allowed claim within one-hundred twenty (120) days of the plan's effective date. Should a class 5(a) creditor not submit a ballot or not make a selection between the two options on the ballot that creditor will receive the 25% lump sum distribution. To the extent creditors in this class chose the one-time 25% payment discussed, the total monthly payments for the remaining creditors will decrease from the estimate above to an amount sufficient to pay all remaining creditors 100% of their claims over 10 years.

The Class 5(a) claims are deemed to be impaired under the Plan and are entitled to vote on the Plan.

The Class 5(a) claims are deemed to be impaired under the Plan and are entitled to vote on the Plan.

The Class 5(b) claims consist of the insider unsecured claims which existed prior to the Petition Date. These include the claims listed on Schedule F of the Debtor's schedules of Sher Hospitality, Inc., BB&S Investments, LLC, 1109079 Alberta, Inc., and 1043569 Alberta, Inc. These claims will be paid in full from the remaining proceeds from the sale of the Property, if any, after the claims in Classes 1 through 5(a) are paid in full. To the extent there are insufficient funds from the sale of the Property to pay the Class 5(b) claims in full, the holders of allowed Class 5(b) claims will share any recover pro-rata.

The Class 5(b) claims are deemed to be impaired under the Plan and are entitled to vote on the Plan.

Class 6 - Interests of GTHCC, Inc.

Class 6 consists of the equity interests of GTHCC, Inc., which are owned 100% by Jarnall Sihota. Mr. Sihota will continue his 100% ownership interest in the Debtor as it existed pre-petition, subject to the repayment provisions contained herein.

The Class 6 interests are not impaired under the Plan and are not entitled to vote on the Plan

B. Summary of the Mechanics/Implementation of Debtor's Plan of Reorganization

Attached to this Disclosure Statement as Exhibit "A" is a complete copy of the Debtor's Proposed Plan of Reorganization. For the specific details of the Plan of Reorganization, reference should be made to the Plan in its entirety. The summary provided below is merely for the convenience of anyone reading the Disclosure Statement and to the extent that this Disclosure Statement in any way conflicts with the actual Plan, the terms of the Plan will govern.

C. 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. §1129(a)(9)(A), unless otherwise agreed to between the particular administrative claimholder and the Debtor.

D. Feasibility of the Plan.

The Plan is feasible as a result of the sale of the Real Property. The funds from the sale of the Real Property are expected to be sufficient to fund the Plan. The feasibility of the Debtor's Plan is affected by the values and interest rates set by the Court. Should the Debtor's estimate of the sale price of the Real Property be grossly in error or if the real estate market dips drastically in the immediate

future, this Plan might not be feasible. Attached hereto as Exhibit "B" is the Debtor's income and expenses which support the feasibility of the Debtor's Plan.

E. Claims Allowance Procedure

The Debtor will file any claims objections on or before sixty (60) days from the Plan's Effective Date. At present, the Debtor is attempting to resolve any disputes regarding claims with the particular creditor. The Debtor is hopeful that such negotiations will lead to an amicable resolution of any claims disputes; however, there is no guarantee that the negotiations will lead to a resolution of any disputes.

F. Retention of Jurisdiction

The Court retains jurisdiction as set out in the Plan (See Article VIII).

G. Interest Retained by the Debtor

The Debtor is retaining its current ownership interests in real and personal property subject to the terms of this Plan.

VI. ALTERNATIVES TO THE DEBTOR'S PLAN

The Debtor does not believe that any other Plan other than the one it has proposed is feasible for the reorganization of the Debtor's financial affairs. The Debtor does not believe that a liquidation (through a Chapter 7 trustee) of its assets will result in the payment of the full amount of its debts owed. Therefore, the Debtor believes that unless its Plan is confirmed, the result would be a Chapter 7 liquidation, with a smaller distribution to unsecured creditors.

In the event of a Chapter 7 liquidation, the Bankruptcy Code would provide for the priorities of payment. The first priority of payment would be administrative claims. Those would consist of the attorneys' fees for the Debtor, along with the other professional fees for the Debtor. The Debtor estimates these will total approximately \$15,986.61 (less respective retainers of the professionals).

Based on the foregoing, the Debtor believes that its operating Plan is far superior to a Chapter 7 liquidation. A Liquidation Analysis prepared by the Debtor is attached hereto as Exhibit "F".

VII. RISK TO CREDITORS UNDER THE DEBTOR'S PLAN

The principal risk that creditors will incur under the Debtor's Plan is that the Debtor will be unable to make payments pursuant to this Plan of Reorganization. It should be pointed out, however, that all creditors will receive more if the Plan is confirmed at confirmation than they would receive in a Chapter 7 liquidation, thereby rendering the risk to creditors under the Plan minimal.

VIII. TAX CONSEQUENCES

The Debtor is a taxable entity and federal income taxes are payable by the Debtor. It is the

Debtor's opinion that minimal adverse tax consequences will occur to the Debtor as a result of the reorganization. The Debtor is on a calendar tax year. The Debtor will be current on its tax filings at the State and Federal levels before confirmation of the Plan. This Debtor is a corporation and files a separate tax return.

IX. LITIGATION AND PRESERVED LITIGATION CLAIMS

The Debtor was not a party to any lawsuits at the time of its bankruptcy filing. Attached hereto as Exhibit "H" is the Schedule filed by the Debtor in its bankruptcy case noting the Debtor was not a party to any pre-petition litigation.

In accordance with Fifth Circuit case law, the Debtor is required to preserve all litigation claims by specifically and unequivocally identifying all claims and causes of action. The Debtor preserves the following claims and causes of action which will become property of the Reorganized Debtor on the Effective Date, unless otherwise provided for:

- a) Claims against Black Family Partnership, Ltd under 11 U.S.C. §§ 547 and 548 and the Texas Uniform Fraudulent Transfer Act (Texas Business and Commerce Code § 24.001, *et seq.*) shall be preserved and vested with the Reorganized Debtor on the Effective Date. Pursuant to section 547 of the Bankruptcy Code, a debtor may recover certain preferential transfers of property, including cash, made while insolvent during the ninety days immediately prior to the filing of its bankruptcy petition with respect to preexisting debts a debtor owes a transferee to the extent the transferee received more than it would have if the transfer had not been made and the debtor been liquidated under chapter 7 of the Bankruptcy Code. In the case of "insiders," the Bankruptcy Code provides for a one-year preference period. Transfers made in the ordinary course of the debtor's and the transferee's business and transfers made according to ordinary business terms are generally not recoverable. Furthermore, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension may constitute a defense to a preference lawsuit. If a preferential transfer were recovered by the debtor, the transferee would have a general unsecured claim against the debtor to the extent of the debtor's recovery. Under section 548 of the Bankruptcy Code and various state laws, a debtor may recover certain prepetition transfers of property, including the grant of a security interest in property, made while insolvent to the extent the debtor receives less than fair value for such property. The Debtor asserts that the deed conveying the Property to Black Family Partnership, Ltd dated July 31, 2017 is avoidable as a preference and/or fraudulent transfer and after litigation of the issue.

X. RELATIONSHIP OF DEBTOR WITH AFFILIATES

The Debtor does not have a relationship with any affiliates as the term "affiliate" is defined in Section 101(2) of the Code. The Debtor's President and 100% owner, Mr. Jarnail Sihota, owns interests Sher Hospitality, Inc., B&S Investments, LLC, 1109079 Alberta, Inc., and 1043569 Alberta, Inc.

XI. PREFERENTIAL OR VOIDABLE TRANSFERS

The Debtor is unaware of any preferential or voidable transfers at this time. However, Debtor will continue to review and investigate its books, records and financial affairs to determine if a basis exists to pursue such preferential and/or voidable transfers.

XII. SUMMARY OF SIGNIFICANT ORDERS ENTERED

1. Agreed Order Setting Deadlines and Granting Other Relief - 12/20/2017

XIII. MISCELLANEOUS DISCLOSURES

A. 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 interests 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.

B. Effect of Confirmation of the Plan.

The provisions of the Plan once confirmed are binding upon the Debtor and all of its creditors. The confirmation of the Plan vests all property of the estate in the Debtor except as otherwise provided in the Plan. All non-exempt assets will automatically revert in the Debtor's estate in the event that the Debtor's case is converted to Chapter 7 at some point in the future. The Debtor's property is free and clear of all claims and interests except as otherwise provided in the Plan. The Debtor is discharged from any debt which arose prior to confirmation, whether maker or guarantor, except as provided for in the Plan, Order Confirming Plan or the Bankruptcy Code upon completing the terms and payments of the Plan of Reorganization. Upon the Debtor successfully completing the terms of a confirmed Chapter 11 Plan of Reorganization, the Debtor will have no further liability to any creditor of the Debtor.

C. Executory Contracts.

All executory contracts of the Debtor not expressly rejected, in writing on or before the date of the hearing on Confirmation of the Plan shall be deemed assumed. The Debtor has agreed to cure its various lease defaults (if any) by adding them to the end of the lease and remaining current on its lease obligations in the future as they come due. Rejection is accomplished by filing a notice thereof with the Court, together with a proof of service of said notice of the Application to reject upon all parties affected thereby.

All parties to a rejected contract (other than creditors whose lease(s) were previously rejected by

Motion and Court Order) shall have thirty (30) days from and after an Order approving rejection becomes a Final Order in which to file a Proof of Claim for damages, if any, resulting from such rejection. Failure to file such Proof of Claim within the period indicated will forever bar the party affected by the rejection from participating in any distribution under the Plan or recovering any payment of any claim on account of such rejection.

D. Default

Upon default by the Reorganized Debtor, creditors (other than the Internal Revenue Service) are required to provide written notice of such Default to the Reorganized Debtor and its counsel, William R. Davis, Jr. of Langley & Banack, Inc., by certified mail, return receipt requested, and by regular first class mail, and the Reorganized Debtor shall have thirty (30) days from the date of the notice to cure the default. Any defect in such default notice shall toll the running of the thirty (30) day cure period. Notice of default shall be given to the Reorganized Debtor and William R. Davis, Jr. If the Reorganized Debtor fails to cure within the thirty (30) day cure period provided herein, creditors shall be allowed to foreclose their liens/pursue collection activity allowed by applicable State law without further notice of hearing before the Court, and/or pursue available collection activities.

The United States (Internal Revenue Service) requests the following default language:

- (i) The debt owed by the Debtor to the Internal Revenue Service is a non-dischargeable debt, except as otherwise provided for in the Bankruptcy Code, and that if the Debtor should default, the Internal Revenue Service is not subject to the provisions of the Bankruptcy Code so that the Internal Revenue Service can take whatever actions are necessary to collect said debt in the event of default; the federal tax liens survive the plan confirmation, a bankruptcy discharge, and dismissal of the case. The liens continue to be enforceable against all of the Debtor's property under federal law.
- (ii) A failure by the Reorganized Debtor to make a payment to the Internal Revenue Service pursuant to the terms of the Plan shall be an event of default, and as to the Internal Revenue Service, there is an event of default if payment is not received by the fifteen (15th) day of each month. If there is a default, the Internal Revenue Service must send written demand for payment, and said payment must be received by the Internal Revenue Service within fifteen (15) days of the date of the demand letter. These default provisions pertain to the entire claim(s) of the Internal Revenue Service, secured, unsecured priority, unsecured general, administrative priority and post-confirmation accrued tax.
- (iii) The Internal Revenue Service is bound by the provisions of the confirmed Plan and is barred under Section 1141 of the Bankruptcy Code from taking any collection actions against the Reorganized Debtor for pre-petition claims during the duration of the Plan (provided there is no default as to the Internal Revenue Service). The period of limitations on collection remains suspended under 26 U.S.C. Sec. 6503(h) for tax periods being paid under the Plan and terminates on the earlier of (1) all required payments to the Internal Revenue Service have been made; or (2) thirty (30) days after the date of the demand letter (described above) for which the Debtor failed to cure the default.

- (iv) The Internal Revenue Service will also agree to withhold collections of the trust fund recovery penalty assessment against the responsible officers (if any). This agreement only encompasses the tax periods involved in the confirmed plan. The forbearance of collection efforts by the Internal Revenue Service does not preclude any action by the Internal Revenue Service to file liens or otherwise to perfect a security interest against the responsible officer as permitted under federal and state law. The period of limitations on collection will be suspended under 26 U.S.C. 603(h) for the trust fund periods and will terminate on the earlier of (1) all required payments to the Internal Revenue Service have been made under the Plan; or (2) thirty (30) days after the date of the demand letter (described above) for which the Debtor failed to cure the default.
- (v) Internal Revenue Service remedies upon default: Upon any final and non-curable default by the Reorganized Debtor, the Internal Revenue Service may accelerate its allowed pre- and post-petition claims (and any future administrative claims), and declare the outstanding amounts of such claims to be immediately due and owing. The Internal Revenue Service may pursue any and all available state and federal rights and remedies as provided by law without future order of this Court.
- (vi) Payments must be mailed to:

Internal Revenue Service
ATTN: Keri Templeton
300 East 8th Street, STOP 5026AUS
Austin, TX 78701

- (vii) Agreement with the Internal Revenue Service: The federal tax liens survive the Plan confirmation, a bankruptcy discharge, and dismissal of the case. The liens continue to be enforceable against the Reorganized Debtor's property to the extent, priority, and validity such liens were entitled to as of the Petition Date and under federal law. All liens will be timely released upon the completion of the payments to the Internal Revenue Service as set forth and required herein.
- (viii) The Debtor must remain current with respect to all post-petition federal tax liabilities, including the timely filing of tax returns and payment of all tax liabilities as required by applicable law during the term of the Plan. Failure to remain current with respect to one or more post-petition federal tax liabilities shall constitute an event of default to the Plan; however, the Bankruptcy Court shall have no jurisdiction over any tax issues arising after the date of confirmation. There will be no automatic stay or post-confirmation injunction with regard to federal tax liabilities accrued after the Petition Date (November 3, 2016), and the IRS shall be free to collect any such liabilities in accordance with the provisions of Title 26 of the United States Code and other applicable laws.
- (ix) To the extent the Debtor has made, or makes in the future, any overpayment of post-petition taxes, post-petition over payments of federal taxes may be setoff against any post-petition federal tax liabilities as allowed by applicable law. If the Debtor has not accrued any post-petition liability to the IRS, the overpayments will be applied to the

Debtor's Plan payments under the Plan.

XIV. CONCLUSION

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

The Debtor recommends that the Plan of Reorganization be approved in light of the alternative of a non-orderly liquidation, which would provide a significant payment only to the Secured Creditors. An operating plan as proposed herein leads the Debtor to conclude that the Plan is in the best interest of all creditors and parties-in-interest; therefore, all Creditors and Interest Holders alike should vote to accept the Plan.

ARTICLE XV.

ATTACHMENTS AND EXHIBITS

Exhibit "A"	Plan of Reorganization
Exhibit "B"	Debtor's Pro-Forma Projections
Exhibit "C"	Schedule of Personal Property
Exhibit "D"	List of Executory Contracts
Exhibit "E"	Schedule F
Exhibit "F"	Liquidation Analysis
Exhibit "G"	December 2017 Monthly Operating Report
Exhibit "H"	Pre-Petition Litigation (None)

DATED: February 9, 2018

GTHCC, INC.

/s/ Jarnail Sihota
Jarnail Sihota, President

OF COUNSEL:

BY: /s/ Allen M. DeBard

WILLIAM R. DAVIS, JR.

State Bar No. 05565500

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