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

	§	
In Re:	§	
	§	
HIGHER GROUND EDUCATION, INC., et al	§	Case No. 25-80121-mvl
	§	
Debtors.	§	Chapter 11 (Jointly Administered)

OBJECTION OF CARL BARNEY TO DISCLOSURE STATEMENT

Carl Barney, individually and as Trustee of the Carl Barney Living Trust, (“Barney”), by and through his undersigned counsel, files this Objection to Disclosure Statement (the “Objection”) and would respectfully state as follows:

1. On June 17, 2025, Debtor Higher Ground Education, Inc. (together with its filing subsidiaries, the “Debtors”) filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in this Court.

2. The Disclosure Statement for the Joint Plan of Reorganization of Higher Ground Education, Inc. and Its Affiliated Debtors was filed on June 26, 2025 [Docket No. 97] (the



“Disclosure Statement”).¹ The Disclosure Statement should not be approved because it does not meet the statutory requirements of Section 1125 of the Bankruptcy Code. Further the Disclosure Statement should not be approved because it describes a plan of reorganization (the “Plan”) that cannot be confirmed. The basis for these objections is stated in the following paragraphs.

3. Barney is a plaintiff in litigation pending in the Superior Court of the State of California for the County of Orange (the “State Court Litigation”).² In the State Court Litigation, Barney asserts ten causes of action against Higher Ground Education, Inc. (“HGE”) and six individuals, including Ramandeep Girn (and his wife Rebecca – the “Girns”), the former president, director, CEO, and one of the shareholders of HGE. The claims of Barney include allegations that Girn and the other individual defendants systematically stripped Leport Educational Institute (“LPI”) of its assets, recruited its teachers and students, and took the goodwill build up by the LPI. HGE was the entity used by the individuals to be the vehicle to utilize this property, relationships, and goodwill. Barney seeks to recover in excess of \$30 million from the Defendants in the State Court Litigation.

The Information of the Disclosure Statement Is Inadequate and Inaccurate

4. A Disclosure Statement must contain adequate information "that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan..." 11 U.S.C. §1125(a)(1); *In re Divine Ripe*, L.L.C., 554 B.R. 395, 400 (Bankr. S.D. Tex. 2016). The Disclosure Statement states that unsecured creditors are impaired and therefore can vote on the Plan. However, the Disclosure Statement does not provide adequate information to unsecured creditors, and key aspects of the disclosures are not accurate. First, the Disclosure

¹ References to the Disclosure Statement herein refer to the pagination of the document, and not the pagination of the Docket Sheet.

² Case No. 30-2018-01006531-CU-FR-CJC.

Statement does not disclose what the unsecured creditor class will actually receive as a class, nor does it state the percentage of recovery unsecured creditors can expect to receive. A hypothetical investor cannot make a decision without knowing what the investor will receive if the plan is confirmed.

5. The Disclosure Statement also fails to clearly and adequately disclose accurate information about the fundamental issues of the case. For example, the Debtors' Monthly Operating Report for June³ (the "MOR") states the current assets of the Debtor HGE exceeds \$46 million.⁴ Yet at the 341 Meeting conducted on June 28, Mr. McCarthy, the president of the Debtor, testified under oath the Debtors have no current assets, only possible tax benefits of operating losses. Debtor has no employees, according to the MOR. Mr. McCarthy also testified the Debtor had no intellectual property assets.

6. The Disclosure Statement states that as of the Petition Date, "the Debtor owns and operates seven schools." (Disclosure Statement, page 10), and in the risk factors for the proposed plan, the Debtor states that "The success of the Reorganized Debtors hinges largely operation of these Schools, including maintaining and/or growing Student enrollment." (Disclosure Statement, page 74). Likewise, the Disclosure Statement justifies the Restructuring Agreement in the following way:

The restructuring transactions contemplated by the Restructuring Support Agreement will allow the Debtors to maximize value for creditors and parties in interest, keep the largest number of employees employed, and provide students and families with ongoing access to the Remaining Schools.⁵

³ Docket No. 213.

⁴ The notes to the Monthly Operating Report indicate the reporting for the lead Debtor, Higher Ground Education, LLC, reflect the combined assets of that entity and its affiliates.

⁵ Disclosure Statement, page 26.

Mr. McCarthy testified at the 341 meeting that all of the schools are closed and have no employees or students. The Disclosure Statement is inaccurate in this regard.

7. The Disclosure Statement uses the term “assets” but in the narrative about the Debtor and its business, the Disclosure Statement does not provide any meaningful description of the what the Debtor currently owns, the nature of those assets, or their value. For example, in the liquidation analysis, the Debtor states the following:

The Debtors’ principal assets consist of the Schools, cash and cash equivalents, accounts receivable, inventory, equipment and fixed assets, intellectual property rights, and rights under certain contracts and licenses. Based on the Debtors’ most recent audited financial statements, the Debtors believe they also have approximately \$243 million of federal net operating losses, \$174 million of state net operating losses, and \$2.5 million of foreign net operating losses as of the Petition Date.⁶

This description implies that the Debtors hold significant assets other than operating losses and intercompany obligations. In fact, the Debtors have minimal assets – for example, the accounts receivable of the Debtors as of the Petition Date was \$25,550, according to the Schedules. The truth is that intangible assets - the operating losses and intercompany obligations - make up 99.99% of the Debtor’s assets.

8. Compounding the foregoing is the absence of financial projections or a liquidation analysis, which are “to be filed.” (Disclosure Statement page 64, fn. 21). While this practice could perhaps be permitted for a company with an established reporting history that is continuing its operations post-confirmation, that is not the situation here, where the Debtors have no assets and no income, and if there are post-confirmation operations, they will be vastly different from the pre-petition operations of the Debtor.

⁶ Disclosure Statement, page 62.

9. Likewise, creditors cannot evaluate the Debtor's general assertion that they will receive more under the Plan than under a liquidation under Chapter 7. The assumptions made by the Debtors in the Disclosure Statement are unsubstantiated and do not provide any meaningful assessment of a liquidation under Chapter 7, and as noted above, the liquidation analysis itself is not filed and cannot be evaluated by the Court as to its adequacy or accuracy. The Disclosure Statement provides no disclosure of the amount available for payment to unsecured creditors, whether that fund is subject to any risks, or the total amount of unsecured allowed claims that would share in payment from this fund. Arguably, a fund of \$50,000 could be more than unsecured creditors would receive in Chapter 7 (assuming the validity of all of the secured debt and no recovery of Chapter 5 actions), even though the recovery to each creditor may be miniscule.⁷

10. The Disclosure Statement provides no evaluation of potential avoidance actions, even though the Debtors plowed through hundreds of millions of dollars in the past four years. Instead, the proposed plan goes to great lengths to put into place releases of any claims relating to any transfers.

11. The risk factors in the Disclosure Statement also reveal the break between what is disclosed for voting purposes and what other court documents and testimony show. For example, the Disclosure Statement imports standard factors that simply do not apply here. For example, the risk factors cited by the Debtor include the following:

Risk Factor	Contradictory Facts
Debtors' ability to obtain and maintain normal trade terms with service providers	The Debtor has no operations or creditors with normal trade terms

⁷ See Docket No. 281, showing scheduled unsecured claims of over \$38,000,000. Even if the plan proposes \$1 million for unsecured creditors, their payment would be about two and a half cents on the dollar.

and maintain contracts that are critical to their operations	
Debtors' ability to motivate and retain key employees	The Debtor has no employees
Debtors' ability to attract and retain students and families	All the schools are closed
Negative events or publicity associated with the Chapter 11 Cases could adversely affect the Debtors' relationships with their customers, as well as their suppliers and employees, which, in turn, could adversely affect the Debtors' operations and financial condition	The risk of negative publicity assumes relationships with customers and suppliers which do not exist
The Debtor currently operates seven (7) Schools. The success of the Reorganized Debtors hinges largely operation of these Schools, including maintaining and/or growing Student enrollment. If the Debtors are unable to at least maintain Student enrollment the Debtors' future revenue and overall performance, as well as its brand image, may be adversely affected.	The schools are all closed

The discontinuity between the Disclosure Statement and the actual facts is not easily solved by amendment, since the underlying Plan is based upon operations, Schools, customers, suppliers, and positive publicity.

**The Disclosure Statement Is Inadequate Because
Confirmation Standards Described Therein Cannot Be Met**

12. A disclosure statement should be approved by the Court only if the underlying plan is likely to be confirmed. *See In re American Capital Equip. LLC*, 688 F.3d 145, 155 (3rd Cir. 2012); *7 Collier on Bankruptcy P 1125*. (“most courts will not approve a disclosure statement if the underlying plan is clearly unconfirmable on its face”).

13. There are several areas in which the Disclosure Statement describes plan elements that cannot be approved by the Court.

14. The Proposed Releases Are Improper. In Article X of the Plan, the Debtor proposes that several non-Debtor parties receive releases. For example, Ramandeep Girm receives a release even though he was a former officer and director and shareholder of certain of the Debtors and is being paid \$500,000.00 under the Plan. Such a release is clearly impermissible, and is not saved by an opt in/opt out mechanism.

15. The Plan Does Not Satisfy 11 U.S.C. §1129(a)(11). The requirements of plan confirmation include the mandate that confirmation of the plan is not likely to be followed by liquidation. 11 U.S.C. §1129(a)(11). Here, the Disclosure Statement repeatedly refers to “operations” but does not explain what this term means or how operations will generate any cash flow. Nor does the Disclosure Statement explicitly state this is a liquidation plan. Specifically with respect to feasibility, the Disclosure Statement asserts the following:

Based on a detailed assessment of the Debtors’ post-emergence business operations, funding sources, and creditor treatment, the Plan is feasible and is not likely to be followed by liquidation or the need for further reorganization.⁸

As noted above, the Debtors expect creditors to rely upon a to-be-filed “Financial Projections.” Yet the Disclosure does not say anything about what “post-emergence business operations” means, such as management, the number of employees, whether schools are operated and in what locations, what material contracts will enable these operations, or whether additional funding will be needed after confirmation. The Court should not approve a disclosure statement where the failure to disclose is so fundamental it calls into question the purpose of the plan itself

⁸ Disclosure Statement, pages 64-64.

16. The Plan Does Not Satisfy 11 U.S.C. §1129(a)(3). A plan must be proposed in good faith. Here, the plan proposed is simply a vehicle by which secured creditors and insiders “cleanse” their pre-petition foreclosures through the bankruptcy system and obtain releases. There is no real recovery for creditors. The lenders themselves simply advance funds through a DIP loan to pay the administrative costs of the case and then pay themselves the net, with a small amount set aside for unsecured creditors as window dressing. The “plan” is dressed up in legalese so dense that no other parties in interest can afford to spend the legal fees sorting through the documents. The Restructuring Agreement is the glue that ensures these secured creditors and insiders get the result they seek. In proposing the Plan, the Debtors may not have objective bad faith motives, but it is also clear the rehabilitative purpose of Chapter 11 is not the goal of this case.

17. The Fifth Circuit Court of Appeals has held that good faith is also a non-enumerated ground for conversion or dismissal of a Chapter 11 case under 11 U.S.C. §1112(b). *See In re Little Creek Dev. Co.*, 779 F.2d 1068, 1072 (5th Cir. 1986), and allows a court to examine whether the bankruptcy is filed with a valid business purpose. *See In re NRA of Am.*, 628 B.R. 262, 279 (Bankr. N.D. Tex. 2021). The same question can be raised in this case, namely, whether Chapter 11 can be used as a tool to obtain validation of pre-petition foreclosure sales and releases of principals and lenders of the Debtor.

IV. PRAYER FOR RELIEF

WHEREFORE, Movants respectfully request that this Court deny approval of the Disclosure Statement.

Dated: August 1, 2025

Respectfully submitted,

/s/ Charles B. Hendricks

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Attorneys for Carl Barney, individually and
as Trustee of the Carl Barney Living Trust

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing was served on August 1, 2025 by electronic transmission through the Court's automated Case Management and Electronic Docketing System for the U.S. Bankruptcy Court for the Northern District of Texas on all parties-in-interest submitting to service of papers in this case by said means and via U.S. First Class Mail on the following parties:

United States Trustee
1100 Commerce Street, Room 976
Dallas, TX 75242-0996

/s/ Charles B. Hendricks

Charles B. Hendricks