Bankrupt aircraft-modification company GDC Technics may be better off liquidating, creditors say

Patrick Danner, Staff writer

June 16, 2021 | Updated: June 16, 2021 5:41 p.m.

GDC Technics and Boeing Co. first entered into contracts in 2016 for GDC to refurbish and perform certain maintenance upgrades of Air Force One jets. One of the aircraft was photographed in 2017 at Boeing’s repair facility at Port San Antonio.
William Luther /Staff file photo

Aircraft-modification company GDC Technics has hit some turbulence in charting a path to possibly emerge from bankruptcy or complete a sale of the business.

A group representing creditors in the case says they’d be better served if the company liquidated its assets in a Chapter 7 bankruptcy.

The group accuses company insiders of trying to take for themselves — at the expense of creditors — whatever value may be remaining in GDC.

GDC landed in Chapter 11 bankruptcy in April after Boeing Co. terminated it from contracts for work on two Air Force One jets that transport U.S. presidents. GDC listed $54.2 million in assets and $55.2 million in debts in a court filing this month.

GDC called Port San Antonio home before it relocated its headquarters in 2015 to Fort Worth. The company vacated the port last month after it laid off 56 employees there in April.

The company's departure ended its 17-year presence at the port, where it designed and installed posh custom interiors in wide-body jets for foreign heads of state, corporate VIPs and billionaires.

The official committee of unsecured creditors in GDC Technics' bankruptcy have objected to a deal that calls for MAZAV Management to provide GDC $
million in financing. MAZAV is headed by Mohammed Alzeer, who also is GDC's chairman.
File photo

A predecessor company had signed a 20-year lease at the port in 2004. Last month, Boeing assumed GDC's lease for 312,340 square feet of hangar and workshop/fabrication space and covered the unpaid rent. A bankruptcy court filing listed the port as holding a $1.7 million unsecured claim.

On ExpressNews.com: Dispute over Air Force One work causes 56 to be laid off in San Antonio

Boeing continues the work on the Air Force One jets. That includes electrical power upgrades, a communications system, a medical facility and executive interior, a Boeing spokesman said.

GDC recently filed an emergency motion to obtain $7.4 million in financing for its operations over an 18-week period.

The financing "will facilitate a successful reorganization or going-concern sale" of the business, GDC said in the motion.

The money would come from MAZAV Management, a successor to MAZ Aviation, which bought GDC in 2013. GDC was known as Gore Design Completions at the time.

Joining MAZ Aviation in the purchase was SAAV Completions, a company owned by Saudi Arabia's Ministry of Finance, according to a bankruptcy court filing.

Oriole Capital Group, a Los Angeles company that invests in the aviation industry, announced in 2019 that it was part of a new ownership group at GDC. The group included MAZAV, which is headed by GDC Chairman Mohammed Alzeer.

The committee of unsecured creditors, which has the power to investigate GDC, opposes the financing deal with MAZAV.

The committee is comprised of Arlington-based TranStar Aircraft Interiors, Colleyville-based Agente Technical, Palm City, Fla.-based PAC Seating Systems Inc. and former GDC engineer Kingslea Stringham. The U.S. trustee, who is part of the Justice Department overseeing the administration of bankruptcy cases, appointed the members of the committee.

On ExpressNews.com: Engineer files class-action lawsuit against GDC Technics over San Antonio, Fort Worth job losses

Separately, Strigham has sued GDC alleging it failed to give her and an estimated 250 other former employees 60 days' advance notice of their termination as required by federal law.

The creditors' committee says it's in the preliminary stages of an investigation that already has "uncovered substantial claims" against GDC insiders. The claims may constitute the only value in the case for unsecured creditors, the committee adds.

"This is a case about a group of insiders that took over an insolvent company in a leveraged buyout, grossly under-capitalized it, and proceeded to drain it to the dregs — all while running up even greater balances on the backs of debtor's vendors," the committee says in a Tuesday court filing.

“Those same insiders, who still control the debtor, now seek to arrogate to themselves whatever value remains in the debtor, while shielding themselves from any liability or accountability,” it adds.

The committee has objected to various financing deals since the 2019 transaction. GDC was forced into a series of short-term, high-fee loans, according to the committee.

For example, it says, one of GDC’s four members loaned the company $2.4 million for two weeks a year ago — and charged $480,000, or 520 percent on an annualized basis.

GDC chief executive Brad Foreman addressed why the company didn’t seek financing elsewhere to avoid the high fees, the committee said its court filing.

“We had no other source of lending,” Foreman said in a deposition, adding GDC’s financials had not been audited. The deposition was filed under seal but referred to in the committee’s court filing.

SA Inc.: Get the best of business news sent directly to your inbox

From April to September of last year, GDC paid about $11.7 million to insiders, including MAZAV, while GDC’s “liquidity was being squeezed,” the committee says.

MAZAV's Alzeer controls GDC, the committee says. He signed the resolution approving GDC's entry into the $7.4 million financing agreement with MAZAV.

"Mr. Alzeer's conflict of interest utterly disqualifies the validity of that resolution," the committee says.

"We were surprised the committee filed an overstated objection," said Mark Taylor, a lawyer representing MAZAV. "We don't think the objection has any merit."

MAZAV intends to file a response to the objection.

The GDC insiders also voted to grant themselves releases from claims that might be brought by the company's bankruptcy estate, the committee also alleges.

The committee says it believes its claims include breach of fiduciary duty for "forcing the debtor into a series of price-gouging short-term loans" from company insiders.

GDC's post-Chapter 11 projections rely heavily on one prospective customer generating $12 million over the last five months of this year and $81 million from 2022 to 2024, the committee adds. Yet, GDC has not been able to reach an agreement with the customer over the last nine months.

"The committee...is concerned that the debtor is Charlie Brown and the prospective customer is Lucy holding the football," it said.

Jason Rudd, one of GDC's bankruptcy lawyers, didn't respond to a request for comment.

A bankruptcy judge is scheduled to hear GDC's financing request later this month.

pdanner@express-news.net

Written By
Patrick Danner

Patrick Danner is a business reporter for the San Antonio Express-News.

VIEW COMMENTS

LOCAL

Housing fraud at Lackland admitted in guilty pleas
BY SIG CHRISTENSON

Free downtown parking suspended due to Fiesta celebrations
BY GABRIELLA YBARRA

Man dies after being hit by pickup while at bus stop
BY GABRIELLA YBARRA

Texans share Twitter reactions after calls made to save energy
BY MALAK SILMI

Suspect in Palladium stabbing turns self in

Andrew Alexander Pantaleon, 24, has been charged with aggravated assault with a deadly weapon, according to San Antonio police.

BY JACOB BELTRAN

HEARST newspapers
©2021 Hearst