

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

IN RE:	*	CHAPTER 11
	*	
HBCU PROPERTIES, LLC.	*	CASE NO: 17-54172-mgd
	*	
	*	
Debtor	*	
	*	

**DISCLOSURE STATEMENT WITH REGARD
TO DEBTOR'S PLAN OF REORGANIZATION**

ARTICLE I. INTRODUCTION, GENERAL INFORMATION

This Disclosure Statement ("Disclosure Statement") has been prepared pursuant to section 1125 of Title 11 of the United States Code on behalf of HBCU PROPERTIES, LLC. (the "Debtor"), in connection with the Debtor's solicitation of votes on the Plan of Reorganization filed contemporaneously herewith, as the same may be amended from time to time (the "Plan"). This Disclosure Statement contains important information about the Debtor and the Plan.

The Debtor's reorganization proceedings were initiated on March 7, 2017 (the "Petition Date") in the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division.

In providing this Disclosure Statement to creditors, the Debtor seeks to enable parties to make an informed judgment on whether to approve or reject the Plan.

This Disclosure Statement contains a summary of the Plan, general information about the Debtor and important financial information concerning the Debtor's financial circumstances.

The information contained herein has been prepared by the Debtor in good faith based upon information available to the Debtor. The financial information contained herein has not been subjected to a verified audit.

The summary of the plan contained herein is intended as a summary only and is qualified in its entirety by reference to the Plan itself. Each creditor is encouraged to read, consider and carefully analyze the terms and provision of the Plan. In the event of any conflict between the Disclosure Statement and the Plan, the terms of the Plan shall control.

The statements contained in the Disclosure Statement are made as of the date of the Disclosure Statement, unless another time is specified herein, and delivery of the Disclosure Statement shall not create an implication that there has been a change in the facts set forth herein since the date of this Disclosure Statement and the date the materials relied upon in preparation of this Disclosure Statement were compiled.

Most words or phrases used in this Disclosure Statement have their usual and customary meanings. Some words or phrases with initial capital letters have the definitions set forth in the Plan. Unless otherwise defined, the terms used in this Disclosure Statement have the meanings as in the Bankruptcy code or Bankruptcy Rules.

This Disclosure Statement may not be relied on for any purpose other than to determine how to vote on the Plan, and nothing contained herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving the Debtor or any other party.

This Disclosure Statement, together with the Plan, should be read in its entirety. Additionally, it may be advisable for creditors and other parties in interest to consult their own counselor or other advisors with respect to the matters contained herein.

No representations concerning the Debtor, its future or the value of its property are authorized by the Debtor other than as set forth in this Disclosure Statement. Any representations or inducements made to creditors to secure an acceptance of the Plan which are other than as contained in this Disclosure Statement should not be relied upon in arriving at a decision.

The Court has not verified the accuracy of the information contained in this Disclosure Statement. The Court's approval of this Disclosure Statement does not imply that the Court endorses or approves the Plan, but only that if the information is accurate, it is sufficient to provide an adequate basis for creditors and interest holders to make informed decisions whether to accept or reject the Plan.

ARTICLE II. BRIEF DISCUSSION OF CHAPTER 11 OF THE BANKRUPTCY CODE.

Under Chapter 11 of the Bankruptcy Code, a debtor is afforded an opportunity to rehabilitate and to restructure its financial obligations to its creditors. In general, a debtor files a plan of reorganization which sets forth a proposal for settlement of the debtor's debts. A debtor's debts are classified as either being unsecured or secured, depending on whether the Debtor has pledged any of its property to the creditor as collateral for the debt.

After the plan of reorganization and the disclosure statement are filed, the United States Bankruptcy Court holds a hearing on the adequacy of the disclosure statement. If

the Bankruptcy Court determines that the disclosure statement makes proper disclosures, then it is approved and the plan of reorganization and the disclosure statement, along with a ballot, are mailed to creditors and equity security holders for vote. Creditors and equity holders may either vote for or against the plan of reorganization.

In order for the plan of reorganization to be approved by creditors, a vote of two-thirds in amount and a majority in number of creditors of each class of "impaired" creditors who vote must affirmatively vote for the plan of reorganization. A creditor is "impaired" if it is not receiving precisely the same rights it was entitled to under its contract with the debtor before the filing of the Chapter 11 case.

If a class of impaired creditors does not accept the plan of reorganization, then the plan of reorganization may still be confirmed if it is "fair and equitable" as to such objecting class. The Code defines "fair and equitable" regarding unsecured creditors as generally meaning either payment of the entire amount of each creditor's claim or that no class of creditors or interest with a lesser priority will receive any consideration under the plan of reorganization. Regarding secured creditors, "fair and equitable" generally means that the creditor receives the "indubitable equivalent" of its secured claim in cash or deferred payments with a present value equal to the amount of the secure claim.

When a debtor's plan of reorganization is confirmed, the debtor generally receives a discharge or release of all indebtedness which it does not pay under the provisions of the plan of reorganization.

ARTICLE III. GENERAL INFORMATION REGARDING DEBTOR

Debtor was formed on May 24, 1999 for the purpose of owning and managing real property. The Debtor currently owns 1965 Whitehall Forest Court, Atlanta, Georgia, 1923 Whitehall Forest Ct, Atlanta, Georgia and 6234 Waterton Drive, Lithonia, Georgia. The properties are leased to New Horizon assisted Living, LLC (NHAL). NHAL provides Transitional Living Services to individuals with Developmental Disabilities, Mental Health Diagnosis, and PTSD Diagnosis. Beginning in August, 2010 NHAL submitted a new licensing application to increase its capacity. During this period NHAL did not pay its monthly rent to the Debtor. Additionally, the Debtor agreed to defer and or offset NHAL rent in return for NHAL maintaining and renovating the properties.

On the filing date of this petition Debtor owned the real property 4877 Pine Shadows Drive, Decatur, Georgia. Prior to filing Debtor began discussions with Chase, the lien holder on Pine Shadows, in September 2014, in the attempt to modify its loan documents to allow Debtor to cure the arrearage. The parties were not able to reach an agreement that Debtor could reasonably fulfill. Debtor immediately began the process, in good faith to submit the Short Sale documents after Chase Bank received a BPO opinion of Value. Chase began foreclosure proceeding in February 2014 for March Sale. Debtor filed chapter 11 case no. 11-56153 on February 28, 2011. Its plan and disclosure statement was filed on September 26, 2011. The disclosure statement was approved by

the Court on December 6, 2011. No creditor eligible to vote for Debtor's plan voted to accept the plan. Case no. 11-56153-mgd was dismissed on March 15, 2012.

Debtor immediately resumed discussions with Chase in the attempt to modify the loan on the 4877 Pine Shadows property (Pine Shadows).

During a rain storm in April, 2013, Pine Shadows, sustained damages to its roof and internal damages from flooding. While recovering from the damage and resulting unanticipated costs of repair and lost revenue, Chase began foreclosure proceeding for July 2012. Debtor filed for (Case No. 12-64096) relief under Chapter 11 on June 4, 2012. (On July 24, 2014 Debtor and Select entered into a Consent Order [Docket No. 140] granting Select relief from the automatic stay to allow Select to foreclose on the 4877 Pine Shadows Drive Property.)

Case No. 12-64096 was dismissed June 25, 2015. Debtor immediately began discussions with Chase in hopes of either modifying the loan or agreeing on a sale price. Debtor found a buyer for Pine Shadows and reasonably believed that an agreement had been reached with Chase on the sale price. Debtor and the buyer requested a closing date from Chase. The next communication Debtor received from Chase as a foreclosure notice with a sale date of January 5, 2016. Debtor filed this case on January 5, 2016.

ARTICLE IV. POST PETITION EVENTS

Since the filing for protection under Chapter 11 of the Bankruptcy Code the Debtor has continued to manage its affairs as a Debtor-in-Possession under the authority of Sections 1107 and 1108 of the Bankruptcy Code.

The Chapter 11 filing has afforded the Debtor with "breathing space" within which to stabilize its affairs and to reorganize financially.

Debtor's proposed plan to cure the defaults on its loans, pay secured and unsecured creditors within a five year period will provide it with the best prospects for a fresh start.

ARTICLE V. DEBT STRUCTURE

5.1 Class 1. The Secured Claim of Fairbanks Capital (scheduled as "U.S. Bank" also known as U.S. Bank, National Association as Trustee for the Holders of the CSFB Trust 2004-CF2, CSFB Pass-Through Series 2004-CF2.), secured by Debtor's residential rental property at 1965 Whitehall Forest Ct, S.W., Atlanta, Dekalb County, Georgia 30316.

Class 2. The secured claim of Select Portfolio Servicing, Inc. as servicer of U.S. Bank National Association Transferee of J.P Morgan Chase Bank, N.A. (Select) secured by Debtor's residential rental property at 4877 Pine Shadows Drive, Decatur, Georgia.

Class 3. The secured claim of, Mellon Bank (scheduled as “GMAC”), secured by debtor’s residential rental property at 6234 Waterton Drive, Lithonia, Georgia 30058.

Class 4. The unsecured nonpriority claim of Drain Masters, Mareio Fraley Accounting, NTRC Accounting and Whitehall Forest Condo Association.

Class 5. The Claims of the DeKalb County Tax Commissioner.

Class 6. Equity Claims. L. Dean Heard is the only equity security holder.

ARTICLE VI. SUMMARY OF THE PLAN

6.1 Brief Summary of Plan. The following summary of the Plan provides only a brief description of its provisions. The summary is qualified in its entirety by the more detailed descriptions of the Plan in the Disclosure Statement and by the terms of the Plan itself. The Plan, if confirmed and approved by the Court pursuant to Court Order, is a legally binding document. Parties in interest should read the Plan in its entirety and may wish to consult with a professional advisor with regard to the provisions of the Plan and its effects.

The Debtor's Plan contemplates that the Debtor will retain its property and fund the plan with the income from its Properties.

6.2 Retention of Property by the Debtor. Except as may be expressly provided otherwise in the Plan, upon confirmation the Debtor will retain all of the property of the estate free and clear of all liens, claims, and encumbrances not expressly retained by creditors. The Debtor will retain all of the rights, powers, and duties of a debtor in possession under the Bankruptcy Code.

6.3. Treatment of Claims and Interest.

(a) Unclassified Claims. Each Holder of an Allowed Administrative Claim shall be paid: (i) cash or its equivalent in the full amount of its Allowed Administrative Claim on the later of the Effective Date and the dates such Claim is allowed or as soon thereafter as is practicable, or (ii) as the holder of the Allowed Administrative Claim and the Debtor may otherwise agree; provided, however, that any Allowed Administrative Claim may be paid in accordance with the ordinary business terms of payment of such Allowed Administrative Claim. Notwithstanding the foregoing, parties entitled to Professional Compensation shall receive cash in the amount awarded after a Final Order is entered by the Bankruptcy Court approving such Professional Compensation Claim, which may be filed at any time prior to entry of a Final Decree. Notwithstanding anything contained in the Plan to the contrary, any fees due to the United States Trustee shall be paid as and when they come due and prior to Confirmation, as well as those that accrue post-confirmation pursuant to 28 U.S.C. Section 1930 (a) (6), as amended by Section 211 of Public Law 104-99 (110 Stat. 26, 37-38), effective January 26, 1996.

The Debtor estimates that the Administrative Claims will consist of Professional Fees of approximately \$6,500.00. The Debtor will pay its on going obligations and expenses in the ordinary course of events as and when they come due.

(b) Class 1. The Secured Claim of Fairbanks Capital (scheduled as “U.S. Bank” also known as U.S. Bank, National Association as Trustee for the Holders of the CSFB Trust 2004-CF2, CSFB Pass-Through Series 2004-CF2.), secured by Debtor’s residential rental property at 1965 Whitehall Forest Ct, S.W., Atlanta, Dekalb County, Georgia 30316. The estimated payoff to Fairbanks Capital is \$33,781.49. The estimated mortgage arrearage \$2,427.79. In addition to the regular monthly payment of \$166.66, Debtor shall pay an additional \$100.00 per month until the arrearage is fully paid. Debtor shall remain liable to Fairbanks Capital on the note and shall pay Fairbanks Capital in full according to the terms of the note.

Class 2. The Secured Claim of Select: Debtor owns a 3/4 interest in the residential rental property at 4877 Pine Shadows Drive, Stone Mountain, Georgia 30088 as a tenant in common with Joseph D. Murray. Select asserts a first property lien against the property pursuant a note and deed to secure debt (“the note”) on 4877 Pine Shadows Drive, Stone Mountain, Georgia 30088. Debtor believes the value on this property to be \$100,000.00. Debtor will attempt to sale or modify the debt on the property. Debtor shall pay Chase \$600.00 per month until the property is sold or the debt on the property is modified. In the event the property is not sold or the debt modified within 60 months of the effective date of the plan debtor will abandon all interest in the property to Chase.

Class 3. The secured claim of, GMAC: GMAC, asserts a claim against the Debtor pursuant a note and deed to secure debt (“the note”) secured by debtor’s residential rental property at 6234 Waterton Drive, Lithonia, Georgia 30058. The estimated payoff to GMAC is \$74,640.36. The estimated mortgage arrearage is \$56,524.59. In addition to the regular monthly payment of \$600.00, Debtor shall pay an additional \$200.00 per month until the arrearage is fully paid. GMAC’s security interest in the property shall not be modified. GMAC’s claim shall be paid in full according to the terms of the note. Debtor shall remain liable to GMAC on the note and shall pay GMAC in full according to the terms of the note.

Class 4. The General Unsecured Claims of:

a. Drain Masters	\$ 2,400.00
b. Mareio Fraley Accounting	\$ 1,000.00
c. NTRC Accounting	\$ 3,500.00
d. Whitehall Forest HOA	<u>\$10,000.00</u>
Total	\$16,900.00

Unsecured creditors shall be paid 100% of their claim over a 60 month period, beginning 30 days from the effective date of the plan in full satisfaction of their respective claims.

“Class 5” The \$434.34 unsecured Priority Claim of the DeKalb County Tax Commissioner. The DeKalb County Tax Commissioner’s claim shall be paid in full with interest on the effective date of the plan.

“Class 6” Equity Claims. L. Dean Heard is the only equity security holders. In present condition of the debtor, the stock has little or no value. Therefore L. Dean Heard will retain all his interest in the reorganized debtor. The debtor shall not declare a dividend and the equity security holders shall not be paid a dividend so long as any unsecured creditor’s claim herein remains unpaid.

(c) Impairment. Classes 1, 2 and 3 are impaired under the plan and will be allowed to vote on the Plan. Class 7 is the equity security holder who is not eligible to vote. Claims under all other Classes are unimpaired are therefore conclusively presumed to accept the Plan.

ARTICLE VII. LITIGATION INVOLVING THE DEBTOR

Debtor has no litigation pending at this time.

ARTICLE VIII: LIQUIDATION ANALYSIS

8.1 Assets. Debtor estimates the liquidation of value of its assets, as of June, 2016 to be \$397,500.00. Due to the nature of its assets and real estate values in Dekalb County Georgia this valuation is and or may be speculative.

Assets	Estimated Value	Liquidation Value	Estimated amount available to Creditors
Real Property			
4877 Pine Shadows Decatur, Ga. (subject to the \$325,434.81 1 st Priority Claim of JP Morgan Chase there will be no distribution of unsecured creditors)	100,000.00	100,000.00	100,000.00
1965 Whitehall Forest Ct. Decatur, Ga. (subject to the \$20,000.00 1 st Mortgage of Bank of America there will be no distribution of unsecured creditors)	45,000.00	20,000.00	20,000.00
1963 Whitehall Forest Ct. Decatur, Georgia	45,000.00	20,000.00	20,000.00
6234 Waterton Drive Decatur, Georgia (subject to the \$60,000.00 1 st Mortgage of GMAC Home Loans there will be no distribution of unsecured creditors)	60,000.00	60,000.00	60,000.00

Assets	Estimated Value	Liquidation Value	Exemption Claimed	Estimated amount available to Creditors
Personal Property	\$ 1,500.00	\$1,500.00		\$ 1,500.00
Tenant Receivable	12,000.00	-0-		-0-
Total	\$13,500.00			\$ 1,500.00

8.2 Liabilities. The Debtor estimates that its liabilities consist of the following as of March 2017:

Liability	Estimated Amount
Administrative professional claims	\$ 6,500.00
Select	105,000.00
U.S Bank	20,000.00
GMAC Mortgage	60,000.00
Unsecured Creditors	16,900.00
DeKalb County Tax Commissioner	434.34
Total Debt	268,834.15

8.3 Liquidation Analysis

If the Plan is not confirmed, the theoretical alternatives include Chapter 7 liquidation or an alternative Plan of Reorganization. A Chapter 7 liquidation is filled with unknowns, chief among the unknowns being the degree of loss of asset value as well as the increase in administrative priority expense to the Debtor's estate. A hypothetical liquidating Trustee will experience significant delay, cost, and uncertainty in collecting the Debtor's real properties. Assuming that a hypothetical liquidating Trustee were to liquidate 100% of the Debtor's assets, it appears that the holders of the liens on debtor's real properties will receive close to full recovery on the amounts owed on their liens. Therefore, the Debtor believes that, under a forced liquidation no claimants would receive full payment. Unsecured creditors would receive no recovery.

Under the Plan, however, the Debtor proposes to pay its administrative, secured, and priority creditors in full, with its general unsecured creditors to receive 100 cents on the dollar. The Plan, therefore, is clearly preferable to a forced liquidation.

The above analysis is based on a number of assumptions involving estimations and projections with regard to future events, including projections of values to be realized from liquidation of assets and estimates of costs of liquidation and of case administration, which have been estimated by the Debtor and Debtor's counsel and accountants. These underlying assumptions relate to matters which are inherently uncertain and contingent and, therefore, cannot be confirmed with certainty. Thus, no warranties with regard to their accuracy can be or are made. The net amount of funds which would actually be available for the benefit of creditors would increase or decrease depending on what the actual realizations of value and actual expenses turned out to be. The percentage received by creditors, if any, would, of course, vary depending on the net amount realized from the sale of assets and on whether the total amount of claims as finally determined were greater or less than the estimated amount.

ARTICLE IX FEASIBILITY OF PLAN

Debtors owns rental properties at 4877 Pine Shadows Drive, Stone Mountain, Georgia, 6234 Waterton Drive, Lithonia, Georgia, 1965 and 1923 Whitehall Forest Ct, S.W., Atlanta. Debtor will retain and continue possession of its rental properties after confirmation. The Debtor will fund the Plan with the income it receives from its rental properties.

Debtor's revenue and disbursements for the period March 7, 2017 through November 30, 2017 is attached hereto as attachment 1. The summary of the Debtor's Projected Cash Flow for March 2017 through December 2018 is attached hereto as attachment 2.

CONCLUSION.

For all the foregoing reasons, the Debtor believes that the Plan is in the best interest of its creditors and that it should be confirmed. Debtor urges its creditors to vote in favor of the Plan.

This 31st day of December 2017.

HBCU PROPERTIES, LLC, DEBTOR
By/s/ Dean Heard
L. Dean Heard, Managing Member

Prepared and submitted,
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ATTACHMENT 1