

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI
WESTERN DIVISION**

IN RE:)
)
Hillcrest, Inc.) Case No. 16-40054-drd11
)
Debtor.)

**SECOND AMENDED
DEBTOR'S DISCLOSURE STATEMENT
I. INTRODUCTION**

This Disclosure Statement is provided to the creditors of Hillcrest, Inc., to enable them to arrive at an informed judgment in exercising their rights under the Debtor's Plan of Reorganization (the "Plan"). The definitions of Article I of the Plan shall have the same meaning when used in this Disclosure Statement.

The function of this Disclosure Statement is to provide "adequate information" to all creditors. "Adequate information" is defined in 11 U.S.C. §1125 as follows:

Section 1125. Postpetition disclosure and solicitation.

"(a)" In this section --

(1) '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...; and

(2) 'investor typical of holders of claims or interests of the relevant class' means investor having --

(A) a claim or interest of the relevant class;

(B) such relationship with the debtor as the holders of other claims or interests of such class generally have; and

(C) such ability to obtain such information from sources other than the disclosure required by this section as holders of claims or interests in such class generally have."

THE REPRESENTATIONS MADE IN THIS DISCLOSURE STATEMENT ARE THE ONLY REPRESENTATIONS AUTHORIZED BY THE DEBTOR RESPECTING ITS BUSINESS OPERATIONS, THE VALUE OF ITS PROPERTY OR ANY OTHER MATTERS WHATSOEVER. CREDITORS SHOULD NOT RELY ON ANY UNAUTHORIZED REPRESENTATIONS WHICH ARE MADE TO SECURE THEIR ACCEPTANCE OR REJECTION OF THE PLAN. THE COURT

WILL CONDUCT A HEARING ON WHETHER OR NOT THIS DISCLOSURE STATEMENT SHOULD BE APPROVED AS CONTAINING ADEQUATE INFORMATION TO ENABLE ALL CREDITORS TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN.

The information provided in this Disclosure Statement is true and accurate to the best of the Debtor's knowledge, information and belief. However, certain information relating to projections and values is necessarily subjective.

CREDITORS ARE ENCOURAGED TO CONSULT WITH THEIR FINANCIAL ADVISORS, ATTORNEYS, AND OTHER CREDITORS IN ORDER TO OBTAIN A MORE COMPLETE UNDERSTANDING OF THE FINANCIAL AND LEGAL IMPLICATIONS OF THE DISCLOSURE STATEMENT AND THE PLAN. CREDITORS AND PARTIES IN INTEREST SHOULD CONSULT THEIR OWN COUNSEL AND TAX ADVISORS REGARDING THE INCOME TAX CONSEQUENCES OF CONFIRMATION OF THE PLAN AS IT RELATES TO THEM. THE DEBTOR MAKES NO REPRESENTATION REGARDING THE EFFECT OF CONFIRMATION OF THE PLAN ON HOLDERS OF CLAIMS AND INTERESTS.

The Court may set a hearing on the sufficiency of the Disclosure Statement and confirmation of the Plan, and will mail notice of this hearing to all creditors. At the hearing, the Court will determine whether the Disclosure Statement provides adequate information, whether the Plan has been accepted by the requisite number of classes of creditors and will rule on whether the Plan complies with the confirmation requirements of 11 U.S.C. §1129.

The Plan will have several Classes of Claims and each creditor should examine those Classes to determine where its Claim has been placed. A Class of Claims will have accepted a Plan if the Plan has been accepted by creditors [other than any entity designated under 11 U.S.C. §1126(e)] which hold at least two-thirds in amount and one-half in number of the Allowed Claims of such Class held by creditors [other than any entity designated under 11 U.S.C. §1126(e)] that have voted to accept or reject the Plan.

If the Plan is accepted by all impaired Classes it will likely be confirmed. If the Plan is not accepted by all impaired Classes, the Plan may nonetheless be confirmed under §1129(b) of the Bankruptcy Code if it is accepted by at least one Class of Claims or interests which is impaired by the Plan and the Bankruptcy Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims or interests that is impaired by, and has not accepted, the Plan. The Debtor reserves the right to request that the Court confirm the Plan under §1129(b) of the Bankruptcy Code if the Plan is not accepted by all impaired Classes and, if necessary, to revise and amend the Plan so as to provide such treatment as the Court may determine to be necessary or sufficient to assure that the Plan does not discriminate unfairly, and is fair and equitable, with respect to any Class of Claims or interests rejecting or failing to accept the Plan.

II. ORGANIZATION AND HISTORY OF THE DEBTOR

Hillcrest, Inc. ("Hillcrest") is a Missouri corporation in good standing. The company was incorporated in 1996. Randall L. Robb is the President and Secretary of the Debtor, which are the only offices filled. His is sole control of the Debtor. Randall L. Robb has received no compensation from the Debtor in the last 2 years. Hillcrest first owned the Hillcrest Mobile Home Park in Liberty, Missouri. The mobile home park was sold and the proceeds use to purchase the strip center located at 6801-6833 North Oak Trafficway, Gladstone, Missouri 64118 which debtor currently owns and operates.

The events leading up to the filing of Chapter 11: Debtor was making on-going payments on the second mortgage with lump sum payments towards the principal. Last summer when Debtor put the CCSB Financial Corp. stock on the market, Bond Purchase LLC blocked the sale by refusing to provide a payoff amount for months. Then Bond Purchase LLC retroactively applied default interest rate for over three (3) years on the real estate loan even though notices were given to Debtor that the interest rate had remained the at the non-default rate. Moreover, Debtor paid the monthly statement amounts as requested by Bond Purchase until July 2015. Thereafter Bond Purchase LLC attempted to sell the stocks on the courthouse steps. On December 14, 2015, Debtor, Randall L. Robb, Thistle Hill Development, Inc. and Crest Construction II, Inc. filed a lawsuit in the Circuit Court of Clay County Missouri to stop the sale of the stocks. When the Judge allowed the sale to move forward, Debtor filed this case. The case in Clay County is still pending.

HISTORICAL FIGURES

The following chart provides income and expense figures for the operation of the strip center. These figures are cash flows only and may vary slightly once the final tax returns are completed by the accountant as they do not include payments to principal, tax credits or depreciation.

<u>YEAR</u>	<u>GROSS INCOME</u>	<u>EXPENSES</u>	<u>NET PROFIT/LOSS</u>
2013	\$ 105,874	\$ 68,636	\$ 37,238
2014	\$ 80,097	\$ 65,880	\$ 14,217
2015	\$ 83,254	\$ 60,626	\$ 22,628

III. THE CONFIRMATION PROCESS

Approval of the Plan requires that it be confirmed by the Court. Confirmation can be achieved in one of two ways - either (i) all classes of Claims or Interests entitled to vote have accepted the Plan by the requisite majorities, or (ii) the Court determines that the Plan is fair and equitable with respect to those Classes that have rejected the Plan, and that confirmation will be in the best interests of creditors.

A. Classification of Claims and Eligibility to Vote. For voting purposes, all Claims and Interests will be grouped into Classes where members of each such Class will hold substantially similar Claims or Interests. All persons with an impaired Claim are eligible to vote provided that they are determined to have an Allowed Claim or Interest. A Class is "impaired" if, under the Plan, its legal, equitable or contractual rights are in any way modified other than by curing defaults or payment in full on the Effective Date. Claims that are not impaired are presumed to have accepted the Plan and may not vote.

B. Confirmation by Acceptance. A Plan will be confirmed if it is accepted by all Classes entitled to vote. A Class will have accepted the Plan if votes representing at least two thirds of amount and one half in number of the Allowed Claims voting in that Class have voted to accept the Plan. If any creditor, in an otherwise accepting Class, have voted against the Plan, the Court must determine that each holder of a Claim or Interest in that Class will receive property, as of the Effective Date, having a value that is not less than what such holder would receive if the Debtor was liquidated under Chapter 7 on that date.

C. Confirmation Without Acceptance by All Classes. If the Plan is not accepted by all impaired Classes, the Court may nonetheless confirm the Plan if (i) at least one impaired Class has accepted the Plan, without counting votes by insiders, and (ii) the Court finds that the Plan does not discriminate unfairly, and is fair and equitable with respect to each impaired Class that has rejected the Plan.

D. Balloting. This Disclosure Statement will be mailed to all creditors and equity holders along with the Plan, a ballot and an order containing instructions, setting certain deadlines, and setting a hearing on confirmation. Only those ballots timely filed will be counted.

E. Confirmation. At the hearing on confirmation the Court will determine whether the requisite number of votes have been received for confirmation under the acceptance method or, if the Plan is not accepted by all Classes, then whether the Plan should be confirmed under the non-acceptance method. The Debtor reserves the right to seek confirmation under the nonacceptance method if less than all Classes vote to accept the Plan. The effect of confirmation generally is to discharge the debtor from any and all liabilities that arose prior to confirmation, except as provided in the Plan.

IV. THE CHAPTER 11 PLAN

A. Classification of Claims. The claims of creditors are classified as follows:

Class 1: Priority Claims Pursuant to 11 U.S.C. § 507 (a)(8): All Allowed Unsecured Priority claims for taxes. Debtor believes that no taxes are owed. To the extent that there are any priority claims, each holder of a Class I is unimpaired by this Plan, and each holder of a Class I Priority Claim will be paid in full, in cash, upon the later of the effective date of this Plan as defined in Article VII, or the date on which such claim is allowed by a final non appealable order.

Class 2: Secured Claim of Clay County Savings Bank: Clay County Savings Bank's claim to the extent allowed under Code will be for the principal amount of \$503,578.16 plus all expenses and fees incurred by the Bank which are permitted under the applicable loan documents (including, but not necessarily limited to, legal fees and costs and appraisal fees). The monthly payment will be \$4,000 for principal and interest plus \$1965 escrow for taxes and insurance beginning June 1, 2016. Payments shall be due on the 20th of each month thereafter. The interest rate was 6%, but will be reduced to 5.5%. The maturity date will be extended to December 31, 2018 (from December 31, 2016). This claim is impaired.

Class 3: Secured Claim of Bond Purchase LLC: Bond Purchase LLC's holds a lien against the real estate. Debtor expects to file an adversary proceeding against Bond Purchase LLC to determine the liens, if any against the real estate. To the extent this claim is allowed as a secured claim under Code § 506 will be paid as follows: Debtor will tender \$600 per month towards the lien. The interest rate will be 4%. As Debtor has disputed the amount of the lien, if any, and will be filing an adversary case to have the Court determine the validity and amount of the lien on the real estate and the stock. After the case is concluded, if Debtor owes a balance, Debtor will tender it within 90 days of the order being final on the adversary case and any appeals.

Class 4: Secured Claim of Bond Purchase LLC: Bond Purchase LLC has a secured lien against the 5,330 shares of CCSB Financial Corp. stock, which is the parent company of Clay County Savings Bank, the primary lienholder of the Debtor. To the extent the claim is allowed as a secured claim under Code § 506, it will be paid as follows: Bond Purchase will purchase the stock in CCSB Financial Corp., the parent company of Clay County Savings Bank, for \$10.25 per share, which is the value listed on Schedule A/B. Debtor has filed a Motion to Sell the Stock Free and Clear of All Liens which has been approved and the proceeds of the sale shall be paid to Bond Purchase, LLC as a credit purchase to be applied first to the lien against the stock and then to the lien against the real estate.

Debtor is disputing the lien on the stock, and an adversary case has been filed to have the Court determine the validity and the amount of the lien on the Stock and the real property.

Class 5: Unsecured Claims. Debtor does not believe that there are any unsecured creditors, however, if there are any, the plan will be amended.

Class 6: Equity Security Holders of the Debtor: Debtor is owned by Randall Robb. He will retain this ownership in the Debtor.

Class 7: Administrative Costs and Expenses. The Class Seven Claims shall consist of the Allowed Administrative Claims, whether incurred before or after the Confirmation Date, allowable under §330 and §503(b) of the Bankruptcy Code, and which are entitled to priority payment under §507(a)(1) of the Bankruptcy Code. The Claims of this Class include attorneys' fees and accounting fees for post-petition services rendered to the Debtor on and after the Filing Date. These Claims also include Claims of the United States Trustee to the extent of any quarterly fees due under 28 U.S.C. §1930(a)(6) as of the Confirmation Date and postpetition taxes, if any.

C. Treatment of Claims and Interests. The Debtor's Plan of Reorganization is incorporated into this Disclosure Statement. Creditors and parties in interest are referred to the Plan for a discussion of the treatment of each Class under the Plan.

D. Means for Execution and Implementation of the Plan.

The Debtor shall continue in possession of the real estate located at 6801-33 North Oak Trafficway, Gladstone, Missouri 64118 and shall continue the operation of its business. Payments and distributions under the Plan will be funded by the following: the rent on the building and from the sale of the 5,330 Shares of the CCSB Financial Corp. stock.

Debtor has additional spaces available to rent to tenants. Debtor has another tenant, Timberland Properties, that will be leasing space at \$1,500 per month and is actively seeking tenants for the open space including a restaurant space, a retail space and the back building.

Debtor has provided projected financial information in the attached Exhibit A. Since the Debtor has no employees, the overhead is basically only the insurance, utilities of water and trash disposal, maintenance, interest and taxes.

E. Executory Contracts and Unexpired Leases. The Debtor terminated all executory contracts and unexpired leases, prior to the petition date. All remaining executory contracts or leases, if any, are rejected under this Plan.

V. CONSEQUENCES OF DENIAL OF CONFIRMATION

If the Debtor's Plan or any amended Plan is not confirmed, the case may be converted to a case under Chapter 7 or it may be dismissed. If converted, a trustee would be appointed to liquidate the Debtor's assets and distribute the proceeds to creditors. The Trustee would either sell the real estate or abandon the same. From the sale (either by the trustee or by foreclosure), Bond Purchase may not be paid in full considering the cost of sale including Trustee fees, attorney fees, commercial realtor fees and closing costs.

VI. LIQUIDATION ANALYSIS

The Debtor's assets and debts should be reviewed as follows:

<u>ASSET</u>	<u>CURRENT VALUE</u>	<u>SECURED DEBT</u>	<u>AVAILABLE FOR LIQUIDATION</u>
Retail Strip Center	\$ 950,000.00*	\$ 757,425.91	\$ 192,842.84
Stock	\$ 53,300.00	\$ 757,425.91	\$ 0
Bank account	\$ 1,262.44	\$ 0	\$ 0
Accounts receivables	\$ 2,889.90**	\$ 0	\$ 0

*The strip center was originally valued in the schedules at \$1,200,000 however the appraiser retained by Clay County Savings valued the property at \$925,000 – 975,000 which debtor believes is more accurate.

** Uncollectable

TOTAL EQUITY AVAILABLE FOR LIQUIDATION: \$192,842.84

HILLCREST, INC.

Date: August 25, 2016

/s/ Randall L. Robb
Randall L. Robb, President

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EXHIBIT A
PROJECTIONS OF CASH FLOW AND EARNINGS FOR POST-CONFIRMATION PERIOD

	2016	2017	2018
Anticipated Income	\$ 89,000.00	\$ 101,000.00	\$ 125,000.00
Expenses: Taxes	\$ (14,800.00)	\$ (15,100.00)	\$ (15,400.00)
Insurance	\$ (9,300.00)	\$ (9,400.00)	\$ (9,500.00)
Interest	\$ (29,000.00)	\$ (27,000.00)	\$ (26,000.00)
Repairs	\$ (3,000.00)	\$ (3,000.00)	\$ (4,000.00)
Utilities	\$ (3,600.00)	\$ (3,700.00)	\$ (4,800.00)
Net earnings/loses	\$ 31,316.00	\$ 44,817.00	\$ 67,318.00