

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION

IN RE:

MILES E. HILLIARD, III,

Case No. 16-25944-PJD

Debtors.

Chapter 11

DISCLOSURE STATEMENT

COME NOW Miles E. Hilliard, III, as debtor-in-possession, pursuant to Section 1125 of the Bankruptcy Code, and for his Disclosure Statement would respectfully show the following:

I. INTRODUCTION

The purpose of this Disclosure Statement is to provide parties asserting Claims against the Debtors with information regarding the treatment of those Claims under the Plan. This Disclosure Statement provides parties whose Claims or Interests are impaired under the Plan with adequate information to make an informed and prudent judgment when voting on the Plan. The Schedules and the Monthly Operating Reports filed by Debtors are incorporated by reference into this Disclosure Statement. Interested parties are encouraged to review these schedules and reports in connection with their consideration of the Plan.

This Disclosure Statement is not meant to take the place of the Plan. Any inconsistency between the Plan and this Disclosure Statement, the Schedules or Monthly Operating Reports shall be resolved in favor of the Plan. Claimants are encouraged to consult with their own attorneys regarding the Plan and Disclosure Statement.

The terms and definitions set forth in Article 1 of the Plan are also incorporated herein by reference.

This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan, and nothing contained in it shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving the Debtors or any other party, except for those proceedings directly concerning the validity, enforceability, or construction of the Plan.

This Disclosure Statement should not be deemed as providing any advice regarding the tax implications or other legal effects of the Plan upon holder of Claims or Interests.

Except as set forth in this Disclosure Statement, the Bankruptcy Court has authorized no representations concerning the Debtor or the value of his assets. In voting on the Plan, you should not rely upon any representations or inducements made to secure acceptance or rejection of the Plan other than those contained in this Disclosure Statement and Plan.

The statements contained in this Disclosure Statement are made as of the date hereof, unless another time is specified herein. Under no circumstances does delivery of this Disclosure Statement imply that there has been no change in the facts set forth herein since the date the Disclosure Statement was compiled.

The information contained herein has been provided by the Debtor and is believed to be reliable. Counsel for the Debtor has not performed an audit to verify the accuracy of the information contained herein and does not warrant or guarantee that there are no inaccuracies.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR INTERESTS FOR PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

II. VOTING ON AND CONFIRMATION OF THE PLAN

The confirmation of a plan of reorganization or liquidation is the method by which the claims of creditors against a debtor are satisfied. Whether a plan is confirmed and implemented depends on the acceptance of creditors and approval of the Bankruptcy Court.

Your vote is important. As a general rule under section 1126 of the Bankruptcy Code, an impaired class is deemed to have accepted the Plan if votes representing at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims voting in that Class have accepted the Plan. The Claims of claimants who fail to vote on the Plan are not counted in the determination of whether the Plan has been

accepted or rejected. If the Court determines that the rejection or acceptance of any claimant was not in good faith, then the vote will not be counted.

Pursuant to section 1129(a)(10) of the Bankruptcy Code, at least one (1) impaired class of claims must accept the plan. In addition, unless the Plan is unanimously accepted by the impaired claimants, in order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan provides each claimant with a recovery which, as of the Effective Date, is at least equal to the distribution such claimant would have received if the Debtor was instead liquidated under Chapter 7 of the Bankruptcy Code. The Debtor believes that the Plan meets this requirement.

Included with this Disclosure Statement is a ballot for your acceptance or rejection of the Plan. If you hold a Voting Claim and you wish to vote to accept or reject the Plan after reviewing this Disclosure Statement and Plan, please:

1. use only the ballot form enclosed with this Disclosure Statement;
2. indicate your vote on the enclosed ballot;
3. date, sign and mail the ballot to:

Russell W. Savory
Beard & Savory, PLLC
119 South Main Street, Suite 500
Memphis, TN 38103

The Debtor, as proponent of the Plan, believes that the Plan provides the greatest possible recovery to all claimants. The Debtor believes that acceptance of the Plan is in the best interest of all claimants and recommends voting for the Plan.

III. HISTORY OF DEBTOR AND EVENTS LEADING TO FILING

For many years Mr. Hilliard was a minority shareholder and CEO of Corporate Transit of America (“CTA”), a transportation company headquartered in Little Rock, Arkansas. He personally guaranteed a substantial amount of debt for the company and lent money to it to funds operations. However, in recent years, the majority shareholder of CTA, James C. Foster, apparently withdrew more funds from the company than the business could withstand. This led to CTA's inability to service its debt and, ultimately, a cessation of substantial business operations. Mr. Hilliard left its employment in April, 2016.

IV. THE CHAPTER 11 PROCEEDINGS

Mr. Hilliard filed his Chapter 11 petition on June 30, 2016. He attended the Meeting of Creditors and and provided financial information to creditors and the United States Trustee on request. All required Monthly Operating Reports have been filed.

V. SUMMARY OF POST-PETITION OPERATIONS

Mr. Hilliard is employed with a new company and continues to manage his own affairs as debtor-in-possession. The two most recently-filed Monthly Operating Reports will be provided to creditors upon approval of the Disclosure Statement.

VI. OTHER LITIGATON AND POTENTIAL RECOVERY OF PREFERENCES OR VOIDABLE TRANSFERS

There is no litigation involving the Debtor.

VII. THE PLAN OF REORGANIZATION

The Plan provides as follows:

Administrative Expense Claims.

Allowed Administrative claims shall be paid in cash, in full on the Effective Date of the Plan. Any administrative claims representing liability incurred in the ordinary course of business of the Debtor may be paid in cash in the ordinary course of business. Included in this class are the allowed attorneys' fees incurred by the Debtor. Any United States Trustee Quarterly Fees under 28 U.S.C. § 1930(a)(6) due and owing or assessable prior to confirmation shall be paid in full on the Effective Date of the Plan and any further such fees shall be paid in accordance with 28 U.S.C. § 1930(a)(6). After confirmation, the Debtor shall file with the Court and serve on the United States Trustee a financial report for each quarter, or portion thereof, for which the case remains open in a format prescribed by the United States Trustee and provided to the Debtor by the United States Trustee.

Class 1: Prepetition Secured Claim of PennyMac Mortgage.

Consists of the unpaid balance due to PennyMac Mortgage which is secured by a duly perfected first priority deed of trust on the Debtor's residence located at 300 Whitehall Court, Eads, Tennessee. The foregoing claim and the terms of the subject loans shall remain unchanged. Class 1 is unimpaired.

Class 2: Prepetition Secured Claim of First Tennessee Bank.

Consists of the unpaid balance due to First Tennessee Bank which is secured by a duly perfected second priority deed of trust on the Debtor's residence located at 300 Whitehall Court, Eads, Tennessee. The foregoing claim and the terms of the subject loans shall remain unchanged. Class 2 is unimpaired.

Class 3: Prepetition Secured Claim of Suntrust Mortgage.

Consists of the unpaid balance due to Suntrust Mortgage which is secured by a duly perfected first priority deed of trust on real property located at 80 Estate Drive, Eads, Tennessee. The foregoing claim and the terms of the subject loans shall remain unchanged. Class 3 is unimpaired.

Class 4: Prepetition Secured Claim of Iberia Bank.

Consists of the unpaid balance due to Iberia Bank which is secured by a duly perfected security interest in four shares of stock in Corporate Bank Transit of Kentucky, Inc. The collateral securing this Claim is hereby surrendered, and any deficiency balance shall be treated as a general, unsecured claim under Class 7.

Class 5: Prepetition Secured Claim of One Bank & Trust, N.A.

Consists of the unpaid balance due to One Bank & Trust, N.A., which is secured by a duly perfected security interest in one share of stock in Corporate Bank Transit of Kentucky, Inc. The collateral securing this Claim is hereby surrendered, and any deficiency balance shall be treated as a general, unsecured claim under Class 7.

Class 6: Secured Claim of Fayette County Trustee.

Consists of the prepetition and post-petition claims filed by the Fayette County Trustee.

The foregoing claims have been paid in full pursuant to court orders or in the normal course of the Debtor's post-petition operations. The claims are not entitled to further distribution on account of such claims. Class 6 is unimpaired.

Class 7: Unsecured Claims of Creditors Not Entitled to Priority.

Allowed Unsecured Non-priority Claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. Unsecured claims will be paid an interim distribution in the aggregate amount of not less than \$50,000.00 within 180 days after the Effective Date. The balance of allowed Class 7 claims remaining after the first interim distribution shall receive five (5) pro rata annual distributions from the Debtor's net disposable income commencing on the first day of the first full calendar year immediately following the first interim distribution, and the total of these five (5) distributions, collectively, shall total no less than \$100,000.00. The total allowed unsecured claims are currently estimated to be approximately \$3,228,000.00. Based on the Debtor's projected disposable income, the estimated percentage to be paid on account of allowed unsecured non-priority claims is 10%. Class 7 is impaired.

Class 8: Interests of the Debtor. Consists of the interests of the Debtor in all property of the estate. All property of the Debtor's bankruptcy estate

pursuant to 11 U.S.C. §§ 541 and 1115 shall re-vest in the Debtor upon confirmation pursuant to 11 U.S.C. § 1141(b).

VIII. LIQUIDATION ANALYSIS

Attached as Exhibit B is an analysis of the expected distribution pursuant to a hypothetical Chapter 7 liquidation. The amounts of secured and unsecured claims are reflected in the Schedules filed by Debtor, unless a claim has been filed by a creditor, in which case the claim amount is used. The values assigned to specific properties are estimates of the Debtor and based on the best information available. Formal appraisals have not been obtained. This analysis is subject to change based on the actual price obtained for Debtors' property and costs of sale, the outcome of the claims allowance process, and applications for administrative claims.

IX. CONFIRMATION PROCESS

Notwithstanding acceptance of the Plan by Classes of Claimants, in order to confirm the Plan the Bankruptcy Court must independently determine that the Plan is in the best interest of all claimants. The "best interest" test requires that the Court find that the Plan provides each member of each impaired Class with a recover that is at least equal to the value of the distribution each Claimant would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date. The Debtor believes that the Plan satisfies this test.

The Debtor believes that the Plan is in the best interest of the Claimants. In a Chapter 7 proceeding, a Chapter 7 trustee would be appointed to liquidate the Debtor's assets. There is no guarantee that the trustee would be able to sell the Debtor's assets for the full value listed in the schedules. The Chapter 7 trustee would be entitled to receive a

commission equal to 25% of the first \$5,000 disbursed, 10% of the next \$45,000 disbursed, 5% of the next \$950,000 and 3% of the balance. Further, a Chapter 7 trustee would retain professionals, including attorneys and accountants, in order to resolve objections to claims and other disputes. Both the Chapter 7 trustee and professionals retained by the Chapter 7 trustee would require time to familiarize themselves with this case and would accrue fees treated as administrative expenses. The Debtor believes that such a process would result in substantial duplication of effort and expenses incurred during this Chapter 11 case, as well as delay to the Claimants. Thus, the appointment of a Chapter 7 trustee would increase the administrative expenses in this case and diminish the funds available for distribution.

The Debtor believes that the Plan provides the greatest possible recovery to the Claimants and that acceptance of the Plan is in the best interest of the Claimants.

Therefore, he recommends that you vote to accept the Plan.

Respectfully submitted,

BEARD & SAVORY, PLLC

/s/ Russell W. Savory

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