

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF KENTUCKY  
LEXINGTON DIVISION**

IN RE: GEORGETOWN MOBILE ESTATES, LLC

CHAPTER 11

DEBTOR

CASE NO. 15-50945

**AFFIDAVIT IN SUPPORT OF FIRST DAY MOTIONS**

Comes Affiant, being Daniel E. Sexton for and on behalf of **GEORGETOWN MOBILE ESTATES, LLC**, in the above-referenced chapter 11 bankruptcy case (hereinafter, the “Debtor”), and hereby files this Affidavit in support of the ‘First Day’ motions relating to those certain Motions for Order Approving Shortened and Limited Notice of Expedited Hearing [Doc. #15], Motion for Authority to Continue Making Payments to Maintain Insurance [Doc. #4], Motion for Interim and Final Orders Relating to Utility Companies [Doc. #6], Motion to Establish Notice Procedures and Master Service List [Doc. #8], Motion to Appoint Dellavalle Management Group to Operate the Debtor’s Day to Day Business [Doc. #13], Motion to Pay Wages for Employees [Doc. #5], Motion for Use of Cash Collateral [Doc. #14], Motion to Return Property of the Debtor by the Receiver [Doc. #7], and any other necessary First Day Motion, as follows:

1. **Qualification:** Affiant is over the age of 18, of sound mind and has specific factual information and knowledge relating to the assertions stated herein.

2. **Ownership and Business Purpose:** By Amended and Restated Operating Agreement of the Debtor dated December 7, 2011, Affiant was the owner of 30% membership interest in the Debtor. Star Lite Development, LLC, a Kentucky limited liability company, was a

70% member. Affiant was and currently is the sole member and manager of Star Lite Development, LLC. As part of the CMBS Loan, Affiant's individual interest was required to be transferred to a corporation in Delaware, so Affiant created Georgetown Mobile Estates East, LLC, a Delaware single member limited liability company ("GME East"). Affiant is the sole member and manager of GME East. The Debtor is in the business of operating a mobile home park by renting a maximum of 504 lots to customers for their residential mobile homes.

3. **Entrustment of Operations to Jonathan Williams:** Affiant did not directly manage the subject property on a daily basis from 2006 until January 2014 when Affiant discovered massive improper transactions by his trusted friend, Jonathan Williams of Nicholasville, KY. Affiant had entrusted the responsibility of overseeing the mobile home park operations, managing the business, paying bills and collecting rents, which duties included making the mortgage payments from the rents collected, to Jonathan Williams.

4. **Debtor's Personal Background:** The Sexton family business has operated the mobile home park in Scott/Fayette County for 40+ years. The business has been operated successfully for three generations, and Daniel E. Sexton is the grandson and heir to the family-owned business. In 2006, he inherited it from his mother's estate by deeds dated March 22, 2006, as recorded in DB 299, Pg. 703, in the Scott County Clerk's Office, and as recorded in BD 2643, Pg. 421; BD 2631, Pg. 428; BD 2632, Pg. 92 in the Fayette County Clerk's Office. Those deeds consist of 3 mobile home parks, known as Spindletop, Spindletop Village and Ponderosa. A portion of the Ponderosa mobile home park is located in Fayette County with the main park and office in Scott County.

5. **Historical Lending Background:** After 2006, Mr. Sexton, through a CPA friend named Jonathan Williams in Nicholasville, KY, helped him borrow against the property to pay his mother's estate taxes and for a return of equity. In 2011, he borrowed \$10 million from C3 Corp for a one year short term loan. Williams was hired to operate the Debtor's business and paid bills to creditors. Inconsistent payments were made to C3 Corp, and a default was declared. Mr. Sexton refinanced that loan with a commercial mortgage backed security "CMBS Loan" on May 16, 2013 for \$10,750,000 ("CMBS Loan"). The FMV of the real estate was appraised at \$16 million when Cantor Commercial Real Estate Lending approved the loan. The CMBS Loan was serviced by Midland Loan Services and was a complicated transaction.<sup>1</sup> After closing, Jonathan Williams continued to operate the business and was supposed to pay creditors, but he failed to pay any monthly payments to Midland of \$87,217.98. Upon knowledge of the default, Mr. Sexton fired Jonathan Williams on January 20, 2014.

6. **Debtor's Physical Location:** The Debtor is a Kentucky corporation with headquarters in Georgetown, Scott County, Kentucky. Originally incorporated on January 23, 2006, the Debtor operates a mobile home park in three areas on the county line of Scott and Fayette, Kentucky. Income is from the rental of the real estate lots to a maximum of 504 customers. Historically, the occupancy rate was 92%. Services are required to maintain private

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<sup>1</sup> CMBS type loans are frequently less desired to finance multi-unit residential real estate because lenders typically charge higher interest rates and procure non-recourse loans with extremely strict and unforgiving terms and conditions. These loans, issued through banks, bundled together by Wall Street, are sold as securities. They were the crux of the financial meltdown in the last seven years. CMBS loans are serviced by servicing agents who typically look for the first opportunity to commence foreclosures in the event of the slightest default. In this case, Midland Loan Services is a 'for profit' subsidiary of PNC Bank that aggressively pursues troubled real estate assets, particularly when they recognize a high real estate value to debt. These lenders are usually unforgiving, even when a borrower has the ability to correct the default, which in this case Georgetown Mobile Estates did. Unfortunately, the person responsible for making the loan payments failed to do so and re-directed the funds for personal use. Instead of allowing a short term cure after the person responsible for failing to pay the debt was fired, foreclosure proceedings commenced in April, 2014.

roads, road signs and an on-site water treatment plant. Rent is collected and bills are paid to vendors and service companies. To service this operation, the Debtor maintains an office located on site at 101 Dale Drive, Georgetown, KY, with 3 employees.

7. **Midland's Foreclosure Action:** By the time Mr. Sexton had taken back full control of the Debtor after firing Williams on January 20, 2014, the CMBS Loan had been shifted to Special Servicing at Midland. Midland initiated the foreclosure proceeding in the U.S. District Court for the Eastern District of Kentucky on April 28, 2014, and obtained a judgment and order of sale on February 18, 2015. An auction was scheduled for Monday, May 11, 2015, at noon, which precipitated the filing of this petition.

8. **Receiver:** During the pendency of the foreclosure action, the U.S. District Court appointed a receiver, CFLane, LLC, from Atlanta, GA, to operate the Debtor by order dated May 29, 2014. The receiver currently employs three (3) employees to manage the company. Prior to the receiver's appointment, 92% of the 504 available lots were rented. After the receiver's appointment, its February 2015 report indicated that approximately 72% of the units are currently rented. Lots rent from \$315 to \$365 depending on water/sewage hook-up lines. The average gross rental income is approximately \$150,000 per month. The monthly mortgage payment and overhead expenses, including the \$87,217.98 mortgage payment, were approximately \$100,000, thereby leaving funds available each month to formulate a payback plan to the unsecured creditors.

9. **Bankruptcy Filing:** On May 11, 2015, the Debtor filed its voluntary bankruptcy petition for relief under chapter 11 of title 11 of the United States Code (the "Code"). The Debtor's business operation has been operating under the appointment of a receiver, being

CFLane, LLC, pursuant to the orders of the U.S. District Court in Case #5:14-cv-170. Upon the entry of the order of relief, the Debtor now seeks authority to operate its business as debtor and debtor-in-possession pursuant to Code §§ 1107(a) and 1108 as a request the receiver turn over property of the estate pursuant to §§ 543 has been made.

10. **Bankruptcy Plan:** The receiver has reported that the occupancy rate has dropped to 72% of the 504 available lots. If it were not for this poor management, the occupancy rate would have stayed at 92%. This reduction and net loss may cause the servicer/lender to value of the parks significantly lower than \$16 million. But with the efforts of Daniel E. Sexton and the independent management company, it is anticipated that the occupancy will return back to 92%. The Debtor is in the process of implementing a business plan designed to reduce costs, improve operations, increase lot rental, and enhance the Debtor's long-term viability. The Debtor believes that these changes along with its cost cutting measures of retaining lower management costs, focused marketing techniques, and a restructuring of debt obligation will enable the Debtor to undergo a successful reorganization.

Affiant Further Sayeth Naught.

**Dated: May 11, 2015**

**/s/ Daniel E. Sexton**

**Daniel E. Sexton in his capacity as Sole Member and Manager of Georgetown Mobile Estates East, LLC, a Delaware single member limited liability company, and of Star Lite Development, LLC, a Kentucky single member limited liability company, both of which are the members of Georgetown Mobile Estates, LLC, a Kentucky limited liability company, with Georgetown Mobile Estates East, LLC, being the manager of the Debtor corporation**

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF FAYETTE )

Subscribed, sworn to, and acknowledged before me by **Daniel E. Sexton in his capacity as Sole Member and Manager of Georgetown Mobile Estates East, LLC, a Delaware single member limited liability company, and of Star Lite Development, LLC, a Kentucky single member limited liability company, both of which are the members of Georgetown Mobile Estates, LLC, a Kentucky limited liability company, with Georgetown Mobile Estates East, LLC, being the manager of the Debtor corporation**, on this the 11<sup>th</sup> day of May, 2015.

/s/ Ann Tresine Callahan  
Notary Public, State at Large, KY #470923  
My Commission Expires: August 9, 2016