

**IN THE UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF GEORGIA  
GAINESVILLE DIVISION**

**IN RE:** : **CHAPTER 11**  
: **CASTLE PINES GROUP, LLC** : **CASE NUMBER 16-21508-JRS**  
: **Debtor.** : **JUDGE JAMES R. SACCA**

**DISCLOSURE STATEMENT**

**ARTICLE I - PRELIMINARY STATEMENTS**

Castle Pines Group, LLC, Debtor in the above-entitled Chapter 11 case, provides this Disclosure Statement (Disclosure Statement) to all known creditors and interested parties in order to disclose that information deemed by Debtor to be material, important and necessary for creditors to arrive at a reasonably informed decision in exercising their right to vote on Debtor's Plan of Reorganization (hereinafter the "Plan") presently on file with the United States Bankruptcy Court. The definitions provided in the Plan are applicable to this statement.

The Court will set a date for the hearing on the acceptance of the Plan. Prior to the hearing, Debtor will send ballots to enable creditors to vote on the Plan by filling out and mailing the ballots to the Clerk of the United States Bankruptcy Court within the time limits provided by the Court. As a creditor or interested holder, your vote is important. The purpose of this document is to provide information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of Debtor and the condition of Debtor's books and records, to allow you to make an informed judgment when voting on the Plan.

No representations concerning the Debtor, particularly as to its business operations or the value of property, other than as set forth in this statement are authorized by the Debtor. Any representations or inducements made to secure your acceptance which are other than as contained in this statement should not be relied on by you in arriving at your decision. Any additional representations or inducements should be reported to counsel for Debtor, who, in turn, will deliver such information to the Bankruptcy Court for such action as may be deemed appropriate.

The information contained in this statement has not been the subject of a certified audit. The records kept by Debtor rely for accuracy upon bookkeeping performed internally. Although only a certified audit can assure accuracy, every effort has been made to present accurate figures.

**ARTICLE II - BACKGROUND INFORMATION ABOUT DEBTOR**

On July 10, 1998, Debtor formed for the purpose of owning real property consisting of a 45,000 square foot building on eighteen (18) acres of land located at 256 Paper Lane, Clarkesville, Habersham County, Georgia (the "Habersham County Real Property"). Debtor

purchased the Habersham County Real Property for the purpose of leasing it to North Georgia Converting, Inc. which is a company owned by Debtor's principal. North Georgia Converting, Inc. manufactures geotextile and high strength industrial fabrics for erosion control and has been in business since 1996. North Georgia Converting, Inc. signed a long term lease agreement with Castle Pines Group, LLC to use the Habersham County Real Property as a manufacturing operation. Castle Pines Group, LLC subsequently added an additional 36,000 square feet of manufacturing space for expansion by North Georgia Converting, Inc.

In 2005, Debtor's principal and managing member, Vernon Mintz, purchased membership interests of the two members in Debtor and became the sole owner of both Debtor and North Georgia Converting, Inc. At the time of the purchase, the debts of Debtor and North Georgia Converting, Inc. were combined into a single \$3,000,000.00 "USDA" guaranteed loan with Omni National Bank. The loan was sold to One Georgia Bank and is now owned by Ameris Bank with a principal balance due of about \$1,485,417.67. Accordingly, Debtor and North Georgia Converting, Inc. reduced the principal debt owed to Ameris Bank and its predecessors by over one-half of the principal balance in a little over a ten year period of time.

Payment of the debt owed to Ameris Bank and its predecessors historically came from rental income of Debtor and North Georgia Converting, Inc.'s manufacturing income. North Georgia Converting, Inc. began to experience cash flow problems approximately two years ago due to several reasons. These reasons included the economic recession and problems with imports taking some of North Georgia Converting, Inc.'s products. In addition, North Georgia Converting, Inc. began relying heavily on receivable financing to purchase its materials needed for manufacturing. In 2014 and 2015, Debtor and North Georgia Converting, Inc. attempted, without success, to get refinancing because of the significant monthly payments required on the debt owed to Ameris Bank and its predecessors. In November, 2015, North Georgia Converting, Inc. lost its receivable financing and production nearly came to a complete stop. Debtor and North Georgia Converting, Inc. then began looking for investment partners.

During the summer of 2016, Debtor received notice that Habersham County Real Property was going to be sold by its primary secured creditor, Ameris Bank, due to defaults in making payments required on the loan acquired or purchased by the creditor. Ameris Bank provided notice of its intent to foreclose on the Habersham County Real Property on the first Tuesday of August, 2016.

On August 1, 2016, Debtor filed for relief under Chapter 11 of the Bankruptcy Code in an effort to reorganize and pay creditors. Debtor filed the Chapter 11 bankruptcy petition to preserve, protect, and maintain business operations and assets. Debtor was faced with the general difficulty of a tough economy and the additional need to develop a plan to reorganize to pay creditors. Debtor believed that Debtor and North Georgia Converting, Inc. had viable business operations and valuable assets which mandated the bankruptcy filing to stop the foreclosure sale which, if completed, would have forced the closure of North Georgia Converting, Inc.

After filing for relief under the Bankruptcy Code, Debtor has continued to lease the Habersham County Real Property to North Georgia Converting, Inc. In addition, Debtor has

focused efforts toward finding investors who can provide needed capital for both organizations. In fact, Debtor and North Georgia Converting, Inc. now have two investors willing to purchase the majority interests of Castle Pines Group, LLC and North Georgia Converting, Inc.

Castle Pines Group, LLC is in Chapter 11, and North Georgia Converting, Inc. is in critical financial status and trying to avoid the filing of a bankruptcy. The investment and/or purchase by the investors will allow North Georgia Converting, Inc. to run at full capacity, resolve outstanding debts of Debtor and North Georgia Converting, Inc., and preserve jobs for North Georgia Converting, Inc.'s employees.

Debtor has found investors who will provide significant capital for Debtor and North Georgia Converting, Inc. which will allow payment of debts and provide capital necessary for North Georgia Converting, Inc. to purchase inventory to manufacture its products. At present, Debtor anticipates an ability to make meaningful payments to all creditors who hold undisputed claims.

### ARTICLE III - SUMMARY OF PLAN

Debts owed to creditors will be paid from the funds accumulated by Debtor since the filing of the bankruptcy petition, from funds generated from the continued operation of Debtor's business and from the capital contributions to be paid by investors.

The Plan provides for payment of administrative claims and priority tax claims and provides for the division of all other claims and interests into four classes. The Plan should be consulted for a detailed determination of how each claim is treated.

Payments provided by the Plan are expected to be as follows:

(Administrative Claims) - Costs and expenses of administration as defined in the Bankruptcy Code and this Plan for which application for the allowance of a claim is filed prior to the Effective Date, as the same are allowed, approved, and ordered paid by the Court. These expenses include the claims of the United States Trustee and the claims of the law firm of Smith, Gilliam, Williams and Miles, P.A. Upon the Effective Date of the Plan, any unpaid United States Trustee's fees will be paid in full from the general operating funds of Reorganized Debtor and the capital contribution to be provided on the Effective Date. The claim of Smith, Gilliam, Williams and Miles, P.A., anticipated to be about \$17,624.00 as of February 28, 2017, with anticipated future fees being a minimum of \$7,000.00 will be paid from a \$6,717.00 retainer held by the law firm with and the capital contribution to be provided by investors on the Effective Date. Debtor has paid no attorney's fees and expenses to date. Attorney fees and other professionals will be paid only after approval by the Court.

(Secured/priority tax claim of the Habersham County Tax Commissioner) - This claim consists of the claim of the Habersham County Tax Commissioner which holds a secured and/or priority claim for ad valorem taxes on the Habersham County Real Property. The claim of the Habersham County Tax Commissioner consists of a claim of \$13,127.47 for 2015 property taxes as evidenced by a tax execution filed in the Habersham County, Georgia lien records and

\$11,846.28 for 2016 real property taxes. The claim of this creditor will be paid in full on the Effective Date of the Plan with any such payment including any required interest. This payment will be paid from the capital contribution to be provided to Reorganized Debtor.

(Secured/priority tax claim of City of Clarkesville) - This claim consists of the claim of the City of Clarkesville Tax Commissioner which holds a secured and/or priority claim for ad valorem taxes on the Habersham County Real Property. The claim of the City of Clarkesville Tax Commissioner consists of a claim of \$7,288.37 for 2015 property taxes as evidenced by a tax execution filed in the Habersham County, Georgia lien records and a claim of \$7,235.91 for 2016 property taxes. The claim of this creditor will be paid in full on the Effective Date of the Plan with any such payment including any required interest. This payment will be paid from the capital contribution to be provided to Reorganized Debtor.

Class I (Ameris Bank) – This class consists of the claim of Ameris Bank which holds a first priority secured interests in the Habersham County Real Property. The claim is also secured by the assets of North Georgia Converting, Inc. which is owned by Debtor’s sole member. The secured claim of Ameris Bank had an original principal amount of \$3,000,000.00, with a current principal amount due of \$1,485,417.67, and a prepetition interest rate of approximately 5.5% per annum. Interest accrues on the principal at the rate of \$226.94 per day. The balance due to Ameris Bank as of December 21, 2016, was approximately \$1,623,138.37 consisting of the principal balance of \$1,485,417.67, interest of \$97,136.43, late fees of \$6,058.56, miscellaneous fees of \$3,093.65 and expenses of \$31,432.02. Debtor has been making monthly adequate protection payments to Ameris Bank of \$9,000.00.

On the Effective Date, the claim of Ameris Bank will be recomputed to reflect the accrual of interest and all other debits and credits to the indebtedness occurring subsequent to the petition date, including any adequate protection payments made to the creditor. The Reorganized Debtor shall pay to Ameris Bank the sum of \$25,000.00 on the Effective Date and the indebtedness owing to Ameris Bank as of the Effective Date shall be reduced by the credit. The amount then owing (the “Recomputed Balance”), will accrue interest on the unpaid balance at the simple interest rate of five percent (5%) per annum and shall be payable in one hundred twenty (120) consecutive monthly installments beginning thirty (30) days after the Effective Date and continuing on the same day of each month thereafter, with a final installment in the amount of the unpaid balance of principal, accrued interest, and other fees due and payable one hundred twenty-one (121) months after the Effective Date. Monthly installments shall be in an amount sufficient to amortize principal and accrued interest over a period of time of twenty-five (25) years. Notwithstanding to the payment terms, Reorganized Debtor may pay the outstanding principal and accrued, unpaid interest to Ameris Bank in full at any time without penalty.

Except as expressly modified herein, the terms and provisions of the deeds to secure debt and other security instruments between the parties shall remain in full force and effect, including those provisions for insurance and cross-collateralization. All liens and security interests of Ameris Bank in any property which secures the indebtedness of the Debtor shall survive confirmation of the Debtor’s Plan.

Class II (American Microloan, LLC) – This class consists of the claim of American Microloan, LLC which holds an unsecured claim against Debtor of \$100,000.00. This creditor also holds the same claim against North Georgia Converting, Inc. along with a personal guaranty from Debtor’s member, Vernon Mintz. The claim of this creditor will be paid by payment of \$70,000.00 payable at \$25,000.00 on the Effective Date and then the remaining \$45,000.00 accruing interest on the unpaid balance at the simple rate of five percent (5%) per annum and being paid in monthly payments of \$1,974.21 for twenty-four (24) months with the first month’s payment being due thirty (30) days after the Effective Date.

Class III (General unsecured claims) – Debtor does not believe that it has any unsecured debts except for the claim of American Microloans.

Class IV (Equity interests) – This class consists of the equity interests of the members of Debtor. This class will retain and be paid distributions only after all Class I through III claims are paid as provided in the Plan. The current sole member of Debtor, Vernon Mintz, will provide a ninety-five percent (95%) ownership interest in the Reorganized Debtor to the investors or to such entity designated by them due to the capital contributions being provided under the Plan.

Attached as Exhibit “A” is a summary of payments to be made under the Plan. As of the effective date of the Plan which date is about fourteen days after entry of a confirmation order, Debtor will have paid all priority claims and paid a significant amount to all secured and unsecured claims. On the confirmation date, all assets of the Debtor and all property of the Estate will be vested in the Reorganized Debtor, free and clear of all liens, claims and encumbrances, except for the liens, claims, and encumbrances specifically continued by way of the Plan.

#### ARTICLE IV – IMPAIRMENT

Classes I and II are impaired. Debtor does not currently believe that it has any Class III creditors.

#### ARTICLE V - CONFIRMATION REQUIREMENTS

As previously stated, the Court will set a date for the hearing on the acceptance of the Plan. A party in interest may object to confirmation of the Plan. 11 U.S.C.A. §1129 provides the requirements for confirmation.

With respect to each impaired class of claims or interests, the Court must determine that each holder of the claim or interest of such class has accepted the Plan or will receive or retain under the Plan property of a value that is not less than the amount that such holder would receive or retain if the Debtor were in liquidation before the Court can confirm the Plan.

The holder of an allowed claim or interest may accept or reject the Plan. Each class of claims or interest must either accept the Plan or not be impaired in order to allow confirmation. A class of claims has accepted the Plan if the Plan has been accepted by creditors that hold at



least two-thirds (2/3) in the amount and more than one-half (1/2) in number of the allowed claims of such class held by creditors.

Notwithstanding, the Court will confirm the Plan over the rejection of a class voting against it if the Court determines that all other applicable requirements of 11 U.S.C.A. §1129(a) are met, and if the Plan does not discriminate unfairly, and is fair and equitable with respect to each class of claims or interests that is impaired under, and has not accepted, the Plan. In order for the Court to invoke this power, at least one (1) class of claims that is impaired under the Plan must accept it, determined without including any acceptance of the Plan by an insider.

#### ARTICLE VI – MEANS FOR EFFECTUATING THE PLAN

Debtor's primary source of income is rental income. Debtor leases its Habersham County Real Property to North Georgia Converting, Inc. at a monthly rental rate of \$9,500.00. Debtor's means for effectuating the Plan will be from continued receipt of the rental income, a lump sum payment of approximately \$110,000.00 to be provided to the Reorganized Debtor on the Effective Date of the Plan as a capital investment, and monthly capital contributions to the Reorganized Debtor. Initial monthly capital contributions will be \$4,164.00 after the Effective Date to be provided to the Reorganized Debtor for twenty-four (24) months. The monthly capital contribution will then be reduced to \$2,190.00 at the end of twenty-four (24) months with these contributions continuing thereafter for the shorter of ninety-six (96) months or until the debt owed to Ameris Bank is settled or satisfied. The capital contributions will be by investors who will be provided a ninety-five percent (95%) ownership interest in Reorganized Debtor. Reorganized Debtor intends to pay principal debts owed to secured creditors in full through this reorganization. The balance owed to secured creditors and all other undisputed claims will be paid from the general operating funds of Debtor and the capital contributions to be made by the investors.

#### ARTICLE VII - DESCRIPTION OF ASSETS AND LIABILITIES AND LIQUIDATION ANALYSIS

A review of Debtor's schedule indicates that a greater return to creditors would not be generated under a Chapter 7 scenario since Debtor's only significant asset is the Habersham County Real Property which is valued at \$1,700,000.00 and encumbered by a contractual lien of approximately \$1,623,138.37 and property tax liens or claims of approximately \$39,498.03 which, if factored with the costs of a sale of the asset, would mean no return to any unsecured creditor is possible in a Chapter 7 liquidation bankruptcy. This conclusion is reached by taking the valuation of \$1,700,000.00 for the Habersham County Real Property and deducting from this amount the claimed secured debt of \$1,623,138.37, the unpaid property taxes, a possible realtor's fee of ten percent (10%) for a sale of the commercial property, and a State of Georgia seller's transfer tax which results in a negating balance without the consideration of Chapter 7 administrative fees and expenses. Debtor's current assets and liabilities are approximately as follows:

Current Assets

Debtor-in-Possession bank account	\$2,751.70
Land Lots Numbers 2 and 23 of the 12th Land District of Habersham County, Georgia (valuation based on appraisal performed by secured creditor)	\$1,700,000.00
<b>TOTAL</b>	<u>1,702,751.70</u>

Estimated Potential Liabilities Plus Administrative Claims To Be Paid Under Plan

Class I (Administrative claims)	24,624.00
Class II (Habersham County Tax Commissioner)	24,973.75
Class III (City of Clarkesville)	14,524.28
Class IV (Ameris Bank)	1,623,138.37
Class V (Microloan, LLC)	100,000.00
Class VI (General unsecured claim)	0.00
Class VII (Equity interests)	0.00
	<u>1,787,260.03</u>

Debtor anticipates an ability to pay all required claims by making initial lump sum payments on the Effective Date of the Plan and by making deferred monthly payments after the Effective Date.

ARTICLE VIII - FINANCIAL INFORMATION

Attached as Exhibit "B" is Debtor's budget providing estimated monthly income and anticipated payments from Debtor's business after confirmation. Attached hereto as Exhibit "C" is Debtor's cash flow report for February 2017. The cash flow report helps to illustrate the post-petition collection of rental income. The information contained in the cash flow report is based upon information contained in Debtor's ledgers, bank statements, and other business records.

ARTICLE IX - EFFECT OF CONFIRMATION

Except as otherwise provided for in the Plan or in the Confirmation Order, upon Confirmation, this Plan shall be binding on all parties in interest, regardless of whether the Claims or Interests of such parties in interest are impaired or unimpaired and regardless of whether the holders of such Claims or Interests have accepted the Plan.

CONCLUSION

Debtor urges creditors to vote to accept the Plan and to evidence such acceptance by returning their ballot as provided by the Court order.

This 22nd day of March, 2017.

CASTLE PINES GROUP, LLC

By:   
VERNON MINTZ, Managing Member

SMITH, GILLIAM, WILLIAMS & MILES, P.A.

By:   
BRAD J. PATTEN, Attorney for Debtor  
Georgia Bar No. 566210

P.O. Box 1098  
Gainesville, GA 30503  
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**EXHIBIT "A"**  
**SUMMARY OF ESTIMATED CHAPTER 11 PAYMENTS**

	<u>Estimated Payment on Effective Date</u>	<u>Estimated Monthly payments after Effective Date</u>
(Administrative claims)	\$ 24,624.00	
(Habersham County Tax Commissioner)	\$ 24,973.75	
(City of Clarkesville)	\$ 14,524.28	
Class I (Ameris Bank)	\$ 25,000.00	\$ 9,488.71
Class II (American Microloan, LLC)	\$ 25,000.00	\$ 1,974.21
Class III (General unsecured claim)	\$ 0.00	
Class IV (Equity interests)	\$ 0.00	
	\$ 114,122.03	\$ 11,462.92

Source of Funds for payment of claims on Effective Date: (a) retainer of \$6,717.00 paid to Debtor's attorney; (b) \$110,000.00 to be provided as capital contributions; and (c) funds from operation of Debtor's business.

**EXHIBIT "B"**

**BUSINESS INCOME AND EXPENSES**

Anticipated annual gross income .....	\$114,000.00
Anticipated annual capital contributions for two years .....	\$49,968.00
Less:	
Expected yearly expenses:	
(a) Insurance (\$611/month).....	\$7,332.00
(b) Property taxes (\$1,590/month).....	<u>\$19,080.00</u>
NET	\$137,556.00

Net per year of approximately \$137,556.00 or \$11,463.00 per month for the first two years which will be reduced to \$113,865.48 or \$9,488.79 after two (2) years due to anticipated reduction in need for the additional capital after satisfaction of the debt owed to American Microloans, LLC.

**EXHIBIT "C"**

**MONTHLY FINANCIAL REPORT FOR BUSINESS**

FOR THE PERIOD BEGINNING 02/01/17 AND ENDING 02/28/17  
 Name of Debtor: Castle Pines Group, LLC Case Number: 16-21508-jrs  
 Date of Petition: 08/01/16

	<u>CURRENT MONTH</u>	<u>CUMULATIVE PETITION TO DATE</u>
1. CASH AT BEGINNING OF PERIOD	2,251.70	
2. RECEIPTS		
A. Cash Sales		
Less: Cash Refunds		
Net Sales		
B. Collection on Postpetition A/R	9,500.00	57,000.00
C. Collection on Prepetition A/R		
D. Other Receipts (attach list)		100.00
3. TOTAL RECEIPTS		
4. TOTAL CASH AVAILABLE FOR OPERATIONS (Line 1 + Line 3)	11,256.70	57,100.00
5. DISBURSEMENTS		
A. U.S. Trustee Quarterly Fees		325.00
B. Net Payroll (contract labor)		
C. Payroll Taxes Paid		
D. Sales and Use Tax		
E. Other Taxes		
F. Rent		
G. Other Lease		
H. Telephone		
I. Utilities		
J. Travel & Entertainment		
K. Vehicle Expenses		
L. Office Supplies		
M. Advertising		
N. Insurance (Attachment 7)		
O. Purchases of Fixed Assets		
P. Purchases of Inventory		
Q. Manufacturing Supplies		
R. Repairs and Maintenance		
S. Payments to Secured Creditors	9,000.00	54,000.00
T. Other Operating Expenses		23.30
6. TOTAL CASH DISBURSEMENTS	9,000.00	54,348.30
7. ENDING CASH BALANCE (Line 4 – Line 6)	2,751.70	2,751.70

IN THE UNITED STATES BANKRUPTCY COURT  
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GAINESVILLE DIVISION

IN RE: : CHAPTER 11  
: :  
CASTLE PINES GROUP, LLC : CASE NUMBER 16-21508-JRS  
: :  
Debtor. : JUDGE JAMES R. SACCA

CERTIFICATE OF SERVICE

The undersigned Brad J. Patten, attorney for Debtor in the above styled bankruptcy certifies that I am and at all times hereinafter mentioned was more than eighteen (18) years of age, and that on the 22nd day of March, 2017, I served a copy of the Debtor's Disclosure Statement in the above-captioned proceedings to the below by sending a copy of same in United States Mail in an envelope properly addressed with adequate postage thereon to ensure delivery to:

Office of the United States Trustee  
362 Richard Russell Building  
75 Spring Street, SW  
Atlanta, GA 30303

James H. Morawetz  
Office of the United States Trustee  
362 Richard Russell Building  
75 Spring Street, SW  
Atlanta, GA 30303

Mitchell S. Rosen  
Kitchens Kelley Gaynes, PC  
Glenridge Highlands One – Suite 800  
5555 Glenridge Connector  
Atlanta, GA 30342

This 22nd day of March, 2017.



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Brad J. Patten  
Georgia Bar Number 566210