

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

IN RE:	*	CASE NO. 16-63236-mgd
	*	
SONDIAL PROPERTIES, LLC.	*	
	*	CHAPTER 11
	*	
Debtor.	*	

DEBTOR'S DISCLOSURE STATEMENT

SONDIAL PROPERTIES, LLC., Chapter 11 Debtor and Debtor-in-Possession in the above-styled bankruptcy case, hereby submits this Disclosure Statement ("Disclosure Statement") to all known creditors and other parties in interest pursuant to 11 U.S.C. § 1125.

I. INTRODUCTION

1. On August 1, 2016, Debtor, SONDIAL PROPERTIES, LLC, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Northern District of Georgia. Since that time, the Debtor has continued its financial affairs in the afore-referenced bankruptcy case, which is currently administered under Case No. 16-63236-mgd before the Honorable Mary Grace Diehl, United States Bankruptcy Judge.

2. This Disclosure Statement is submitted to all of the known creditors and other parties in interest of Debtor in order to provide information deemed by the Debtor to be material and necessary to enable such persons to make a reasonably informed decision in the exercise of their rights to vote for acceptance or rejection of the Plan of Reorganization (hereinafter referred to as the "Plan").

3. Each impaired creditor is entitled to vote on the Plan. As a condition to confirmation, the Code requires that such impaired class of claims or interests accept the Plan.

The Code defines acceptance of a Plan by a class of claims as acceptance by holders of two-thirds in dollar amount and a majority in number of claims in that class, but, for that purpose, counts only those who actually vote to accept or reject the Plan.

4. Classes of claims or interests that are not “impaired” under a Plan are deemed to have accepted the Plan and are not entitled to vote. Acceptances of the Plan in this case are being solicited only from those who hold claims or interests in an impaired class. A class is impaired if the legal, equitable or contractual rights attaching to the claims or interests of that class are modified other than by curing defaults and reinstating maturity or by payment in full in cash.

Even if a Plan is accepted by each class of creditors in order to confirm a Plan the Court must independently determine that the Plan is in the best interest of all classes of creditors impaired by the Plan. The “best interests” test requires that the Court find either that all members of an impaired class of claims or interests have accepted the Plan or that the Plan will provide such member a recovery that has a value at least equal to the value of the distribution that each such member would receive if the Debtor was liquidated under Chapter 7 of the Code.

5. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO CERTIFIED AUDIT. EVERY EFFORT HAS BEEN MADE TO INSURE THAT THE INFORMATION CONTAINED HEREIN IS ACCURATE; HOWEVER, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THIS INFORMATION IS WITHOUT ANY INACCURACY.

6. NO REPRESENTATION CONCERNING THE DEBTOR, PARTICULARLY AS TO FUTURE BUSINESS OPERATIONS OR THE VALUE OF PROPERTY, IS

AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

II. DESCRIPTION OF DEBTORS AND ASSETS AND LIABILITIES

A. History and Past Operations

The Debtor is a Georgia limited liability company, which owns property comprised of a 35,000 square foot medical office facility located in Dekalb County, Georgia at 1670 Scott Boulevard, Decatur, Georgia 30033.

On or about July 31, 2015, the Debtor entered into a loan transaction with CPIF Lending, LLC, obtaining a loan in the amount of \$7,900,000.00 to be secured by Debtor's real estate and improvements thereon. Thereafter, loan was assigned by the original lender to CPIF Decatur Office, LLC ("CPIF"). At the time of the filing of the case, CPIF claimed to hold a secured claim in the amount of \$9,915,000.00 as against the Debtor's property. The parties, it should be noted, entered into a Forebearance Agreement and Modification of Note in February, 2016.

Following CPIF's declaration of default and acceleration of indebtedness, the Property was advertised for foreclosure to take place August 2, 2016. Debtor filed this case on August 1, 2016, which prohibited the foreclosure sale from going forward.

At the time of the foreclosure advertisement, Debtor had a contract for the purchase and sale of the Property to an unrelated party for \$11,000,000.00.

In this case, the Debtor was forced into filing the petition for relief under Chapter 11 so as to prevent CPIF from obtaining the Debtor's Property. The filing of this Chapter 11 case has enabled the Debtor to protect the Property and what Debtor believes may be significant equity in it which will benefit all creditors.

B. Description of Assets of Debtor.

1. Assets of Debtor.

Upon the filing of Debtor's Chapter 11 case, the assets of the Debtor listed in Debtor's Schedules of Assets consisted primarily of, and currently consist, of the following assets and values:

- | | | |
|------|---------------------------|----------------------------------|
| (i) | Real Estate | \$ 10,500,000.00-\$12,000,000.00 |
| (ii) | Supplies for construction | \$ 150,000.00 |

As of August 1, 2016, the Debtor's facility had eight (8) tenants. Some leases had commenced (in terms of payment as well as occupancy) and others not. Build-out on tenant spaces was not complete and several areas of the building were under construction.

Currently, build-out at the facility is well on its way to completion and is expected to be finished by mid-December 2016. All indications are that the value by now has been substantially enhanced from that as of August 1, 2016.

Debtor received from CBRE an appraisal on the building and property as of April 2016 at the value of \$12,000,000.00. A contract had been executed prior to filing at \$11,000,000.00. During the post-bankruptcy petition period in this case, Debtor held a Purchase and Sale Agreement at \$9,100,000.00 but withdrew its request to approve that contract. Currently, the Property is listed at \$10,500,000.00.

2. Liabilities of Debtor.

The chief liabilities of the Debtor, as of the filing of the Chapter 11 petition, consisted of a secured claim(s) held by CPIF in the total amount of approximately \$9,900,000.00, no priority tax claims or any other priority claims, and general unsecured claims (non-related entities) of

approximately \$200,000.00 and general unsecured claims (related persons Al Waters, Sondi Waters, and the company Family Medical) of approximately \$4,200,000.00

Currently, the debts owed by the Debtor may be listed as follows using the classifications employed in this Plan:

CLASS

- | | | |
|----|---|-----------------|
| 1. | Administrative Claims (attorney for Debtor,
George M. Geeslin) (\$14,500.00 retainer paid) | \$ 14,500.00 |
| 2. | Secured Claim (CPIF) | \$ 9,915,700.00 |
| 3. | General Unsecured claims (unrelated entities) | \$ 200,000.00 |
| 4. | General Unsecured claims (related persons) | \$ 4,200,000.00 |
| 5. | Equity Interests/Members (Al Waters 50%
Sondi Waters 50%) | \$ N/A |

C. Recent Income to Debtor.

Currently, the Debtor's income is generated entirely through the business operations of leasing of tenant units at the medical facility. Debtor's income will be necessary to fund the Plan in this case, as will a sale or refinance of the Property. The Plan is expected to last for a period of three (3) years from the Effective Date.

III. REASONS FOR FILING CHAPTER 11

Debtor filed this Chapter 11 petition largely as a result of pending proceedings brought by CPIF seeking foreclosure on the Property.

IV. PLAN OF REORGANIZATION

A. The Plan and Classification of Claims

It is the Debtor's belief that the Plan of Reorganization is feasible and is in the best interests of creditors of its estate. If the Debtor's Chapter 11 proceedings are converted to a

liquidation case under Chapter 7 of the Bankruptcy Code, it is the belief of the Debtor that creditors other than TFG would not receive payment of any amount upon their claims. This Plan of Reorganization provides for substantial, meaningful payment on all claims of creditors; indeed, full satisfaction of all claims.

The Plan of Reorganization divides creditors and parties in interest into five (5) classes, the classification and treatment of which are as follows:

Class 1 Administrative Claims (attorney for Debtor, George M. Geeslin);

Class 2 Secured Claim of CPIF Decatur Office, LLC.

Class 3 General Unsecured Claims held by non-related persons, including any claim deemed as an unsecured portion of the claim of CPIF Decatur Office, LLC and any Allowed Claims from current Pending Litigation against Debtor.

Class 4 General Unsecured Claims held by related persons.

Class 5 Equity Interests/Members

B. Claims And Interests Not Impaired Under The Plan

(a) Class 1. Administrative Claims.

(b) ALL OTHER CLAIMS AND INTERESTS ARE IMPAIRED UNDER THIS PLAN.

C. Treatment Of Claims And Interests That Are Not Impaired Under This Plan

Class 1 Administrative Claims. The full amount of all unsecured claims for administrative expenses allowed under Code Section 503(b) shall be paid in cash or its commercial equivalent by the Debtor on the Effective Date, or within twenty (20) days following the entry of an Order approving same, whichever is later, and except to the extent that the holders of such administrative claims agree to a less favorable treatment of said claims.

D. Treatment Of Claims And Interests That Are Impaired Under The Plan

The Class 2, Secured Creditor, CPIF Decatur Office (LLC), (“CPIF”) will be paid in full its allowed secured claim by one of the following three alternative methods described below:

(i) On the Effective Date, the Reorganized Debtor will continue to list the Debtor’s Facility for sale with a reputable commercial real estate broker for a minimum listing price of \$10,500,000. Debtor will fully cooperate with the broker in the marketing of the Debtor’s Property and net proceeds from the sale shall be used to satisfy the allowed secured claim of CPIF in full.

(ii) At any time subsequent to the Effective Date of Confirmation, Debtor’s members shall retain the right to market and sell membership interest privileges to a qualified investor. Any funds paid to purchase membership interests shall be paid in to Debtor’s operating account and shall be used to fund this Plan.

(iii) Commencing ten (10) days following a Final Order of Confirmation, Debtor shall also make a monthly payment to CPIF each month in the amount of \$50,000.00, or 5% five percent of the principal balance of the loan, whichever is less, unless a sale or capital infusion has taken place pursuant to (i) or (ii) above sufficient to pay CPIF’s Allowed Secured Claim in full.

(iv) Notwithstanding anything above suggesting the contrary, Debtor shall satisfy CPIF’s Allowed Secured Claim in full within thirty-six (36) months of the Effective Date. Debtor reserves the right under this Plan to object to the amount of CPIF’s Secured Claim but shall be required to file its Objection to same prior to any Confirmation Hearing in sufficient time so that the claim may be determined at or before the Confirmation Hearing.

(v) Cramdown. In the event that CPIF, an impaired class of creditor with claims against the Debtor's estate shall fail to accept the Plan in accordance with § 1129(a) of the Bankruptcy Code, the Debtor shall request the Bankruptcy Court to confirm the Plan in accordance with § 1129(b) of the Bankruptcy Code.

(vi) Class 3 Creditors, comprised of all general unsecured creditors that are not related to the Debtor, or its owners in any manner, shall be paid in full over thirty-six (36) months from the Effective Date by the payment of equal quarterly payments prorated among said creditors on the fifteenth (15th) day following the end of each preceding quarter.

(vii) Class 4 Creditors comprised of General Unsecured Creditors related in some manner to the Debtor shall not be paid until a complete satisfaction of Class 2 and Class 3 Creditors. In such event, said Class 4 Creditors shall be paid in amounts determined by the Debtor in its discretion.

(viii) The Class 5 Interest Holders shall retain their respective equity interests in the Debtor.

V. OTHER INFORMATION

A. Relevant Financial Information

Schedules of Debtor's assets and liabilities have been filed with the Bankruptcy Court, which show the Debtor's assets and liabilities as of August 1, 2016. These Schedules of assets and liabilities, as amended, and other information are on file with the Bankruptcy Court and may be inspected by any creditor or party in interest. Copies of same will be provided by the Debtor's attorney upon request. Also, the Clerk's Office or the United States Trustee's Office

will have available monthly operating reports, copies of which will be provided by Debtor's attorney upon request.

Importantly, attached is the Offering Memorandum prepared by Debtor's Broker, Sands Investment Group Atlanta, LLC. which provides substantial information regarding the Property. Also, attached hereto are the rent rolls for the Property as of August, 2016 and the current rent roll.

B. The Procedure with Respect to Filing of Objections to Claims.

All claims set forth in the Schedules and Liabilities and Assets as undisputed need not be filed with the Bankruptcy Court. However, it is the responsibility of each claimant to determine if its claim is set forth accurately in the Schedules of Liabilities and Assets. In the event no proof of claim is filed, the amount of the claim set forth in the Schedule of Liabilities and Assets will control for purposes of voting on the Plan unless the claim is disputed. Debtor reserves the right to object to any claim filed in this case and otherwise will seek a declaration of the amount of the Allowed Secured Claim of CPIF in the event CPIF does not file a Proof of Claim with the Court in sufficient time prior to the Confirmation.

C. Note on Administrative Expenses.

The Debtor anticipates administrative claims will be paid under the terms of the Plan and in accordance with the Bankruptcy Code as Administrative Expenses, which are given priority treatment over General Unsecured Creditors under the Bankruptcy Code. It is anticipated that George M. Geeslin, appointed by the Court as bankruptcy counsel for the Debtor and Debtor-in-Possession, will have a total administrative expense claim for services rendered in the approximate amount of \$14,500.00 by the time of the confirmation hearing. Mr. Geeslin has on hand a retainer of \$14,500.00, which may be applied to such claim.

D. United States Trustee Fees and Special Court Charges

The Debtor does not believe fees are currently owed the United States Trustee. The Debtor does not believe any special Court charges have been assessed the Estate that are unpaid. In the event any such fees and charges are due and unpaid by the Debtor, the same shall be satisfied in full on the Effective Date of the Plan.

E. Cramdown

In the event that any impaired class of Creditors with Claims against the Debtor's Estate shall fail to accept the Plan in accordance with Section 1129(a) of the Bankruptcy Code, the Debtor shall request the Bankruptcy Court to confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code.

F. Disbursing Agent

The Disbursing Agent, Al Waters, will be responsible for making all payments to be made by Debtor called for under this Plan.

G. Executory Contracts

Pursuant to the Plan, the Debtor will assume all unexpired leases and executory contracts under which it is currently a party unless otherwise rejected prior to Confirmation.

H. Affiliate/Insider

Affiliate/Insiders who are also creditors are Al Waters, Sondi Waters, Family Medical Practice.

VI. IMPLEMENTATION OF THE PLAN

Upon the Effective Date of the Plan, the Debtor shall remain vested with its property and will continue to own the Medical office Facility. As noted above, Debtor intends to either sell

the Property or to obtain a capital infusion from new investors in order to refinance and satisfy the terms of the Plan.

VII. PENDING LITIGATION

(i) Lawsuit pending in Superior Court of Dekalb County, Georgia (15CV10127-10) brought by a certain tenant at the Property, Dermopath and Derm Consultants, Inc. against Sondial alleging breach of contract by Debtor and in which Debtor holds contributions for unpaid rent and other damages. All these claims arise out of the Lease between the parties; and

(ii) Lawsuit brought by Onset Financial, Inc./Westchester Fire Insurance Co (its surety) against Debtor and others pending in the Superior Court of Dekalb County, Georgia (15CV7947) relating to the delivery and lease of certain medical equipment to Sondial's tenant Family Practice of Atlanta Medical Group and guaranteed by principals of Debtor, Al and Sondi Waters.

VIII. ALTERNATIVE TO THE PROPOSED PLAN

If the Plan is not approved, the alternative may be the conversion of the Debtor's Chapter 11 case to a Chapter 7 case, which will require the liquidation of assets by a bankruptcy trustee. More specifically, it is believed by the Debtor that the value of Debtor's assets in a liquidation setting, per a trustee sale, would generate no more than what is owed GEBFS. This amount would be insufficient to pay administrative expense claims and other creditors upon the liquidation of the Debtor's assets. The Plan proposed by the Debtor in this case will generate sufficient funds to make substantial, meaningful payment, on all allowed claims.

For this reason, the Debtor believes that the Plan of Reorganization is in the best interests of creditors since they will receive substantially more under the Plan of Reorganization than if the estate were liquidated under Chapter 7 of the Bankruptcy Code. The confirmation of this

Plan of Reorganization is not likely to be followed by the liquidation or need for further financial reorganization of the Debtor.

This 28th day of October, 2016.

Respectfully submitted,

/s/George M. Geeslin

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Managing Member
Sondial Properties, LLC.

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CERTIFICATE OF SERVICE

This is to certify that I have this day served the following person in the foregoing matter with a copy of the foregoing **DEBTOR'S DISCLOSURE STATEMENT** by depositing a copy of same in the United States First Class Mail in a properly addressed envelope with adequate postage affixed thereon addressed to:

United States Trustee's Office
362 Richard B. Russell Bldg.
75 Ted Turner Drive, S.W.
Atlanta, Georgia 30303

This 28th day of October, 2016.

/s/George M. Geeslin
George M. Geeslin
Georgia Bar No. 288725

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