

United States Bankruptcy Court
Northern District of Georgia
Atlanta Division

In Re:)
DAILY HAVEN, Inc.) Case No. 16-63419
Debtor)
Chapter 11 Case)

DEBTOR’S DISCLOSURE STATEMENT

DAILY HAVEN, INC. (“Debtor”) and its debtor in possession in this case, hereby submits this Disclosure Statement (“Disclosure Statement”) to all known creditors and other parties in interest pursuant to 11 USC § 1125.

I. **INTRODUCTION**

1. On August 1, 2016, Debtor Daily Haven, Inc. 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 aforereferenced bankruptcy case, which is currently administered under Case No. 16-63419-wlh before the Honorable Wendy L. Hagenau, 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 from only those who hold claims or interest 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 SET FORTH IN THIS DISCLOSURE STATEMENT.

II. DESCRIPTION OF DEBTORS AND ASSETS AND LIABILITIES

A. History and Past Operations

The Debtor is a Georgia corporation, which owns property comprised of 1.04 acres of land, and improvements thereon, including an adult day care facility located in Rockdale County, Georgia at 1105 Main Street NW, Conyers, GA 30012.

On or about March 16, 2011, Debtor entered into a loan transaction with The Peoples Bank of Conyers, GA, securing a loan in the amount of \$611,954.24 to be secured by the Debtor's real estate located at 1105 Main Street, Conyers, Rockdale County, Georgia.

Thereafter, the loan was assigned by the original lender to RREF II PB-GA, LLC ("Rialto"). At the time of the filing of the case, Rialto claimed to hold a secured claim in the amount of \$615,838.25 as against the Debtor's property.

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.

In this case, the Debtor was forced into filing the petition for relief under Chapter 11 so as to prevent Rialto from obtaining the Debtor's Property. The filing of this Chapter 11 case has enable 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	\$670,000.00
(ii)	Accounts Receivable	\$ 6,180.66
(iii)	Office equipment and furniture	\$ 3,035.00

As of August 1, 2016, the Debtor's facility was operating with a full complement of residents.

Currently, Debtor has sought out and began contractual discussions with the Veteran's Administration, and anticipate a contract to care for VA recipients. All indications are that the value of the business is on track to be substantially enhanced from that as of August 1, 2016.

2. Liabilities of Debtor.

The chief liability of the Debtor, as of the filing of the Chapter 11 petition, consisted of a secured claim held by Rialto in the total amount of approximately \$615,800.00, a priority tax claim to the City of Conyers for \$2742.00, no other priority claims, and general unsecured claims (non-related entities) of \$17,900.00.

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, James B. Cronon) (\$10,000.00 retainer paid); (accountant for Debtor, Charles Deter), \$450.00 quarterly) \$ 11,800.00

2. Secured Claim (Rialto)	\$ 615,838.25
3. Priority Tax Claim	\$ 2,742.00
4. General Unsecured claims (unrelated entities)	\$ 17,900.00
5. Equity Interests/Members	\$ N/A
C. <u>Recent Income to Debtor</u>	

Currently, the Debtor's income is generated through the business operations of providing care for individuals daily at the day care. 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 one (1) year of the Effective Date.

III. REASONS FOR FILING CHAPTER 11

Debtor filed this Chapter 11 Petition largely as a result of pending proceedings brought by Rialto 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 Rialto 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, James B. Cronon; accountant for Debtor, Charles Deter);
- Class 2 Secured Claim of Rialto
- Class 3 General Unsecured Claims held by non-related persons;
- 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, Rialto will be paid in full its allowed secured claim by the one of the two alternative methods described below:

- (i) On the Effective Date, the Reorganized Debtor shall seek refinancing with a lender in order to satisfy all outstanding balances on the note held by Creditor Rialto,

- consisting of principal and interest, when those amounts are identified, for a period not to exceed six months following the Effective Date;
- (ii) At any time subsequent to the Effective Date of Confirmation, the Reorganized Debtor shall retain the right to market and sell all or a portion of their interest to a qualified investor or investors. Any funds paid to purchase interest 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 Rialto each month in the amount of \$4750.00 (four thousand seven hundred fifty dollars) per month, identical to the amounts paid under the Order on Motion to Approve Cash Collateral, unless a sale or capital infusion has taken place pursuant to (i) or (ii) above sufficient to pay Rialto's Allowed Secured Claim in full.
 - (iv) Notwithstanding anything above suggesting the contrary, Debtor shall satisfy Rialto's Allowed Secured Claim in full within six (6) months of the Effective Date. Debtor reserves the right under this Plan to object to the amount of Rialto'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 Rialto, 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 reasonable business judgment and 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.

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 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 Rialto in the event Rialto 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 James B. Cronon, 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 \$10,000.00 by the time of the confirmation hearing. Mr. Cronon has on hand a retainer of \$2500.00, which may be applied to such a 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 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, Suzann Maughon, 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

Upon information and belief, there are no affiliate/insiders who are also creditors, save the Class 5 Interest Holders.

VI. IMPLEMENTATION OF THE PLAN

Upon the Effective Date of the Plan, the Debtor shall remain vested with all Property of the Debtor's Estate. The Debtor shall continue, upon the Effective Date of this Plan, to own and operate the Debtor's property in the ordinary course of business, which is the operation of a day service center for adults at a facility in Rockdale County, Georgia. Operation will continue for the duration of the Plan, unless the property is sold or refinanced for a sufficient amount to pay all unrelated creditors of Debtor in full per the above.

VII. PENDING LITIGATION

- (i) Lawsuit pending in the Superior Court of Butts County, Georgia, Civil Action No. SUV2016000250, brought by Rialto relating to the personal guaranty of Suzann I. Maughon, Owner/President of Debtor.

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 Debtor that the value of Debtor's assets in a liquidation setting, per a

trustee sale, would likely generate less than what is owed Rialto. 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 15th day of February, 2017.

Respectfully submitted,

/s/ James B. Cronon

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/s/ Suzann Maughon

Owner
Daily Haven, Inc.

United States Bankruptcy Court
Northern District of Georgia
Atlanta Division

In Re:)
DAILY HAVEN, Inc.) Case No. 16-63419
Debtor)
) Chapter 11 Case
)

CERTIFICATE OF SERVICE

This is to certify that I have this date served the Trustee, and all parties with a copy of the foregoing **DEBTOR’S DISCLOSURE STATEMENT** by electronic service for all registered parties, and by affixing proper and adequate postage and mailing said Entry via First Class United States Mail to all other parties at:

Robert Brian Strickland
Smith, Welch, Webb & White, LLC
PO Box 10
McDonough, GA 30253

Internal Revenue Service
PO Box 7346
Philadelphia, PA 19104-5002

RREF II PB-GA LLC
c/o HARTMAN SIMONS & WOOD LLP
6400 Powers Ferry Road SW
Suite 400
Atlanta, GA 30339

Thomas Wayne Dworschack
Office of the US Trustee
Room 362
75 Ted Turner Drive SW
Atlanta, GA 30303-3330

City of Conyers
Tax Office
1184 Scott Street
Conyers GA 30012

US S.E.C.
Office of Reorganization
Suite 900
950 East Paces Ferry Road NE
Atlanta, GA 30326-1382

This 16th day of February, 2017.

Respectfully Submitted,

/s/ James B. Cronon

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