

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

IN RE:)	CHAPTER 11
)	
ATLANTA GROTNES MACHINE)	CASE NO. 17-61383-jrs
COMPANY,)	
)	
Debtor.)	

**DISCLOSURE STATEMENT TO ACCOMPANY
DEBTOR'S PLAN OF REORGANIZATION**

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DEBTOR AND DEBTOR-IN-POSSESSION**

Dated: April 26, 2018

ARTICLE I INTRODUCTION

This disclosure statement ("**Disclosure Statement**") is submitted by Atlanta Grotnes Machine Company, debtor and debtor-in-possession in the above styled case ("**Debtor**"), to provide information to all of its known Creditors and Equity Interest Holders about the Chapter 11 Plan of Reorganization ("**Plan**") filed by the Debtor. The purpose of the Disclosure Statement is to provide information of a kind and in detail sufficient to enable Creditors and Interest Holders in certain impaired Classes to make an informed judgment regarding whether to accept or reject the Plan and to inform Holders of Claims and Interests in the unimpaired Classes of their treatment under the Plan.

Debtor believes that the Plan provides Creditors with the greatest possible value that can be realized on their respective claims and that the Plan is in the best interests of all Creditors. If the Plan is not confirmed by the Bankruptcy Court, the Debtor may be forced to convert this Chapter 11 case to a case under Chapter 7 of the Bankruptcy Code. The Debtor believes that, in the event the case was converted to Chapter 7 of the Bankruptcy Code, Creditors would receive substantially smaller distributions than are provided for in the Plan. Consequently, Debtor seeks confirmation of the Plan and urges all Creditors and Interest Holders to vote to accept the Plan.

Unless otherwise defined herein, capitalized terms used herein shall have the same meaning ascribed to them in the Plan.

1.1 Disclaimer

ALL CREDITORS AND INTEREST HOLDERS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS AND THE DISCLOSURE STATEMENT AS A WHOLE.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EVENTS IN THE DEBTOR'S CHAPTER 11 CASE, AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR'S MANAGEMENT, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. FOR THE FOREGOING REASONS, AS WELL AS THE COMPLEXITY OF THE DEBTOR'S FINANCIAL MATTERS, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION

CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY INACCURACY OR OMISSION. THE FINANCIAL DATA SET FORTH HEREIN, EXCEPT AS OTHERWISE SPECIFICALLY NOTED, HAS NOT BEEN SUBJECTED TO AN INDEPENDENT AUDIT.

NEITHER THE DEBTOR NOR THE BANKRUPTCY COURT HAS AUTHORIZED THE COMMUNICATION OR REPRESENTATION BY ANY PERSON OR ENTITY (INCLUDING ANY OF THE DEBTOR'S AGENTS, OFFICERS, DIRECTORS, EMPLOYEES, ACCOUNTANTS, FINANCIAL ADVISORS, ATTORNEYS OR AFFILIATES) CONCERNING THE DEBTOR, ITS OPERATION, FUTURE REVENUE, PROFITABILITY, VALUE OR OTHERWISE, OTHER THAN AS SET FORTH IN THE DISCLOSURE STATEMENT. THE DEBTOR MAKES NO SUCH REPRESENTATIONS OTHER THAN THAT THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT IS BELIEVED TO BE CORRECT AT THE TIME OF THE FILING OF THE DISCLOSURE STATEMENT. ANY INFORMATION, REPRESENTATION OR INDUCEMENT MADE TO SECURE OR OBTAIN ACCEPTANCES OR REJECTIONS OF THE PLAN THAT ARE OTHER THAN, OR ARE INCONSISTENT WITH, THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY ANY PERSON IN ARRIVING AT A DECISION TO VOTE FOR OR AGAINST THE PLAN. ANY SUCH ADDITIONAL INFORMATION, REPRESENTATIONS AND INDUCEMENTS SHOULD BE IMMEDIATELY BROUGHT TO THE ATTENTION OF THE PLAN PROPONENT.

EXCEPT FOR HISTORICAL INFORMATION, ALL THE STATEMENTS, EXPECTATIONS, AND ASSUMPTIONS, INCLUDING EXPECTATIONS AND ASSUMPTIONS CONTAINED IN THIS DISCLOSURE STATEMENT, ARE FORWARD LOOKING STATEMENTS THAT INVOLVE A NUMBER OF RISKS AND UNCERTAINTIES. ALTHOUGH THE DEBTOR HAS USED ITS BEST EFFORTS TO BE ACCURATE IN MAKING THESE FORWARD LOOKING STATEMENTS, IT IS POSSIBLE THAT THE ASSUMPTIONS MADE BY THE DEBTOR MAY NOT MATERIALIZE. IN ADDITION, OTHER IMPORTANT FACTORS COULD AFFECT THE PROSPECT OF RECOVERY TO CREDITORS, INCLUDING, BUT NOT LIMITED TO, THE INHERENT RISKS OF LITIGATION AND THE AMOUNT OF ALLOWED CLAIMS.

1.2 Disclosure Statement

This Disclosure Statement sets forth certain information regarding the Debtor's pre-petition history and significant events that have occurred during the Debtor's Chapter 11 case. This Disclosure Statement also describes the Plan, alternatives to the Plan, effects of confirmation of the Plan, and the manner in which distributions will be made under the Plan. In addition, the Disclosure Statement discusses the confirmation process and voting procedures that Holders of Claims in impaired Classes must follow for their votes to be counted.

When and if confirmed by the Bankruptcy Court, the Plan will bind the Debtor and all Holders of Claims against and Interests in the Debtor, whether or not they are entitled to vote or did vote on the Plan and whether or not they receive or retain any Distributions or Property under the Plan. Thus, all Claimants are encouraged to read this Disclosure Statement carefully. In particular, Holders of Impaired Claims who are entitled to vote on the Plan are encouraged to read this Disclosure Statement, the Plan, and any exhibits to the Plan or Disclosure Statement carefully and in their entirety before voting to accept or reject the Plan.

1.3 Background

On June 30, 2017 (the “**Petition Date**”), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division (the “**Bankruptcy Court**”). Upon filing for Chapter 11 protection, the Debtor became a “Debtor-in-Possession” under the Bankruptcy Code and has acted in that capacity since that time.

Debtor has filed simultaneously with this Disclosure Statement its Plan. The Debtor, as proponent of the Plan, distributes this Disclosure Statement together with the Plan in order to solicit acceptances of the Plan. This introductory section is qualified in its entirety by the detailed explanations which follow and the provisions of the Plan. In the event of conflict between anything stated in this Disclosure Statement and the Plan, the terms of the Plan will control.

1.4 Solicitation of Acceptances

Pursuant to a Court Order dated _____, 2018, Creditors and Interest Holders may accept or reject the Plan no later than _____, 2018 (the “**Voting Deadline**”). A ballot with which to indicate and file an acceptance or rejection of the Plan has been provided to you. You must complete and file your ballot on or before the Voting Deadline in order for your vote to count. Any ballot which is executed by the holder of any Allowed Claim or Allowed Interest but does not indicate acceptance or rejection of the Plan shall be deemed to have accepted the Plan. Any other ballot not filed in accordance with the filing instructions on the ballot pertaining to the Plan shall not be counted for voting purposes.

THE DEBTOR HEREBY SOLICITS APPROVAL OF THE PLAN BY ITS CREDITORS AND INTEREST HOLDERS. DEBTOR BELIEVES THE PLAN PROVIDES THE OPTIMUM RETURN TO CREDITORS AND THAT LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE WOULD RESULT IN A REDUCED DISTRIBUTION TO UNSECURED CREDITORS. THE DEBTOR URGES EACH CREDITOR AND INTEREST HOLDER TO VOTE IN FAVOR OF THE PLAN BY MARKING THE “ACCEPTS” BOX ON THE ENCLOSED BALLOT AND FILING IT WITH THE COURT ON OR BEFORE THE VOTING DEADLINE.

ARTICLE II

HISTORY OF THE DEBTOR AND EVENTS LEADING UP TO CHAPTER 11

2.1 History of the Debtor

The Debtor is a Georgia corporation that was founded in 1956. Its initial focus was designing and manufacturing custom metal forming equipment for a wide variety of industries. It later branched out to include the manufacturing and repairing of spare parts for equipment, and designing and manufacturing specialized closing tools. It operates out of a large, 46,300 square foot manufacturing facility located on a four-acre property on Selig Drive in Atlanta, Georgia (the “**Property**”), which the Debtor owns free and clear. The Debtor continues to be run by the family members of the original founder.

2.2 Events Leading Up To Chapter 11

Beginning in the late 2000s, as the economy declined, the demand for custom metal forming equipment also declined and the Debtor began shifting its focus to manufacturing parts and closing tools. Historically, however, the metal forming equipment segment of its business was the largest and produced the most revenue. Accordingly, as the Debtor shifted its focus, it was forced to downsize its operations and personnel. Currently, the Debtor has only 11 employees. Prior to the Petition Date, the Debtor experienced certain non-recurring cash-flow problems that caused it to seek relief under Chapter 11 in order to obtain sufficient time to obtain additional cash from the sale of certain real estate (discussed further below) to pay its Creditors and fund its operations.

ARTICLE III

OPERATIONS DURING CHAPTER 11

Since the Petition Date, the Debtor has conducted its Business as a debtor-in-possession under Sections 1107 and 1108 of the Bankruptcy Code. As noted above, the Debtor has continued its focus on the parts and closing tools segments of its business. The following is a description of significant events that have taken place during the pendency of this case.

3.1 Retention of Professionals

Upon the commencement of the Debtor’s Chapter 11 case, the Debtor retained the law firm of Scroggins & Williamson, P.C. to act as its Chapter 11 counsel in connection with the Case. Scroggins & Williamson, P.C. has extensive experience representing debtors in complex Chapter 11 bankruptcy cases. Subsequently, the Debtor retained Reliant Real Estate Partners, LLC to serve as the Debtor’s exclusive real estate agent to attempt to market and sell the Property.

3.2 Schedules and Statement of Financial Affairs

On July 17, 2017, the Debtor filed with the Court its schedules and statements required by Bankruptcy Rule 1007, which were subsequently amended on October 24, 2017. These schedules and statements provide a detailed analysis of the Debtor's financial condition on or about the Petition Date. These documents are available for inspection at the office of the Clerk of the United States Bankruptcy Court.

3.3 Bar Date

By Order of the Bankruptcy Court dated February 26, 2018, the Court established April 13, 2018, as the last date by which all Creditors and Interest Holders were required to file proofs of claim or interest or requests for payment of administrative expense claims under section 503(b)(9) of the Bankruptcy Code or be barred from (i) asserting any claim or interest against the Debtor, and (ii) voting on, or receiving distributions under, the Plan. Certain Creditors whose claims were listed in the schedules and not identified as "contingent," "disputed" or "unliquidated" may not have been required to file proofs of claim.

3.4 Motion to Sell the Property

In January of 2018, the Debtor entered into a purchase agreement (as amended, the "**Agreement**") with The Renee Group, LLC (the "**Buyer**") to sell the Property to the Buyer for the gross purchase price of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000.00), less certain adjustments described in the Agreement. On March 5, 2018, the Debtor filed a motion to approve the sale of the Property pursuant to the terms of the Agreement. On April 13, 2018, the Court entered an order authorizing the sale of the Property to the Buyer pursuant to the terms of the Agreement. The sale of the Property is expected to close prior to the Confirmation Hearing. The Debtor believes that the proceeds generated from the sale of the Property will be sufficient to fund the Plan.

ARTICLE IV CLASSIFICATION OF CLAIMS AND INTERESTS

4.1 Introduction

The following is a summary of the Plan. This overview is qualified in its entirety by reference to the provisions of the Plan. All Claims and Interests in the Case are classified in the Classes below. The Plan provides that holders of Allowed Claims in certain classes will be entitled to a distribution of cash. Notwithstanding any provision of the Plan, a Claim in a particular Class is entitled to receive Distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class, and only to the extent such Claim has not been paid, released, or otherwise satisfied prior to the Effective Date.

4.2 Classifications

The Plan divides all Claims and Interests into the following Classes, which shall be mutually exclusive.

Classes of Claims and Interests

- Class 1: Class 1 shall consist of all Priority Claims.
Class 2: Class 2 shall consist of all Secured Claims.
Class 3: Class 3 shall consist of all Unsecured Claims other than the Alice Grotnes Claim.
Class 4: Class 4 shall consist of the Claim of Alice Grotnes.
Class 5: Class 5 shall consist of all Equity Interests in the Debtor.

ARTICLE V

DESCRIPTION OF CLAIMS AND TREATMENT UNDER THE PLAN

The Classes of Claims and Interests, as well as their treatment and an analysis of whether they are impaired or unimpaired, are described as follows:

5.1 Unclassified Claims.

Each Holder of an Allowed Administrative Expense Claim or an Allowed Priority Tax Claim will receive the treatment set forth in Article 2 of the Plan.

(a) Administrative Claims

Administrative Claims consist primarily of (i) professional fees and expenses incurred during the administration of the Chapter 11 case and (ii) Post-Petition Trade Claims. Counsel for the Debtor is holding a retainer in the amount of \$23,541.00, which can be applied against its professional fees. All Allowed Administrative Claims (other than Post-Petition Trade Claims) shall be paid by the Reorganized Debtor in full on or before the later of the Effective Date of the Plan or within five days of entry of a Final Order allowing the Claim, unless otherwise agreed between the Debtor and the Claimant.

All Allowed Post-Petition Trade Claims shall be paid by the Reorganized Debtor in the normal course of business in accordance with any agreement or course of dealings between the Holder of any Allowed Post-Petition Trade Claim and the Debtor. If and to the extent the Debtor or the Reorganized Debtor disputes all or a portion of any Post-Petition Trade Claim, the dispute may be resolved in the Bankruptcy Court, any court of competent jurisdiction, or as otherwise agreed to by the parties before such Claim becomes an Allowed Post-Petition Trade Claim.

(b) Priority Tax Claims

Priority Tax Claims consist of all tax claims, including but not limited to those held by the United States of America, the State of Georgia, or any other appropriate taxing authorities. Each holder of an Allowed Priority Tax Claim shall be paid in full, in Cash, on or before the later of the Effective Date or, if an objection to such Claim is asserted, five business days following the date of a Final Order allowing any such Claim.

5.2 Unimpaired Classes of Claims and Interests

The following classes of Claims and Interests are unimpaired; therefore, under 11 U.S.C. § 1126(f), they will be conclusively presumed to have accepted the Plan.

(a) Class 1 - Priority Claims

All Priority Claims are placed in Class 1 under the Plan, which provides that all Allowed Priority Claims are to be paid on the Effective Date. The Debtor does not anticipate that there will be any Allowed Priority Claims. Class 2 is unimpaired under the Plan and deemed to accept the Plan. Accordingly, Holders of Priority Claims in Class 1 are not entitled to vote on the Plan.

(b) Class 2 - Secured Claims

All Secured claims are placed in Class 2 under the Plan, which provides that all Allowed Secured Claims are to be paid on the Effective Date. The Debtor does not anticipate that there will be any Allowed Secured Claims. Class 2 is unimpaired by the Plan and deemed to accept the Plan. Accordingly, Holders of Secured Claims in Class 2 are not entitled to vote on the Plan.

(c) Class 5- Equity Interests

All Equity Interests in the Debtor are placed in Class 5 under the Plan, which provides that all Holders of Equity Interests shall retain their Equity Interests in the Reorganized Debtor following Confirmation of the Plan. Class 5 is unimpaired by the Plan and deemed to accept the Plan. Accordingly, Holders of Equity Interests in Class 5 are not entitled to vote on the Plan.

5.3 Impaired Classes of Claims

(a) Class 3 – Unsecured Claims (Other than the Alice Grotnes Claim)

Class 3 consists of all Allowed Unsecured Claims other than the Alice Grotnes Claim. Each Holder of an Allowed Unsecured Claim in Class 3 shall receive Distribution in an amount equal to one hundred percent (100%) of its Allowed Unsecured Claim (without interest), which shall be paid in a lump sum within thirty (30) days following the Effective Date, or as soon as reasonably practicable thereafter. Class 3 is Impaired by the Plan. Each Holder of an Allowed Unsecured Claim in Class 3 is entitled to vote to accept or reject the Plan.

(b) Class 4- Alice Grotnes Claim

Class 4 consists of the Alice Grotnes Claim. On the Effective Date, this Claim will become an Allowed Unsecured Claim in the full amount asserted of \$445,000.00 and the Holder of such Claim shall be issued a Note by the Reorganized Debtor in the principal amount of \$445,000 with such interest rate and payment terms as mutually agreed upon by the Holder of such Claim and the Reorganized Debtor or as otherwise determined by the Court at the Confirmation Hearing; provided, however, that no amount shall be paid on such Claim until all Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Priority Claims, Allowed Secured Claims and Allowed Unsecured Claims in Class 3 have been paid in full unless otherwise ordered by the Bankruptcy Court. Class 4 is Impaired by the Plan. The Holder of the Alice Grotnes Claim is entitled to vote to accept or reject the Plan.

**ARTICLE VI
MEANS FOR EXECUTION OF THE PLAN**

6.1 Funding for the Plan

All or a substantial portion of the Allowed Administrative Expense Claims of the Debtor's Chapter 11 counsel will be paid out of the retainer counsel currently holds. The Debtor anticipates that the sale of the Property will generate sufficient funds with which the Debtor will pay all other Allowed Claims in full on the Effective Date other than the Alice Grotnes Claim. The Alice Grotnes Claim will be paid from a combination of the proceeds from the sale of the Property and the cash generated from the operations of the Debtor and the Reorganized Debtor.

6.2 Post-Confirmation Management and Ownership

Following confirmation of the Plan, the Reorganized Debtor will continue to be managed by its current officers, which include Alan Grotnes, Cal Grotnes and Scott Wasilewski, each of whom will also serve as its initial directors. Their annual compensation following the Effective Date will be \$70,000 each, which is consistent with their current compensation, subject to periodic adjustments in the ordinary course of business. The existing Holders of Equity Interests in the Debtor will continue to own their Equity Interests in the Reorganized Debtor in the same percentages as they currently hold Equity Interests in the Debtor.

ARTICLE VII PRESERVATION OF RIGHTS OF ACTION

7.1 Causes of Action

Except as otherwise expressly provided in the Plan, any rights or causes of action accruing to or held by the Debtor or its Estate, including, without limitation, any rights or causes of action under Section 544 through 550, inclusive of the Bankruptcy Code or any other statute or legal theory shall remain assets of, and vest in, the Reorganized Debtor. The Reorganized Debtor may pursue those rights of action, as it deems to be appropriate and in the best interest of the Reorganized Debtor. It is uncertain whether the potential preference claim listed in the Debtor's Statement of Financial Affairs will yield any material recovery to the Estate. The Debtor believes that many of the payments listed may qualify for one or more of the recognized preference defenses.

7.2 Preservation of Rights of Action

All Avoidance Actions shall survive confirmation, and the assertion of Avoidance Actions shall not be barred or limited by any estoppel, whether judicial, equitable or otherwise.

7.3 Procedures for Resolving Disputed Claims

Notwithstanding any other provisions of the Plan, no payment or distribution shall be made on account of a Disputed Claim until such Claim becomes an Allowed Claim. In lieu of distributions under the Plan to holders of Disputed Claims, a Disputed Claims reserve shall be maintained by the Reorganized Debtor for payment of any Disputed Claim which becomes an Allowed Claim. Distributions on account of any Disputed Claim that has become an Allowed Claim shall be made as soon as is reasonably practicable.

Subsequent to the Effective Date, the Reorganized Debtor shall have the authority to settle and resolve any Disputed Claim that was originally asserted in an amount less than One Hundred Thousand Dollars (\$100,000.00) upon such terms and conditions as the Reorganized Debtor deems appropriate and in the best interests of the Estate. Any such compromise and settlement shall be deemed final and binding upon all parties in interest in the Case. The Reorganized Debtor shall be released from any obligation to provide notice to or file and serve pleadings upon any such parties in interest, and shall be released from any requirement to obtain Court approval, in connection with compromising these claims.

With respect to any Disputed Claim that was originally asserted in an amount that equals or exceeds One Hundred Thousand Dollars (\$100,000.00), the Reorganized Debtor shall have the authority to compromise and settle any such Claim on such terms as the Reorganized Debtor deems appropriate and in the best interests of the Estate, subject to providing Designated Notice of any such proposed compromise and a reasonable opportunity to object thereto. If a party in interest files a written objection with the Court in the Case with respect to any proposed compromise of

any Disputed Claim, and serves a copy of said objection upon the Reorganized Debtor and its counsel within 10 days from the service of Designated Notice of the proposed compromise, then a hearing shall be scheduled with respect to said objection. If no such objection is timely filed and served, the Reorganized Debtor is authorized to compromise and resolve such Disputed Claim without further authorization. The Reorganized Debtor may file motions which seek to compromise more than one Claim.

ARTICLE VIII EXECUTORY CONTRACTS

8.1 Executory Contracts and Unexpired Leases

Except as otherwise expressly provided in this Plan, any and all executory contracts and unexpired leases of the Debtor not expressly assumed prior to the Confirmation Date or not the subject of a pending motion to assume on the Confirmation Date shall be deemed rejected upon confirmation of the Plan. Claims arising from the rejection of any executory contracts or unexpired leases under this Plan shall be filed within thirty (30) days following the Confirmation Date and shall be treated as Class 6 Claims. Any person seeking to assert such a Claim who fails to file a proof of claim within this thirty (30) day period shall be deemed to have waived said Claim, and it shall be forever barred.

ARTICLE IX DISTRIBUTION TO HOLDERS OF CLAIMS

9.1 Address for Distributions

All Cash payments required to be made under the Plan will be sent to Holders of Claims at the addresses listed in the Debtor's schedules or stated in any Proof of Claim filed by a Holder of a Claim or to such other address as the Holder of a Claim shall provide in writing to the Reorganized Debtor. The proceeds of any payment properly sent to the Creditor but returned because of unknown or insufficient address, and the proceeds of any check not cashed within ninety (90) days of sending will become property of the Reorganized Debtor and the rights of the original payee shall be extinguished. Return of mail by the United States Post Office as "undeliverable and without forwarding address" shall be conclusive evidence of an attempt to deliver to the address shown.

9.2 Rounding

Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction down to the nearest whole cent.

9.3 No Interest on Claims

Except as provided in a Final Order entered in this Case, (a) no holder of any Unsecured Claim (except Priority Tax Claims) shall be entitled to interest accruing on or after the Petition Date on such Claim, and (b) interest shall not accrue or be paid upon any Disputed Claim with respect to the period from the Petition Date to the date a final Distribution is made thereon if and after such Disputed Claim, or any part thereof, becomes an Allowed Claim.

ARTICLE X CONDITIONS PRECEDENT TO EFFECTIVENESS OF PLAN

Each of the following conditions must occur and be satisfied on or before the Effective Date for the Plan to be effective on the Effective Date, provided that the Debtor may agree to waive any one or more of the following conditions:

10.1 Confirmation Order Must Be Entered

The Confirmation Order must have been signed by the Bankruptcy Court and duly entered on the docket for the Case by the clerk of the Bankruptcy Court in form and substance acceptable to the Debtor.

10.2 Confirmation Order Must Not Be Stayed, Reversed, Modified or Amended

There must not be any stay in effect with respect to the Confirmation Order, and the Confirmation Order must not have been reversed, modified or amended in any material respects prior to the Effective Date without the written consent of the Debtor.

10.3 Provisions of the Confirmation Order

Among other things, the Confirmation Order must:

(a) Authorize and direct the Reorganized Debtor to take, or cause to be taken, all such actions as are necessary to enable the Reorganized Debtor to implement the provisions of the Plan;

(b) Authorize and direct the Reorganized Debtor to perform its obligations under the Plan, and to take all actions and execute all documents and instruments reasonably necessary to consummate the transactions contemplated by the Plan;

(c) Provide that no holder of a Claim, Lien or Interest will be permitted to execute against or receive Distributions from the Debtor except in accordance with the express provisions of the Plan.

10.4 Confirmation Order Must be Final

The Confirmation Order shall have become a Final Order.

ARTICLE XI VOTING ON THE PLAN AND THE CONFIRMATION PROCESS

11.1 Classes Entitled to Vote

Only a Holder of an Allowed Claim or Allowed Interest classified in an Impaired Class is entitled to vote on the Plan. Under Section 1124 of the Bankruptcy Code, a Class of Claims or Interests is “impaired” by the Plan if the legal, equitable or contractual rights attaching to the Claims or Interests of that Class are modified. Modification for purposes of determining impairment, however, does not include the curing of defaults and the reinstating of maturity.

In order to have an Allowed Claim, a Claimant must have (1) timely filed a Proof of Claim or (2) been listed in the Schedules as having a Claim that is not contingent, unliquidated or disputed. If such a Claim was scheduled as contingent, unliquidated or disputed, and if Claimant did not file proof of such Claim by April 13, 2018, the date set by the Bankruptcy Court, (the “**Bar Date**”) or after the Bar Date with leave of the Bankruptcy Court, or if such Claim is the subject of an objection, Claimant does not have an allowed Claim, cannot vote, and will not participate in any Distributions under the Plan until such time as the Claim becomes an Allowed Claim.

The Claims and Interests of the Debtor are divided by the Plan into Classes 1 through 5. The Claims or Interests in each Class 1, 2 and 5 are unimpaired. Consequently, the Holders of such Claims are conclusively presumed to have accepted the Plan and will not be entitled to vote on the Plan. The Claims in each of Classes 3 and 4 are impaired and may vote on the Plan.

11.2 Voting Instructions

Each Holder of an Allowed Claim or Interest in a voting Class may cast its vote electronically pursuant to the Court’s electronic filing system or may vote to accept or reject the Plan by completing, dating, signing and returning the Ballot accompanying this Disclosure Statement to:

Clerk, United States Bankruptcy Court
Northern District of Georgia
74 Ted Turner Drive, SW
Suite 1340
Atlanta, GA 30303

With a copy to:

Ashley Reynolds Ray, Esq.
Scroggins & Williamson, P.C.
4401 Northside Parkway
Suite 450
Atlanta, Georgia 30327

Any Ballot received which does not indicate either an acceptance or rejection of the Plan shall be deemed to constitute an acceptance of the Plan. Ballots submitted by facsimile will not be accepted. Only originally signed Ballots will be counted. A Ballot shall not constitute a Proof of Claim or Proof of Interest or an amendment to a Proof of Claim or Proof of Interest.

If a Creditor has a Claim in more than one Class under the Plan, that Creditor should receive a separate Ballot for each such claim. If Claimant needs additional Ballots, or believes it has a Claim that should be placed in Class 3 or 4 and did not receive a Ballot, please contact the Debtor's counsel, Ashley R. Ray, at the address set forth above, sufficiently in advance of the Voting Deadline to obtain the Ballot and return the Ballot before the Voting Deadline.

11.3 Requirements of Confirmation

The Bankruptcy Court will confirm the Plan only if it determines that all of the requirements of the Bankruptcy Code have been met. The Bankruptcy Code requires, among other things, that (i) the Plan be accepted by at least one impaired Class, (ii) the Bankruptcy Court make a determination that the Plan is in the "best interests" of all Holders of Claims and Interests (that is, dissenting Creditors and Interest Holders will receive at least as much under the Plan as they would receive in a liquidation under Chapter 7 of the Bankruptcy Code), (iii) the Bankruptcy Court make a determination that the Plan is feasible, and (iv) the Plan has classified Claims and Interests in a permissible manner. In order to confirm the Plan, the Bankruptcy Court must find that all of these and certain other requirements have been met. Thus, even if the requisite vote is achieved for each impaired Class, the Bankruptcy Court must make independent findings regarding the Plan's conformity with these requirements of the Bankruptcy Code before it may confirm the Plan. Additionally, if the requisite vote will not be achieved for each impaired Class, the Bankruptcy Court must also make independent findings regarding the Plan's conformity with the requirements of Section 1129(b) of the Bankruptcy Code. The various statutory requirements are discussed below.

11.4 Acceptance by at Least One Impaired Class

In order for the Plan to be confirmed, the Plan must be accepted by at least one impaired Class that is entitled to vote on the Plan. A Class of Impaired Claims will have accepted the Plan if at least two-thirds in amount and more than one-half in number of the Claims actually voting in the Class have accepted it.

11.5 Best Interests Test

The Plan cannot be confirmed unless the Bankruptcy Court determines that the Plan is in the "best interests" of the Debtor's Creditors and Interest Holders. The Plan will be deemed to have satisfied the "best interests" test if the Plan provides to each dissenting or nonvoting member of each impaired Class a recovery that has a value that is at least equal to the distribution which such member would receive if the assets of the Debtor were liquidated on the Effective Date in a hypothetical case under Chapter 7 of the Bankruptcy Code by a Chapter 7 trustee. If all members

of an impaired Class of Claims or Equity Interest Holders vote to accept the Plan, the “best interests” test does not apply with respect to that Class.

In applying the “best interests” test, the Bankruptcy Court would ascertain the hypothetical recoveries in a Chapter 7 liquidation to the Debtor’s Creditors and Interest Holders. These hypothetical Chapter 7 liquidation recoveries would then be compared with the distributions offered to each impaired Class of Claims or Interests under the Plan in order to determine if the Plan satisfies the “best interests” test.

In applying the “best interests” test, it is likely that Claims and Interests in the Chapter 7 case would not be classified in the same manner that such Claims and Interests are classified under the Plan. In the absence of a contrary determination by the Bankruptcy Court, all pre-bankruptcy Unsecured Claims which have the same rights upon liquidation would be treated as one Class for the purposes of determining the potential distribution of the liquidation proceeds resulting from the Debtor’s Chapter 7 case. The distributions from the liquidation proceeds would be calculated ratably according to the amount of the Claim held by each Creditor. The Debtor believes that the most likely outcome of liquidation proceedings under Chapter 7 would be the application of the rule of absolute priority of distributions. Under that rule, no junior Creditor receives any distribution until the Allowed Claims of all senior Creditors are paid in full, and no Equity Interest Holder receives any distribution until the Allowed Claims of all Creditors are paid in full.

As discussed in more detail in Article XVII of this Disclosure Statement, the Debtor’s analysis indicates that confirmation of the Plan will provide each Creditor and Interest Holder holding a Claim or Interest in an impaired Class with a recovery that is at least equal to the recovery that such Creditor or Interest Holder would receive pursuant to a liquidation and distribution of the Assets under Chapter 7 of the Bankruptcy Code.

11.6 Feasibility of the Plan

In order for the Plan to be confirmed, the Bankruptcy Court must determine that the Plan is feasible; that is, as a practical matter, that the Debtor will be able to meet its obligations under the Plan on a timely basis and according to its terms. The Debtor believes that the Plan is feasible.

11.7 Classification of Claims

The Debtor believes that the Plan meets the classification requirements of the Bankruptcy Code, which require that a Plan of Reorganization place each Claim or Interest in a Class with other Claims or Interests which are “substantially similar.”

11.8 Additional Requirements of Section 1129(b) of the Bankruptcy Code

In the event the Plan does not satisfy the requirements of Section 1129(a) of the Bankruptcy Code, the Debtor will seek confirmation of the Plan pursuant to the so-called “cramdown” provisions of Section 1129(b) of the Bankruptcy Code. Pursuant to Section 1129(b), the Bankruptcy Court must determine whether the Plan is fair and equitable and does not discriminate

unfairly against each impaired Class of Claims or Interests that has not accepted the Plan. The Plan will not discriminate unfairly if no Class receives more than it is legally entitled to receive for its Claims. “Fair and equitable” has different meanings for Secured Claims, Unsecured Claims and Equity Interests.

With respect to a Secured Claim, “fair and equitable” means either (i) the impaired Secured Creditor retains its liens to the extent of its Allowed Secured Claim and receives deferred Cash payments at least equal to the allowed amount of its Claim with a present value as of the Effective Date of the Plan at least equal to the value of its interest in the property securing its liens, (ii) if property subject to the lien of the impaired Secured Creditor is sold free and clear of its lien, the impaired Secured Creditor receives a lien attaching to the proceeds of the sale, or (iii) the impaired Secured Creditor realizes the “indubitable equivalent” of its Claim under the Plan. Under certain circumstances, a Secured Creditor is entitled under Section 1111(b) of the Bankruptcy Code to elect to have its entire Claim, including any deficiency, treated as a Secured Claim.

With respect to an Unsecured Claim, “fair and equitable” means either (i) the impaired Unsecured Creditor receives property of a value equal to the amount of its Allowed Claim, or (ii) the Holders of Claims or Interests that are junior to the Claims of the dissenting Class will not receive any property under the Plan.

With respect to a Class of Equity Interests, “fair and equitable” means either (i) each Holder of an Interest of such Class receives or retains on account of such Interest property with a value equal to the greater of the allowed amount of any fixed liquidation preference to which such Holder is entitled, any fixed redemption price to which such Holder is entitled or the value of such Interest, or (ii) the Holder of any Interest that is junior to the Interests of such Class will not receive or retain any property on account of such junior Interest.

The Debtor believes the Plan meets the fair and equitable test with respect to each Holder of an impaired Claim or Interest.

11.9 Objections to Confirmation

As will be set forth in the Order Approving Disclosure Statement and Notice of Confirmation Hearing, any objections to confirmation of the Plan must be in writing, must set forth the objector’s standing to assert any such objection, and must be filed with the Bankruptcy Court and served on counsel for the Debtor. The Order Approving Disclosure Statement and Notice of Confirmation of Hearing will contain all relevant procedures relating to the submission of objections to confirmation and should be reviewed in its entirety by any party who has an objection to confirmation.

11.10 Confirmation of Plan Without Acceptance of All Impaired Classes

Even if one or more impaired Classes do not vote to accept the Plan, the Bankruptcy Court may, pursuant to Section 1129(b) of the Bankruptcy Code, confirm the Plan without the acceptance of all impaired Classes. Confirmation under Section 1129(b) requires that the Plan be fair and

equitable with respect to each impaired Class of Claims that has not accepted the Plan. The Plan proponents reserve their right to seek Confirmation of the Plan under Section 1129(b) if one or more Classes of Impaired Claims does not accept or is deemed not to have accepted the Plan.

11.11 Hearing on Confirmation of the Plan

Section 1128 of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. At that time, the Debtor will present the results of the vote by each impaired Class of Creditors entitled to vote in favor of or in opposition to the Plan. The Bankruptcy Court will consider whether the requirements for confirmation of the Plan under the Bankruptcy Code have been satisfied, as well as any objections to the Plan that are timely filed. Any Creditor may object to the confirmation of the Plan, regardless of whether it is entitled to vote on the Plan.

ARTICLE XII MODIFICATIONS AND AMENDMENTS

The Debtor reserves the right to alter, amend or modify the Plan as contemplated by Section 1127 of the Bankruptcy Code. The Plan may be modified, before or after Confirmation, without notice or hearing, or on such notice and hearing as the Court deems appropriate, if the Court finds that the proposed modification does not materially and adversely affect the rights of any parties in interest which have not had notice and an opportunity to be heard with regard to the proposed modification. Without limiting the foregoing, the Plan otherwise may be modified after notice and hearing. In the event of any modification at or before Confirmation, any votes in favor of the Plan shall be deemed to be votes in favor of the Plan as modified, unless the Court finds that the proposed modification materially and adversely affects the rights of the parties in interest that cast said votes.

ARTICLE XIII TAX CONSEQUENCES

Tax consequences resulting from confirmation of the Plan can vary greatly among the various Classes of Creditors and Holders of Interests, or within each Class. Significant tax consequences may occur as a result of confirmation of the Plan under the United States Internal Revenue Code and pursuant to state, local, and foreign tax statutes. Because of the various tax issues involved, the differences in the nature of the Claims of various Creditors, the taxpayer status and methods of accounting and prior actions taken by Creditors with respect to their Claims as well as the possibility that events subsequent to the date hereof could change the tax consequences, this discussion is intended to be general in nature only. No specific tax consequences to any Creditor or Holder of an Interest are represented, implied or warranted. Each Holder of a Claim or Interest should seek professional tax advice, including the evaluation of recently enacted or pending legislation, because recent changes in taxation may be complex and lack authoritative interpretation.

THE PROPONENT ASSUMES NO RESPONSIBILITY FOR THE TAX EFFECT THAT CONSUMMATION OF THE PLAN WILL HAVE ON ANY GIVEN HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS OR INTERESTS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN TO THEIR INDIVIDUAL SITUATION.

The receipt by a Creditor or Interest Holder of cash or property in full or partial payment of its Claim or Interest may be a taxable event. To the extent that a portion of the cash or the fair market value of any property received is attributable to accrued and unpaid interest on a Claim being paid, a Creditor may recognize interest income. A Creditor or Interest Holder may also recognize gain or loss equal to the difference between the sum of the amount of cash received and the adjusted basis in the Claim or Interest for which the Holder receives amounts under the Plan. Such gain or loss may be treated as ordinary or capital depending upon whether the Claim or Interest is a capital asset.

ARTICLE XIV RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction, notwithstanding entry of the Confirmation Order and notwithstanding the occurrence of the Effective Date of the Plan, for the following purposes:

- (a) to enforce all causes of action which exist on behalf of the Debtor pursuant to the provisions of this Plan or applicable law;
- (b) to enter orders and injunctions and restraints to enforce the provisions of the Plan;
- (c) to determine claims asserted under Section 507(a)(2) of the Bankruptcy Code, including claims for compensation and reimbursement of expenses accruing prior to the Confirmation Date;
- (d) to determine any Disputed Claims or disputes concerning the validity of or the market value of any collateral underlying any Secured Claim;
- (e) to enter orders regarding interpretation of the Plan, or any document created in connection with the Plan, or any disputes with respect thereto;
- (f) to conduct hearings and to enter orders modifying the Plan as provided herein or in the Bankruptcy Code;
- (g) to determine any and all applications, claims, adversary proceedings, and contested or litigated matters pending on the Confirmation Date;

- (h) to determine any applications for rejection or assumption of executory contracts or leases, and to determine Claims resulting from rejection of executory contracts and leases;
- (i) to allow or disallow, and estimate, liquidate, or determine any Claims against the Debtor, including tax claims, but excluding any Claims deemed Allowed by this Plan, and to enter or enforce any order requiring the filing of any such Claim before a particular date; and
- (j) to enter orders required for the administration of the Plan, including, but not limited to:
 - i. resolution of disputes pertaining to the amounts of payments under the Plan to Claimants;
 - ii. conducting post-confirmation valuation hearings as required by the Plan or authorized by the Bankruptcy Code; and
 - iii. exercising jurisdiction over any other matter provided for or consistent with the provisions of Chapter 11 of the Bankruptcy Code.

ARTICLE XV INJUNCTION

The Confirmation Order shall, on the Effective Date, operate as an injunction against any act against the Estate or the assets of the Estate to initiate, prosecute, enforce, liquidate, collect or otherwise assert any Claim against the Estate or the assets of the Estate, except as provided in the Plan. Any act taken in violation of this injunction shall be null and void. On and after the Confirmation Date, the provisions of the Plan shall be binding upon the Debtor, its Estate, all holders of Claims, all holders of Interests and all other parties in interest in the Debtor's case, in each case whether or not such entities are impaired and whether or not such entities have accepted the Plan.

ARTICLE XVI LIMITATION OF LIABILITY

Neither the Debtor nor any of its respective members, employees, agents, advisors, attorneys or financial advisers shall have or incur any liability to any holder of a Claim or Interest or any other party in interest for any act or omission in connection with, relating to, or arising out of, the Debtor's Case, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Estate and the distribution of property under the Plan, except for their gross negligence or willful misconduct, and in all respects they shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

Nothing herein shall be construed, however, to relieve the Debtor or any party from performing their respective obligations under the Plan.

ARTICLE XVII LIQUIDATION ALTERNATIVE

17.1 Distributions Under Chapter 7 Liquidation

The Debtor has analyzed whether a liquidation of its remaining assets by a Chapter 7 Trustee, who is unfamiliar with the Debtor, and its business, would result in a higher return to the Debtor's Creditors than they would receive under the Plan as proposed by the Debtor. The Debtor has concluded that a Chapter 7 liquidation would result in a net return to Creditors that is considerably lower than the net return to Creditors that can realistically be realized through the Plan. If the Plan cannot be confirmed under Bankruptcy Code Section 1129(a), the Chapter 11 Case would likely be converted to a case under Chapter 7 of the Bankruptcy Code, in which event a Chapter 7 Trustee would be appointed or elected to liquidate the remaining assets of the Debtor for distribution to Creditors. The Debtor believes that a conversion to Chapter 7 would likely result in substantial diminution in the payout to be realized by holders of Allowed Unsecured Claims in Class 3 because (i) the Debtor would cease operating and would not be able to continue generating cash on a going-forward basis, (ii) the Alice Grotness Claim would be entitled to the same treatment as all other Allowed Unsecured Claims, and (iii) there would be substantial additional administrative expenses incurred as the Chapter 7 Trustee would need to retain new attorneys, accountants and/or other professionals, who would be unfamiliar with the Debtor's operations and who would need to become educated about the Debtor, its assets, and the Claims. Moreover, not only would the vast majority of Creditors holding Allowed Claims likely receive smaller distributions on account of their Allowed Claims if the case were converted to Chapter 7, they would also need to wait a longer period of time before receiving any such distributions than they would under the Plan.

In sum, the Debtor believes that the Plan provides for a greater return to Creditors than a liquidation under Chapter 7 of the Bankruptcy Code.


ARTICLE XVIII CONCLUSION

The Debtor urges all Holders of Claims and Interests to accept the Plan because the Debtor believes the Plan will provide each such Holder more than it would receive pursuant to any alternative plan of liquidation or under Chapter 7 of the Bankruptcy Code. Accordingly, Debtor urges all eligible members of Voting Classes to submit Ballots in favor of the Plan in accordance with the balloting procedures described herein.

This 26th day of April, 2018.

ATLANTA GROTNES MACHINE COMPANY

By: 
Alan Grotnes
Authorized Officer


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CERTIFICATE OF SERVICE

This is to certify that I have this day served a true and correct copy of the attached **Disclosure Statement To Accompany Debtor's Plan of Reorganization** by causing it to be deposited in the United States Mail in a properly addressed envelope with adequate postage affixed thereon to the following:

Office of the United States Trustee
Suite 362, Richard B. Russell Building
75 Ted Turner Drive, SW
Atlanta, GA 30303

This 26th day of April, 2018.

Respectfully submitted,

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