

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF CONNECTICUT

In Re: : Chapter 11
: :
Manufacturers Associates, Inc. : Case No. 15-31832
Debtor :
_____ :

SECOND AMENDED DISCLOSURE STATEMENT IN SUPPORT
OF PLAN OF REORGANIZATION OF MANUFACTURERS ASSOCIATES, INC.
DATED AUGUST 31, 2017, PROPOSED BY
CHAPTER 11 TRUSTEE AND DEBTOR

1. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the chapter 11 case of Manufacturers Associates, Inc. (“MAI,” the “Company,” or the “Debtor”). This Disclosure Statement contains information about the Debtor and describes the First Amended Plan of Reorganization of Manufacturers Associates, Inc. Dated August 31, 2017, Proposed by Chapter 11 Trustee and Debtor, or any further amendments thereof (the “Plan”). *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney you may wish to consult one.*

The proposed distributions under the Plan are discussed at Article III.C. of this Disclosure Statement. Larger general unsecured claims are classified in Class 7, and will receive a distribution of 10% of their allowed claims, to be paid in eight quarterly payments.

A. Purpose of this Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan,
- Why the Proponents believe the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan

Be sure to read the plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Confirm the Plan

The hearing at which the court will determine whether to confirm the Plan will take place on **October 25, 2017 at 11:00 a.m.** at the United States Bankruptcy Court for the District of Connecticut at New Haven, 157 Church Street, 18th Floor, New Haven, CT 06510.

2. Deadline for Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to counsel to Debtor: Carl T. Gulliver, Coan, Lewendon, Gulliver & Miltenberger, LLC, 495 Orange Street, New Haven, CT 06511, Telephone: (203) 624-4756, Facsimile: (203) 865-3673, Email: cgulliver@coanlewendon.com. See Section IV.A. below for a discussion of voting eligibility requirements.

3. Deadline for Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Court and served upon counsel to Debtor, Carl T. Gulliver (see paragraph 2 above for service address) and upon the Chapter 11 Trustee, Attorney Roberta Napolitano, Ignal, Napolitano & Shapiro, P.C., 330 Fairfield Avenue, P.O. Box 9177, Bridgeport, CT 06604, Telephone: (203) 333-1171, Facsimile: (203) 384-9832, Email: rnapolitano@wwinslaw.com by **October 11, 2017**.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact counsel to Debtor, Carl T. Gulliver or the Chapter 11 Trustee, Roberta Napolitano.

C. Disclaimer

The Court approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.

II. BACKGROUND

A. Description and History of the Debtor's Business

The Debtor is a corporation. The Debtor was formed under the laws of Connecticut in 1996, and since that time the Debtor has been in the business of custom manufacturing small precision metal machine parts for the electrical industry. The Debtor's current president and sole shareholder Anthony Parillo ("Parillo") has been involved in such manufacturing for over fifty years.

At the time of the petition commencing this case, November 2, 2015 (the "Petition Date"), Debtor had just completed as of the end of October 2015 its fiscal year 2014 showing gross revenue of \$1,332,242. The company employs 14 full-time workers. Its significant tangible assets consist of about 100 large metalworking machines. Five additional metalworking machines and a computer system are leased by the company. At the Petition Date the company conducted its business at 45 Railroad Avenue, West Haven, Connecticut. This building was owned by another company owned by Parillo and was the subject of a pending foreclosure. The foreclosing creditor, Nuvo Bank, which is now known as Community Bank, N.A. ("Community Bank" or the "Bank"), held mortgage debt secured by the building, and also three loans secured by senior security interests in all of Debtor's assets. The loans benefitting the two entities were cross-collateralized, and were guaranteed by Parillo. The timing of the chapter 11 petition was forced by another action by the Bank, a replevin of Debtor's equipment.

Debtor's financial difficulties had started previously. Parillo had left full-time employment of the company for about two years for a position with Aerospace Techniques, Inc. ("ATT"). Upon his return to assume the control of MAI Parillo found the company in some distress. He sought funds for dealing with cash flow problems. Unfortunately he mistakenly trusted an individual with whom he had become acquainted, Alvin Parmassar, to provide profitable returns on a loan he directed the Debtor to issue Parmassar or his company Tristate General Contractors and Developers Group, Inc. in February 2015 (the "Parmassar Loan"). About \$280,000 has not been recovered. The funds for the loan were obtained by accounts receivable financing. This resulted in additional debt for MAI to service adding greater financial pressure.

B. Insiders and Management of Debtor

At the Petition Date the only insider with control of the Debtor was Anthony Parillo. During the calendar year ending 2015 Parillo's W2 Form shows personal income from the Company of about \$111,000. He also received the benefit of car lease payments and normal business cost reimbursements. His rate of pay was increased from the Petition Date until about October 2016, but then was reduced to a rate of \$150,000 per year. Both before and after the Petition Date he also owned the entity from which the Debtor rents its premises and leases certain machines and its computer, L & A Realty, LLC. The owner of the Debtor's present premises is a third party, but L & A Realty, LLC is the tenant and sublets to the Debtor.

Since late 2014 Debtor's management has been solely Anthony Parillo. As noted above, Mr. Parillo has long been the company's president but for the year 2013 and 2014. Mr. Parillo managed the

company in 2015 until the Petition Date and from the Petition Date until August 2016. Upon concerns voiced to the Court by ATI and its owners, the Lynns, with whom Parillo had been involved in litigation since he left ATI, Debtor agreed to appointment of a Chapter 11 Trustee rather than risk liquidation of the Debtor. The Court granted the order directing appointment of a trustee and the United States Trustee appointed Attorney Roberta Napolitano as Chapter 11 Trustee on August 19, 2016. (Attorney Napolitano is referred to hereinafter, respecting her service in this specific capacity, as the “Chapter 11 Trustee.”)

Trustee Napolitano took control of the company’s check book but maintained Parillo in control of the day-to-day operations, including the use of the company’s debit cards.

After the Effective Date of the order confirming the Plan, Parillo shall be Plan Administrator and President of the Reorganized Debtor. His salary and reimbursements shall remain the same after the Effective Date through the completion of disbursements to unsecured classes and administrative expenses in accordance with the Plan.

C. Significant Events During the Bankruptcy Case

MAI commenced this proceeding by the filing of a voluntary petition under Chapter 11 of Title 11, United States Code (the “the Bankruptcy Code” or the “Code”) on November 2, 2015. The debtor had retained Peter Ressler as its chapter 11 counsel. It filed schedules of assets and liabilities and attended lengthy meetings pursuant to Section 341 of the Code with the Office of the United States Trustee and counsel representing certain creditors. The Debtor filed a motion for authority to use its receipts that constitute part of the collateral for the Bank. An order was entered authorizing the use of cash collateral after objection of, and then negotiated agreements with, the Bank. Consensual cash collateral orders have been continued from month to month throughout the case. The Bank had also filed a motion for relief from stay that was continued several times by agreement, but was never heard by the Court.

In January 2016 Mr. Ressler filed for the Debtor a motion seeking to extend the automatic stay of Section 362 of the Code, which protects the Chapter 11 Debtor from legal actions. The extension requested was to protect Parillo and another company he owns. These co-defendants, with the Debtor, were the subject of pre-bankruptcy action in state court initiated by ATI and Jeffrey and Jack Lynn. Ultimately the Court denied the relief. ATI had also filed in the Bankruptcy Court within a few weeks of the Petition Date a motion for a 2004 examination, like a deposition, and issued a formal document request to the Debtor.

Little other activity appears from a review of the Court Docket until a notice on April 22, 2016 to clients of Peter Ressler informing of his inability to continue as he had resigned from the bar.

The Debtor immediately sought the Court’s permission to retain Attorney James S. Brownstein. Limited objections were filed due to his representation of Mr. Parillo and other Parillo-related entities. Nonetheless while the application was pending ATI filed two more 2004 examination motions and a motion to compel the Debtor to respond to the prior document demand that Mr. Ressler had failed to answer.

On June 13, 2016, Debtor applied for an order authorizing retention of Carl T. Gulliver and his firm, Coan, Lewendon, Gulliver & Miltenberger, LLC, as its chapter 11 counsel. The order authorizing the retention was entered July 6, 2016. As disclosed to the Court, from personal funds Parillo advanced over the summer of 2016 a total of \$12,500 retainer to Debtor's new counsel which was credited to the benefit of the Debtor against services rendered per an interim fee order of December 19, 2016, recorded on the Court's docket at ECF no. 305. In the meantime Debtor's new counsel and ATI's counsel agreed to meet and confer respecting the motion to compel and the document demand and Debtor's counsel attended the deposition by ATI of Alvin Parmassar, the party who had borrowed nearly \$300,000 from the Debtor. The discovery demand for documents was met shortly thereafter.

Debtor's new counsel also assisted Debtor with filing corrections and amendments to the original schedules and statements and amended operating reports.

During July 2016 Parillo identified a new premises for Debtor that was critically important not only because the Bank's foreclosure was proceeding toward trial and the Debtor's lease expired anyway per its terms in February 2017, but also because he had found a location that could offer the Debtor savings in rent and other premises charges it was then incurring such as real property taxes. In addition, Debtor expected to realize a significant reduction in utility costs particularly including electricity which is a significant expense for the company. Nonetheless, ATI objected to the motion for approval of the new lease and expenditure of moving costs. The Debtor also objected at this time to the proof of claim that had been filed in the case by ATI.

At the hearing on the new lease both the Parmassar Loan and monthly operating reports were examined. To avoid conversion of the case to chapter 7 and loss of all value to unsecured claimants, and probably substantial value to secured claimants, Debtor agreed to the appointment of a Chapter 11 Trustee and an agreement was reached fixing the dollar amount of an Allowed Claim for ATI. The Court declared that the motion to enter the new lease would be heard again if the Chapter 11 Trustee requested.

As discussed above Attorney Roberta Napolitano was appointed trustee. The Chapter 11 Trustee oversaw the Debtor while determining the advisability of the move. The Chapter 11 Trustee negotiated an arrangement with objecting creditor ATI and Parillo and the Debtor whereby Parillo personally would guaranty \$90,000 of payments to creditors under a plan of reorganization, which was projected to equal the estimated move and fit up costs, Parillo's wife would grant a mortgage on her home to secure Parillo's guarantee, and the Debtor could proceed to move. By the date of the Disclosure Statement and Plan almost all the moving and fit up costs have been paid¹ and the Debtor is now operating in its new rented premises at 23 Marne Street, Hamden, Connecticut.

The Chapter 11 Trustee obtained Court approval to hire the accounting firm of Blum Shapiro which is well experienced in chapter 11 matters. The Chapter 11 Trustee's accountants reviewed all

¹ Clearly most of the funds required for the move came from cash flow, however, during this period, Parillo also contributed personal funds to the Debtor of \$17,500. Previously he has made Post-Petition capital contributions of about \$2,000 in early 2016 and \$17,000 in November 2015.

cash into and out of the Company's Debtor in Possession account since the Petition Date and the Chapter 11 Trustee also has conducted a thorough review of Debtor's monthly receivables from the Petition Date.

The Chapter 11 Trustee conducted a preference and fraudulent transfer analysis by reviewing the Debtor's bank statements and records, and also reviewed post-petition payments. She identified \$17,500.00 in avoidable pre- and post-petition transfers, as well as \$37,500.00 in unexplained pre- and post-petition transfers. Investigation will continue and defenses may be disclosed that further reduce any projected recovery.

The Chapter 11 Trustee has also objected to certain other proofs of claims and has continued to work with the Bank for consensual cash collateral orders.

B. Claims Objections

Any objections to claims must be filed with the Court by September 15, 2017 and served in accordance with applicable rules including service upon counsel to Debtor, Carl T. Gulliver and upon the Chapter 11 Trustee, Attorney Roberta Napolitano which may be effected at the addresses set forth below and on page 2 of this Statement.

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims until the deadline. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

The deadline for filing proofs of claims other than claims arising from contract or lease rejections was February 22, 2016.

C. Current Financial Conditions

The monthly operating report for the month of June 2017, which includes the Debtor's calculation of cash and receivables among other information as of the close of the month, is attached as Exhibit A. The Chapter 11 Trustee has further analyzed such assets as cash and receivables and has made certain conclusions that are reflected in a liquidation analysis that is further described below in paragraph III F and the exhibit referenced therein. The equipment mainly is composed of just over 100 metal working machines which are mostly many years old but, in the opinion of the Debtor, well maintained. It was valued with both a quick sale value and a fair market value by the Bank's appraiser in 2015 prior to the commencement of this case. The inventory is valued at cost but reduced by 90% because of the lack of salability. Similarly the Parmassar Note is discounted 90% from face value due to anticipated difficulty of collection. The liquidation chart summarizes the assets and values as follows:

Cash (at 6/30/2017 as adjusted to reflect the Chapter 11 Trustee's analysis in the June Monthly Operating Report)	\$21,960
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Accounts Receivable (at 6/30/2017 as adjusted to reflect the Chapter 11 Trustee's analysis, at 50% face value)	\$102,266
Inventory (estimated at 10% cost)	\$12,500
Equipment ("Forced, Liquidation Value, appraisal of 9/22/2015" attached to, and filed with, the Debtor's petition and schedules)	\$210,000
Office Furnishings (Debtor's estimated scheduled value)	\$4,200
Parmassar Note (at 10% face value)	\$28,000
Avoidable Transfers (estimated collectable value, subject to change in continuing investigation by Chapter 11 Trustee, and excluding "Unknown Transfers, unexplained pre- and post-petition transfers of approximately \$37,500)	\$17,500
Total	\$396,426

Other than professionals whose claims are subject to court approval, the Debtor's system indicates it is essentially current with all post-petition liabilities. Debtor is aware that estate professionals have accrued substantial administrative expense, subject to court approval. Pursuant to the Plan the reorganized debtor shall pay these administrative expenses pro rata from an Effective Date payment and monthly payments thereafter until paid in full. The Company maintains a key man life insurance policy on its president, Anthony Parillo, in the sum of \$500,000. Although the Debtor has entered into certain post-petition leases it has not acquired additional assets post-petition. Its other assets besides the cash and receivables described in the attached operating report are as set forth in the Debtor's schedules filed with the court, as amended.

III. SUMMARY OF THE PLAN OR REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interest is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

1. *Administrative Expenses*

Administrative Expenses are costs or expenses of administering the Debtor’s chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative Expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all Administrative Expenses be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following Chart lists the Debtor’s estimated Administrative Expenses, along with possible Chapter 11 Quarterly Fees, and their proposed treatment under the Plan:

Type	Estimated Amount	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	N/A	Paid in full on the Effective Date of the Plan, or according to terms of obligation if later
Value of Goods Received in The Ordinary Course of Business Within 20 Days Before the Petition Date	\$11,535.98	Paid in full on the Effective Date of the Plan
Professional fees and commissions, subject to approval by the Court		Paid by sharing pro rata among professionals the sum of \$12,000 on Effective Date or upon Allowance, whichever is later, and the balance in monthly installments of \$4,000 commencing on the first Business Day of the second calendar month starting after the Effective Date
Roberta Napolitano, Chapter 11 Trustee	\$ 70,000.00	
Blum Shapiro, Accountant	\$ 45,000.00	
Coan Lewendon, Debtor’s Counsel	\$ 85,000.00	
Clerk’s Office fees	TBD	Paid in full on the Effective Date of the Plan
Other Administrative Expenses	TBD	Paid in full on the Effective Date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$4,875	Paid in full when due or on the Effective Date of the Plan
Total	\$216,410.98	

2. *Priority Tax Claims*

Priority Tax Claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding five (5)

years from the order of relief. Debtor believes there are no Priority Tax Claims. If any are claimed they shall be paid consistent with the Code.

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code.

Class	Impairment	Treatment
Class 1 – Secured Claimant Community Bank N.A., as holder of Proof of Claim No. 8	Impaired	Secured Claimant Community Bank N.A. as holder of Proof of Claim No. 8, or any successor in interest, shall receive its full Allowed principal amount as of the Effective Date, after application of adequate protection payments, (\$27,993.01 as of the date of this statement), plus interest thereon at the rate of 4% amortized in equal monthly payments over the period of 48 months commencing on the first Business Day of the next full calendar month after the Effective Date, plus 1/48 th of the total as of the Effective Date of pre-Petition Date and post-Petition Date interest, late charges, fees and costs as the same maybe Allowed, which are asserted in the sum of \$47,313.87 subject to adjustment for additional accrued interest through the Effective Date. The monthly payments to the Bank in total for Classes 1, 2, and 3 together, are estimated, subject to adjustment and correction, in the sum of \$5,354. The creditor shall retain the lien securing its claim until the class is paid. Within thirty (30) days of issuance of final payment by the Reorganized Company the creditor shall provide a release of any and all UCC or other filings evidencing such security, and barring Reorganized Company’s timely receipt of same creditor irrevocably for this sole purpose appoints Reorganized Company as its agent and attorney-in-fact with full authority to take any action or execute any instrument to effect such release. Classes 1, 2, or 3 of Community Bank, N.A., at the claimant’s option, shall also receive one-half of any net recovery from the Post-Confirmation Trustee’s suit

<p>Class 2 – Secured Claimant Community Bank, N.A. as holder of Proof of Claim No. 9</p>	<p>Impaired</p>	<p>against Alvin Parmassar until paid in full. Secured Claimant Community Bank NA, as holder of Proof of Claim No. 9, or any successor in interest, shall receive its full Allowed principal amount as of the Effective Date in the sum of \$102,704.94, plus interest thereon at the rate of 4% amortized in equal monthly payments over the period of 48 months commencing on the first Business Day of the next full calendar month after the Effective Date, plus 1/48th of the total as of the Effective Date of pre-Petition Date and post-Petition Date interest, late charges, fees and costs as the same maybe Allowed, which are asserted in the sum of \$18,834.10 subject to adjustment for additional accrued interest through the Effective Date. The monthly payments to the Bank in total for Classes 1, 2, and 3 together, are estimated, subject to adjustment and correction, in the sum of \$5354. The creditor shall retain the lien securing its claim until the class is paid. Within thirty (30) days of issuance of final payment by the Reorganized Company the creditor shall provide a release of any and all UCC or other filings evidencing such security, and barring Reorganized Debtor’s timely receipt of same creditor irrevocably for this sole purpose appoints Reorganized Company as its agent and attorney-in-fact with full authority to take any action or execute any instrument to effect such release. Classes 1, 2, or 3 of Community Bank, N.A., at the claimant’s option, shall also receive one-half of any net recovery from the Post-Confirmation Trustee’s suit against Alvin Parmassar until paid in full.</p>
<p>Class 3 – Secured Claimant Community Bank, N.A. as holder of Proof of Claim No. 10</p>	<p>Impaired</p>	<p>Secured Claimant Community Bank N.A., as holder of Proof of Claim No. 10, or any successor in interest, shall receive its full Allowed principal amount as of the Effective Date in the sum of \$29,375.41, plus interest thereon at the rate of 4% amortized in equal monthly payments over the period of 48 months commencing on the first Business Day of the next full calendar month after the Effective Date, plus 1/48th of the total as of the Effective Date of pre-Petition Date and post-Petition Date interest, late charges, fees and costs as the same maybe Allowed, which are asserted in the sum of</p>

		<p>\$10,083.84 subject to adjustment for additional accrued interest through the Effective Date. The monthly payments to the Bank in total for Classes 1, 2, and 3 together, are estimated, subject to adjustment and correction, in the sum of \$5354. The creditor shall retain the lien securing its claim until the class is paid. Within thirty (30) days of issuance of final payment by the Reorganized Company the creditor shall provide a release of any and all UCC or other filings evidencing such security, and barring Reorganized Company's timely receipt of same creditor irrevocably for this sole purpose appoints the Reorganized Company its agent and attorney-in-fact with full authority to take any action or execute any instrument to effect such release. Classes 1, 2, or 3 of Community Bank, N.A., at the claimant's option, shall also receive one-half of any net recovery from the Post-Confirmation Trustee's suit against Alvin Parmassar until paid in full.</p>
Class 4 – Secured Claimant IOU Central, Inc.	Impaired	<p>Secured claimant IOU Central, Inc., as holder of Proof of Claim No. 7, or any successor in interest, shall receive over time its full Allowed claim of \$80,902.73 as of the Effective Date amortized with interest thereon at the rate of 3% per year amortized in equal monthly installments over the period of 84 months commencing on the first Business Day of the next full calendar month after the Effective Date. The monthly payment to Class 4 is estimated, subject to adjustment and correction, in the sum of \$1266. The creditor shall retain the lien securing its claim until the class is paid. Within thirty (30) days of issuance of final payment by the Reorganized Company the creditor shall provide a release of any and all UCC or other filings evidencing such security, and barring Reorganized Debtor's timely receipt of same creditor irrevocably for this sole purpose appoints Reorganized Company as its agent and attorney-in-fact with full authority to take any action or execute any instrument to effect such release.</p>
Class 5 – Secured Claimant FB Funding LLC	Impaired	<p>Secured claimant FB Funding LLC a/k/a Fast Business Funding as holder of Proof of Claim No. 12, or any successor in interest, shall receive over</p>

		<p>time its full Allowed claim of \$31,391 as of the Effective Date amortized with interest thereon at the rate of 3% per year in equal monthly installments over the period of 84 months commencing on the first Business Day of the next full calendar month after the Effective Date. The monthly payment to Class 5 is estimated, subject to adjustment and correction, in the sum of \$491. The creditor shall retain the lien securing its claim until the class is paid. Within thirty (30) days of issuance of final payment by the Reorganized Company the creditor shall provide a release of any and all UCC or other filings evidencing such security, and barring Reorganized Company's timely receipt of same creditor irrevocably for this sole purpose appoints Reorganized Company as its agent and attorney-in-fact with full authority to take any action or execute any instrument to effect such release.</p>
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Classes of Priority Unsecured Claims

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the Effective Date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment. Debtor believes no such claims exist in this case.

Classes of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. As allowed by § 1122(b), the Plan provides for a separate class of smaller claims for administrative convenience called the "Convenience Class." The Convenience Class shall hold claims that are equal to or less than \$3,550. Claims that the Plan Proponents include in Classes 6 and 7, subject to objection, are listed in Exhibit B. Class 6 contains 13 claims totaling \$15,324.10, and Class 7 contains 9 claims totaling \$325,884.40.

The following chart identifies the Plan's proposed treatment of Classes 6 and 7, which contain general unsecured claims against the Debtor:

Class 6— Convenience Class	Impaired	Holders of General Unsecured Claims of an Allowed amount equal to or less than \$3,550, shall receive a total of 10% of their Allowed claim on the Effective Date.
Class 7—General Unsecured Claims	Impaired	Holders of General Unsecured Claims of an Allowed amount in excess of \$3,550 shall receive a total of 10% of the Allowed claim, without interest, in eight

		(8) equal quarterly installments commencing on the Effective Date and continuing on the first Business Day of the next calendar quarter starting at least forty-five (45) days after the Effective Date, plus Pro Rata share of recovery, if any, by the Post-Confirmation Trustee net of her one-third contingency fees and costs, from proceeds of any avoidance actions under Chapter 5 of the Bankruptcy Code against any parties receiving payments from Debtor before or after the Petition Date, and one-half of any net recovery from the Post-Confirmation Trustee’s suit against Alvin Parmassar until paid in full.
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Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company (“LLC”), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The sole equity holder in this case is Anthony Parillo. Mr. Parillo’s equity interest is treated in the Plan as follows:

Class 8—Equity Interests	Impaired	Holders of Allowed equity interests in the Debtor shall receive stock in the Reorganized Company of an equal percent to said Allowed equity interests, but such stock shall be held in escrow by the Post-Confirmation Trustee until all payments to classes 6 and 7 and to Allowed Administrative Expenses of professionals pursuant to the Plan are issued by the Reorganized Company. Voting powers of holders of the equity in the Reorganized Company shall be limited and restricted as set forth in Article VII, Means of Execution of the Plan, below. Code Section 1129(b)(2)(B)(ii), commonly referred to as the absolute priority rule, may apply in some cases where a junior class receives or retains property under the Plan when the unsecured class is not paid in full. This section may or may not be applicable in this or any particular case depending on voting, new value contributions, and other legal rights.
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D. Means of Implementing the Plan

Payment obligations herein shall be assumed by the Debtor or Reorganized Company commencing on the Effective Date. Anthony Parillo, sole shareholder and president of the Debtor throughout these proceedings, shall be Plan Administrator (“Parillo” or the Plan Administrator”). The Plan Administrator shall be responsible for issuance of all payments to holders of Allowed claims in each Class of creditors set forth herein except as set forth below respecting Effective Date payments.

Disbursements pursuant to the Plan shall be funded from cash on hand, future receipts of the Company, and any other sources that may become available to the Company including recovery net of fees and costs of collection of the loan due from Parmassar or other claims the Company may hold.

Prior to the first date set for hearing on confirmation of the Plan Debtor shall have delivered cleared funds in the total amount to be disbursed on the Effective Date to its chapter 11 counsel who shall hold same in its trust account and shall disburse therefrom all payments required to be disbursed on the Effective Date. The sum due to be disbursed on the Effective date is estimated at about \$38,000. Attached as Exhibit C is the list of payments the Proponents expect to disburse on the Effective Date.

Feasibility of the Plan is based on availability of cash required at the Effective Date, and regularity of monthly income and expenses allowing the required periodic payments of classes and Administrative Expenses throughout the Plan Performance Period. While forward-looking projections are always speculative to a degree, Debtor believes the projected budget appended to the Disclosure Statement is fully achievable, and the Plan is a reasonable proposal based on expected results that are more likely than not to be realized. Debtor submits that the confirmation of the Plan is not likely to be followed by the necessity of further reorganization.

The Post-Confirmation Manager of the Debtor and the Reorganized Company, and his compensation, shall be as follows:

Name	Affiliation	Insider	Position	Compensation
Anthony Parillo	Shareholder	Yes	Plan Administrator, President, Director and Shareholder	\$150,000 plus normal reimbursements. The company also pays his car lease but he reimburses the company for one-half of the lease payments by way of a payroll deduction. The company also pays Mr. Parillo’s automobile insurance.

No increase of compensation shall be effected until the payments to Administrative Expenses of professionals and disbursements to classes 6 and 7 are completed.

Parillo will be fully responsible for management including all business operations, all disbursements, and other actions except those specifically granted herein to the Post-Confirmation Trustee and Debtor’s Chapter 11 counsel. He shall receive no additional compensation for his duties hereunder as Plan Administrator.

Other than payments due insiders, if any, the Reorganized Company shall have the absolute right of pre-payment of its financial obligations pursuant to this Plan, in whole or in part as to a claimant or a class, without penalty or alteration of rights and obligations as to other claimants or classes.

Attorney Roberta Napolitano shall be discharged as the Chapter 11 Trustee, unless otherwise ordered by the Court, upon the Effective Date as to all duties; however, simultaneously therewith she shall assume the role and specific limited duties of Post-Confirmation Trustee, as designated in the following paragraphs (the "Post-Confirmation Trustee").

Roberta Napolitano, as the Post-Confirmation Trustee, shall hold all equity interests in the Reorganized Company throughout the period of time that any payments are outstanding to Classes 6 and 7 and Administrative Expenses upon the Reorganized Company's obligations pursuant to Article III. (the "Plan Performance Period"). Parillo shall be issued 100% of the equity interests in the Reorganized Company upon the Effective Date, but same shall be held in escrow by the Post-Confirmation Trustee. Parillo shall be sole director, president and manager of the Reorganized Company; however throughout the Plan Performance Period the Post-Confirmation Trustee's vote shall be required for the following: (i) any advance of credit in excess of \$50,000 in total within any calendar quarter, (ii) any grant of security interest in assets of the Reorganized Company, and (iii) change of salary or benefits of Parillo. The Post-Confirmation Trustee shall have no management or reporting responsibility and no responsibility for issuance of payments or other aspects of Plan performance and shall have no signature authority or duties respecting oversight of funds, contracts, or day to day business, other than matters set forth in this article.

The Post-Confirmation Trustee shall assume three specific roles of the Chapter 11 Trustee.

- a) She shall assume the Chapter 11 Trustee role of mortgagee upon that certain mortgage of Lonnie Parillo, 182 Ives Street, Hamden, Connecticut, in the sum of \$90,000 dated October 14, 2016 (the "Parillo Mortgage") and the role of beneficiary of a certain guarantee of equal amount and even date by Anthony Parillo (the "Parillo Guarantee"). The Post-Confirmation Trustee shall be charged with enforcing, if necessary, the Parillo Guarantee and Parillo Mortgage, and to release same when the Payment Conditions (defined below) are met. The Parillos executed the Parillo Mortgage and the Parillo Guarantee on October 14, 2016, and the Parillo Mortgage was recorded on the Hamden Land Records on October 20, 2016 in Volume 4358 at Page 179.
- b) She is empowered to commence, settle, or withdraw, in her sole discretion, recovery under Chapter 5 of the Bankruptcy Code against recipients of pre or post-petition payments or transfers from Debtor (the "Avoidance Claims") for the benefit of Class 7 creditors as set forth herein.
- c) She shall be empowered to prosecute, with full authority and discretion to settle or withdraw, any action against Alvin Parmassar or his companies or successors or assigns or transferees. The Chapter 11 Trustee has initiated suit in the Connecticut Superior Court against Mr. Parmassar in the amount of \$280,000.00 and will file a notice on the

docket in the event of any recovery. A Lexis-Nexis report shows Mr. Parmassar has no assets. As of the date of this Statement attempted service of process on Mr. Parmassar has been returned as undeliverable. Half of any recovery received, net of fees and costs, shall be distributed to the Bank and half shall be distributed pro rata to holders of unsecured claims in Class 7.

Her fees for the second and third roles just stated shall be one-third (1/3) contingency plus costs payable only from the proceeds of recovery of each action or settlement separately.

The Plan Administrator is authorized to and directed to notify the Post-Confirmation Trustee that the Plan Administrator believes the Reorganized Debtor is about to make the final payment meeting the Payment Conditions for release of the Parillo Guarantee and Parillo Mortgage. The Payment Conditions are defined as issuance of the last of all payments to be made pursuant to the Plan to all holders of claims of Class 6 and Class 7, other than possible recoveries from chapter 5 avoidance actions or settlements and recovery from Parmassar. When final payments from Debtor are ready to be made to Class 7 creditors, the Plan Administrator will so inform the Post-Confirmation Trustee who will prepare a notice that will be sent only to all class 6 and class 7 creditors which shall inform them that final payments are enclosed for class 7 creditors and that if any class 6 or class 7 creditor believes that they have received in total less than the percentage of their allowed claims as provided under the Plan, they must send such objection to the Post-Confirmation Trustee who will immediately work with the Plan Administrator to resolve the issue. If the Post-Confirmation Trustee determines that she cannot ascertain whether the correct percentage of the objecting creditor's claim has been paid she may file the notice and the objection in the Court and request a hearing. If no objection is received within 14 days of the sending of the notice by the Post-Confirmation Trustee or any such objection is resolved to the satisfaction of the Post-Confirmation Trustee, then the Post-Confirmation Trustee shall forthwith execute the releases of the Parillo Mortgage and the Parillo Guarantee and deliver same to the Plan Administrator.

Respecting the stock in the Reorganized Company, the Post-Confirmation Trustee shall have the obligation either (a) to deliver to Parillo the escrowed stock upon his demonstrating to the satisfaction of the Post-Confirmation Trustee that all required disbursements to Classes 6 and 7 and Allowed Expenses of professionals under the Plan have been issued and the above described 21-day notice has passed without objection, or any objection is resolved, or (b) to deliver the stock pursuant to any final order of the United States Bankruptcy Court for the District of Connecticut that so directs prior to the issuances of all required disbursements to Classes 6 and 7 and Administrative Expenses of professionals under the Plan.

Until such time as the stock is released from escrow, the Post-Confirmation Trustee shall receive compensation of \$400 on the first Business Day of each month commencing with the month following the Effective Date, and shall invoice the Reorganized Debtor monthly at her normal hourly rate for services rendered during the prior month. The Reorganized Debtor shall pay, within 30 days, less the \$400 minimum monthly fee, until discharged. Such compensation is in addition to her compensation as attorney prosecuting or settling the claim against Parmassar or any Avoidance Claims.

The Post-Confirmation Trustee shall be automatically discharged without further notice or action upon the last to occur of (a) the Plan Administrator proving to the satisfaction of the Post-Confirmation Trustee that the Reorganized Company has completed issuance of all payments to Classes 6 and 7, (b) the Post-Confirmation Trustee's delivery of the escrowed stock in accordance with and pursuant to an order of the Bankruptcy Court, and (c) the Post-Confirmation Trustee's release of the Parillo Mortgage and the Parillo Guarantee. Regardless of her discharge as Chapter 11 Trustee, Attorney Napolitano may continue to seek to collect upon the claims against Parmassar upon the contingency fee arrangement described above.

Neither the Chapter 11 Trustee, nor any of her employees, advisers, attorneys, accountants, financial consultants, agents and contractors and their successors and assigns shall have or incur any liability to any holder of a claim or interest, or to any other entity for any act or omission in connection with, related to, or arising out of, the administration of the estate, or the Plan or the pursuit of confirmation of the Plan, except for malpractice, gross negligence or willful misconduct, and in all respects the Chapter 11 Trustee and each of her employees, advisers, attorneys, accountants, financial consultants, agents and contractors shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Code and in connection with the negotiation of and confirmation of the Plan.

The Bankruptcy Court shall maintain jurisdiction of any such claims against the Chapter 11 Trustee or her employees, advisers, attorneys, accountants, financial consultants, agents and contractors and shall maintain jurisdiction to enforce these provisions respecting the Chapter 11 Trustee. No such claims or actions shall be commenced in any court other than the Bankruptcy Court without prior Bankruptcy Court approval.

As further set forth in Article XII of the Plan, the Court maintains jurisdiction of any actions by the Post-Confirmation Trustee or the enforcement of disputes respecting the Post-Confirmation Trustee's rights or duties. No such claims or actions shall be commenced in any court other than the Bankruptcy Court without prior Bankruptcy Court approval.

Notwithstanding the foregoing the Attorney Napolitano may enforce any continuing payment obligations to herself as Chapter 11 Trustee pursuant to agreements with the Debtor and Reorganized Debtor.

E. Feasibility

Feasibility of the Plan is based on availability of cash required at the Effective Date, and regularity of monthly income and expenses allowing the required periodic payments of classes throughout the Plan Performance Period. As of the hearing on confirmation Debtor's counsel shall hold the sum of \$34,000 specified above as payable upon the Effective Date. Attached as Exhibit D are Debtor's projections demonstrating feasibility as to payments required under the Plan. While forward-looking projections are always speculative to a degree, Debtor believes the projected budget appended to this Statement is fully achievable, and that the Plan is a reasonable proposal based on expected results that are more likely than not to be realized. Debtor's success in performance of the Plan may be dependent on the participation of its president, Anthony Parillo. The Company maintains a key man life

insurance policy on Mr. Parillo in the sum of \$500,000. Debtor submits that the confirmation of the Plan is not likely to be followed by the necessity of further reorganization.

F. Liquidation Analysis

A liquidation analysis drafted by Plan Proponents is appended hereto as Exhibit E. Exhibit E demonstrates that it is likely upon liquidation under Chapter 7 of the Code that the proceeds will not even pay secured claims in full. Unsecured claims are likely to receive no distribution at all.

G. Executory Contracts and Expired Leases

The Plan, in Schedule 6.01, lists all executory contracts and unexpired leases that the Debtor shall assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. Schedule 6.01 typically also would describe any defaults and list how the Debtor will cure and compensate the other party to such contract or lease for any such defaults, but in this case Debtor believes there are no defaults in listed contracts and leases.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Schedule 6.01 will be rejected under the Plan as of the Effective Date. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the plan.

The Deadline for Filing a Claim Arising from the Rejection of a Lease or Contract is fourteen (14) days after the date of an order confirming the Plan. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

H. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And Advisers.

The implementation of Plan may have significant and complex federal, state, local and foreign tax consequences to Debtor and its Creditors. No ruling from the United States Internal Revenue Service or any state, local or foreign taxing authority has been or will be sought or obtained with respect to any federal, state, local or foreign tax consequences of either Plan. The tax consequences to any particular Creditor may be affected by matters not addressed in this Disclosure Statement or in the Plans.

For example, certain types of investors (including non-resident aliens, life insurance companies and tax-exempt organizations) may be subject to special rules not discussed below. In addition, the Internal Revenue Code, the Treasury Department's regulations promulgated thereunder, and interpretations of the Internal Revenue Code and Regulations by the IRS in its rulings and other announced positions and by the courts are continually subject to change. Thus, the potential tax consequences described below are general in nature, are not intended to be complete or detailed, and are subject to significant exceptions and uncertainties. The discussion below covers only certain of the federal income tax consequences associated with the implementation of the Plan. This discussion does not attempt to comment on all aspects of the federal income tax consequences associated with the Plan, nor does it attempt to consider various facts or limitations applicable to any particular Creditor which may modify or alter the consequences described herein. This discussion does not address state, local or foreign tax consequences.

IN THIS SECTION, AND IN THIS DISCLOSURE STATEMENT GENERALLY, THE DEBTOR, THE CHAPTER 11 TRUSTEE, AND THEIR PROFESSIONALS DO NOT INTEND TO GIVE AND ARE NOT GIVING TAX OR OTHER LEGAL ADVICE TO ANY CREDITORS. THE DEBTOR ONLY PROVIDES THIS GENERAL INFORMATION TO ASSIST THE PARTIES INVOLVED IN EVALUATING HOW THE PLAN AFFECTS THEM FOR TAX PURPOSES. CREDITORS ARE ADVISED TO CONSULT WITH THEIR TAX ADVISERS REGARDING THE INDIVIDUAL TAX CONSEQUENCES OF THE TRANSACTIONS, INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES. NO RULING HAS BEEN REQUESTED FROM THE IRS AS TO TAX CONSEQUENCES OF THE PLAN. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE IRS WOULD AGREE WITH THE FOLLOWING DISCUSSION.

In general, a Creditor receiving a distribution under the Plan in satisfaction of a Claim will realize income, gain or loss measured by the difference between (i) the cash and the fair market value of property received under the Plan and (ii) the Creditor's adjusted tax basis in the Claim. In general, the income, gain or loss realized by the Creditor will be ordinary income or loss if the distribution is in satisfaction of accounts or notes receivable acquired in the ordinary course of the Creditor's trade or business for the performance of services or for the sale of goods or merchandise. Generally, the gain or loss will be capital gain or loss if the Claim is a capital asset in the Creditor's hands.

The federal income tax consequences to a Creditor receiving, or entitled to receive, a distribution in partial or total satisfaction of a Claim will depend on a number of factors, including the nature of the Claim, the Creditor's method of accounting, and its own particular tax situation. Among other things, the federal income tax consequences of a distribution under the Plan will depend initially on the nature of the original transaction pursuant to which the Claim arose. For example, distribution on account of the principal amount due on a loan is not included in the Creditor's gross income, whereas distribution on account of interest on the loan or on account of rent would be included.

The federal income tax consequences of a distribution to a Creditor will also depend on whether an amount representing the distribution has previously been included in the Creditor's gross income or whether the Creditor has previously claimed a loss or bad debt deduction for that amount. For example,

if a distribution is made in satisfaction of an account or note receivable acquired in the ordinary course of the Creditor's trade or business for the performance of services or the sale of goods or merchandise, and the Creditor has previously included the amount of the distribution in its gross income under its method of accounting, and has not previously written off the account or note receivable, the receipt of the distribution would not result in additional income to the Creditor. On the other hand, if such Creditor had written off the account or note receivable in a prior year, the Creditor would have to treat the amount of the distribution as income.

The balance of any recourse debt constitutes cancellation of debt income which under IRC Section 108 may be avoided because the cancellation occurs in the context of the Chapter 11 proceeding. Any income recognized by the Debtor in the current year, including any income from operations, can be offset by allowable business expenses incurred during that year. To the extent the Debtor has net income for the year, net operating loss carryovers available from prior taxable years can be used to reduce or eliminate taxable income for the Debtor's current year.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Generally, any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that all classes are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

1. What is an Allowed Claim or an Allowed Equity Interest?

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has

scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was February 22, 2016.

2. *What is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is impaired under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is Not Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

Even if you are not entitled to vote on the Plan, you may have a right to object to the confirmation of the Plan.

4. *Who Can Vote in More than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed in Section B.2.

1. *Votes Necessary for a Class to accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan. Specific requirements apply respecting secured and unsecured claims. Where a class of unsecured claims rejects the plan, §1129(b)(2)(B)(ii) applies to limit cramdown rights of a more junior class. This provision creates the “absolute priority rule” which concerns the ability of a junior class to receive or retain property under the Plan when the unsecured class is not paid in full. This provision may or may not be applicable in this or any case depending on voting, new value contributions, and other legal issues.

You should consult your own attorney if a “cramdown” confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan. Generally, the Plan Proponent must show that the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. In addition, the Plan Proponent may need to show that the Debtor will have enough cash over the life of the Plan to make the required Plan payments.

V. EFFECT OF CONFIRMATION OF PLAN

A. RESOLUTION OF INDEBTEDNESS, AUTOMATIC STAY

As of the date of distribution to each of Classes 1 through 7 and to Administrative Expenses in accordance with the Plan, the Reorganized Debtor will be fully absolved of any non-insider Allowed claims that arose before the confirmation of the Plan to the extent specified in § 1141(d)(1)(A) of the Code. Except as otherwise may be provided in the Confirmation Order, all consideration to be received by Classes 1 through 7 and Administrative Expenses, when fully paid pursuant to the Plan, shall be in full satisfaction, settlement, extinguishment and release of the claims of the respective class or Administrative Expense against the Debtor and the property of the Debtor. To the full extent of the provisions of Section 1141 of the Bankruptcy Code non-insider claims, demands and liabilities that arose before the Effective Date, if any, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, other than Class 1 through 7 and Administrative Claims, are released and extinguished as of the Effective Date.

The automatic stay of Section 362(a) that protects the Debtor from creditor action and collection activity commencing on the Petition Date terminates in accordance with the provisions of Section 362(c). Among other things that Section provides that the stay terminates upon closing of the estate. In a chapter 11 proceeding the closing of the estate occurs upon the entry of the Final Decree pursuant to Rule 3022, F.R.Bankr.P.

B. Modification of Plan

The Plan Proponents may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement or new voting on the Plan. The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provide in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponents shall file an application with the Court to obtain a final decree to close the case.

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Dated as of the 31st day of August 2017.

Respectfully submitted,

By: /s/ Roberta Napolitano
Roberta Napolitano, Chapter 11 Trustee

Manufacturers Associates, Inc.

By: /s/ Anthony Parillo
Anthony Parillo, President
Duly Authorized

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EXHIBITS

- A. Monthly operating report for June 2017
- B. General Unsecured Claims in Classes 6 and 7
- C. Effective Date Funding
- D. Projections of Cash Flow
- E. Liquidation Analysis