

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF CONNECTICUT  
NEW HAVEN DIVISION**

<b>In re:</b>  <b>FAIR HAVEN CLAM &amp; LOBSTER CO., LLC and CAAMM PROPERTIES LLC</b>  <b>Debtors</b>	<b>Chapter 11</b>  <b>Case No. 16- 30623 AMN</b>  <b>Jointly Administered</b>
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**DEBTORS' FIRST AMENDED JOINT DISCLOSURE STATEMENT SUBMITTED  
PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE**

## I. INTRODUCTION

A. **Preliminary Statement.** On April 22, 2016, CAAMM Properties LLC ("CAAMM"), filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Connecticut, New Haven Division (the "Bankruptcy Court"). On April 22, 2016, Fair Haven Clam & Lobster Co., LLC ("FHC&L") filed a voluntary petition for relief under chapter 12 of the Bankruptcy Code in the Bankruptcy Court. FHC&L and CAAMM are individually each a "Debtor" and collectively referred to as the "Debtors". The FHC&L proceeding was converted to a chapter 11 proceeding on September 22, 2016. The Debtors have prepared this Disclosure Statement in connection with each Debtor's Plan of Liquidation, dated March 5, 2017, as the same may be amended (the "Plan(s)"). Although the Debtors are seeking confirmation of both Plans by the Bankruptcy Court, it is possible that neither or only one of the Plans may be confirmed by the Bankruptcy Court.

The Debtors believe that both Plans will result in the greatest possible distribution to Creditors in these bankruptcy cases. Each Plan is a liquidation plan for distribution of the cash proceeds of a sale of all assets of both Debtors to the "BEI Entities", as later described in this Disclosure Statement.

THE DEBTORS BELIEVE THAT EACH PLAN IS IN THE BEST INTERESTS OF EACH DEBTOR'S CREDITORS. THE CREDITORS OF EACH DEBTOR ARE URGED TO VOTE FOR EACH PLAN THAT AFFECTS THEIR CLAIMS. VOTING INSTRUCTIONS ARE CONTAINED AT PAGES 3 TO 6 OF THIS DISCLOSURE STATEMENT. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND RECEIVED BY 5:00 P.M., EASTERN STANDARD TIME ON \_\_\_\_\_, 2017, UNLESS THE TIME FOR VOTING IS EXTENDED.

In connection with the solicitation of acceptances of the Plans, this Disclosure Statement is provided in accordance with Bankruptcy Code section 1125 to: (a) all persons and entities who have filed proofs of Claim or Interest against the Debtors; (b) all persons whose Claims were scheduled by the Debtors as not disputed, contingent, or unliquidated; and (c) certain other parties in interest. This Disclosure Statement is intended to provide each Debtor's Creditors and Interest holders with information of a kind, and in sufficient detail, that would enable a hypothetical reasonable investor typical of holders of Claims or Interests to make an informed judgment about the Plans and whether to vote to accept or reject the Plans. This Disclosure Statement has been approved by an order of the Bankruptcy Court, as containing "adequate information" as that term is defined in Bankruptcy Code section 1125. However, the Bankruptcy Court has not passed upon the merits of the Plans or upon the accuracy of the information, assumptions and projections contained herein, and neither this Disclosure Statement nor the order approving it should be construed as approval or endorsement of the Plans by the Bankruptcy Court.

Creditors and Interest holders are encouraged to read and carefully consider the entire Disclosure Statement prior to voting on the Plans. In addition, each Plan is an integral part of this Disclosure Statement. Accordingly, all members of voting classes are urged to study the Plan (that they are entitled to vote on) carefully in conjunction with this Disclosure Statement in order to make an informed judgment about that Plan. Creditors and Interest holders should also consider consulting with their own legal counsel regarding this Disclosure Statement and the Plans.

No solicitation of votes on the Plans may be made except pursuant to this Disclosure Statement. In voting on the Plans, Creditors and Interest holders should not rely on any information relating to either Debtor or its businesses other than the information contained in this Disclosure Statement.

Unless otherwise defined herein, capitalized terms used in this Disclosure Statement shall have the meaning ascribed to such terms in the Plans. The summaries of the Plans contained in this Disclosure Statement are qualified by reference to each Plan itself. If any inconsistency exists between this Disclosure Statement and either Plan, the terms of that Plan are controlling.

IF EITHER PLAN IS CONFIRMED BY THE BANKRUPTCY COURT, THE CONSUMMATION AND EFFECTIVENESS OF THAT PLAN IS SUBJECT TO MATERIAL CONDITIONS PRECEDENT AS DESCRIBED HEREIN AND IN THAT PLAN. THERE CAN BE NO ASSURANCE THAT THOSE CONDITIONS WILL BE SATISFIED.

**B. Voting Procedures and Requirements and Confirmation of the Plan.** A ballot to be used for voting to accept or reject the Plan in which recipient holds an allowed claim is enclosed with all copies of the Disclosure Statement which have been mailed to Creditors and Interest holders entitled to vote. If you hold a claim in more than one class, or against both debtors, you will receive ballots for each such claim. The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for acceptance or rejection of each Plan must be received by counsel for the appropriate Debtor no later than 5:00 p.m., Eastern Daylight Time, on \_\_\_\_\_, 2017, at the following address:

Fair Haven Clam & Lobster Co., LLC

Carl T. Gulliver  
Coan, Lewendon, Gulliver & Miltenberger, LLC  
495 Orange Street  
New Haven, CT 06511  
Tel: (203) 624-4756  
Fax: (203) 865-3673  
Email: [cgulliver@coanlewendon.com](mailto:cgulliver@coanlewendon.com)

CAAMM Properties, LLC

Dean W. Baker  
Law Offices of Dean W. Baker  
195 Church Street, Floor 8  
New Haven, CT 06510  
Tel: (203) 777-5666  
Fax: (203) 773-1427  
Email: [dean@bohannon.com](mailto:dean@bohannon.com)

If you have any questions about the procedure for voting, or if you did not receive a ballot that you believe you should have received, please contact Carl T. Gulliver and/or Dean W. Baker.

Classes of Claims or Interests that are not "impaired" under a Plan are deemed to have accepted that Plan, and the Debtor (that is the subject of that Plan) need not solicit the votes of Creditors or Interest holders in such classes. Any Creditor or Interest holder whose Claim or Interest is impaired under a Plan is entitled to vote if either (i) its Claim or Interest is scheduled by the Debtor (and such Claim or Interest is not scheduled as disputed, contingent or unliquidated) or (ii) it has timely filed a proof of Claim or Interest, which proof of Claim or Interest is not the subject of a timely filed objection that has not been withdrawn on or before any date fixed for filing such objection by the Plan or order of the Bankruptcy Court and that has not been denied by a Final Order. Any holder of a Disputed Claim or of an Interest that is disputed is not entitled to vote unless, upon application of such holder, the Bankruptcy Court temporarily allows the Claim or Interest in an amount that it deems proper for the purposes of accepting or rejecting the Plan. A Creditor's vote or an Interest holder's vote may be disregarded if the Bankruptcy Court determines that such Creditor's or Interest holder's acceptance or rejection of the Plan was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is impaired under a plan of reorganization unless, with respect to each claim or interest of such class, the plan:

- (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or
- (2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or interest to receive accelerated payment of such claim or interest after the occurrence of a default—
  - (A) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) does not require to be cured;
  - (B) reinstates the maturity of such claim or interest as such maturity existed before such default;
  - (C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or applicable law;
  - (D) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensates the holder of such claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and
  - (E) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

**BALLOTS for the Plan for CAAMM**

A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN FOR CAAMM ARE BEING PROVIDED ONLY TO MEMBERS OF CLASSES WHO ARE ENTITLED TO VOTE ON THAT PLAN. Holders of claims in impaired classes may vote to accept or to reject the Plan for CAAMM by completing and mailing the enclosed Ballot to the address listed above for counsel to CAAMM (i.e. Dean W. Baker) so that it will be received by Dean W. Baker no later than 5:00 p.m., Eastern Daylight Time, on \_\_\_\_\_, 2017. As a holder of a Claim in such class, your vote on the Plan is important. For the Plan to be confirmed, one class of impaired Claims must vote to accept the Plan.

**BALLOTS for the Plan for FHC&L**

A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN FOR FHC&L ARE BEING PROVIDED ONLY TO MEMBERS OF CLASSES WHO ARE ENTITLED TO VOTE ON THAT PLAN. Holders of claims in impaired classes may vote to accept or to reject the Plan for FHC&L by completing and mailing the enclosed Ballot to the address listed above for counsel to FHC&L (i.e. Carl Gulliver) so that it will be received by Carl Gulliver no later than 5:00 p.m., Eastern Daylight Time, on \_\_\_\_\_, 2017. As a holder of a Claim in such class, your vote on the Plan is important. For the Plan to be confirmed, one class of impaired Claims must vote to accept the Plan.

**IF A COMPLETED BALLOT IS RETURNED TO THE INCORRECT COUNSEL AND IS RECEIVED BY EITHER DEAN W. BAKER OR CARL GULLIVER WITHIN THE TIME PRESCRIBED FOR RECEIPT OF BALLOTS IT WILL BE COUNTED.**

The Bankruptcy Code defines acceptance of a chapter 11 plan by a class of creditors as acceptance by holders of two-thirds in dollar amount and a majority in number of the Claims in that class, but for that purpose counts only those that actually cast ballots for acceptance or rejection of the plan. The Bankruptcy Code defines acceptance of a chapter 11 plan by a class of holders of interests as acceptance by two-thirds of the number of interests actually voted. Holders of Claims or Interests that fail to vote are not counted as either accepting or rejecting the Plan for CAAMM or the Plan for FHC&L.

Bankruptcy Code section 1128(a) requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plans. Section 1128(b) provides that any party in interest may object to confirmation of a plan. The confirmation hearing on the Plans has been scheduled for \_\_\_\_\_, 2017, at \_\_\_\_\_ a.m./p.m., at the United States Bankruptcy Court, 157 Church Street, 18<sup>th</sup> Floor, New Haven, Connecticut, 06510. The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement made at the confirmation hearing or any adjournment thereof. Any objection to confirmation of either Plan must be made in writing and filed with the Bankruptcy Court and served upon

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Law Offices of Dean W. Baker  
195 Church Street, Floor 8  
New Haven, CT 06510  
[dean@bohonnon.com](mailto:dean@bohonnon.com)

And

Carl T. Gulliver, Esq.  
Coan, Lewendon, Gulliver & Miltenberger, LLC  
495 Orange Street  
New Haven, CT 06511  
[cgulliver@coanlewendon.com](mailto:cgulliver@coanlewendon.com)

on or before \_\_\_\_\_, 2017. Objections to confirmation of each Plan are governed by Rule 9014. Unless an objection is timely served and filed, it will not be considered by the Bankruptcy Court.

At the confirmation hearing, the Bankruptcy Court will confirm either or both of the Plans only if all of the requirements of Bankruptcy Code section 1129 have been met with respect to the Plan under consideration. These requirements include:

1. That the Plan has classified Claims in a permissible manner. The Bankruptcy Code requires that a plan place each creditor's claim and each interest of equity security holders in a class with other claims and interests which are "substantially similar." The Debtors believes that each Plan meets the classification requirements of the Bankruptcy Code.
2. That the plan proponent has proposed the Plan in good faith. The Bankruptcy Code provides that for a plan to be confirmed it must be proposed in good faith and not by any means forbidden by law. The Debtors believe that each Plan has been proposed in good faith and is fair and equitable to all Creditors and Interest Holders.
3. Notwithstanding acceptance of the Plan by each class of Creditors entitled to vote on the Plan, in order to confirm the Plan the Bankruptcy Court must determine that the Plan is in the best interests of all classes of Creditors or Interest holders impaired under the Plan. The "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired class of Claims a recovery which has a value at least equal to the value of the distribution which each such Creditor would receive if its Debtor were liquidated under chapter 7 of the Bankruptcy Code. If either the CAAMM Debtor or the FHC&L Debtor were liquidated under chapter 7, any dividend to holders of Allowed Unsecured Claims would be reduced by (a) the costs and expenses of liquidation, and (b) Allowed Administrative Claims, Allowed Priority Claims and Allowed Tax Claims. The costs of liquidation would include the compensation to the chapter 7 trustee and his or her professionals. Each Debtor is proposing a complete distribution of its assets under its chapter 11 Plan. Both Debtors believe that in a chapter 7 liquidation the amount of proceeds available for distribution to holders of Allowed Unsecured Claims would be less than will be available under each of their Plans.

Bankruptcy Code section 1129(a)(8) requires that each impaired class of Claims accept the Plan by the requisite votes in order for the Plan to be confirmed. However, the Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes of Creditors and Interests, so long as at least one impaired class of Creditors has accepted the plan. These co-called "cramdown" provisions of the Bankruptcy Code are set forth in Bankruptcy Code section 1129(b). The Debtors will seek cramdown in each case of the Class of Allowed Equity Interests and to the extent necessary any other Class that votes to reject a Debtor's plan.

**THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. NO REPRESENTATIONS CONCERNING THE DEBTORS, INCLUDING THOSE RELATING TO THEIR BUSINESS OPERATIONS, OR THE VALUE OF THEIR ASSETS, THEIR PROPERTY, AND CREDITORS' CLAIMS INCONSISTENT WITH ANYTHING CONTAINED HEREIN HAVE BEEN AUTHORIZED. ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN THAT IS OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETE OR WITHOUT OMISSIONS. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION BY THE BANKRUPTCY COURT FOR OR AGAINST ANY FILED PLAN. NOTWITHSTANDING THE FOREGOING, THE DEBTORS HAVE USED THEIR BEST EFFORTS TO HAVE ALL THE INFORMATION CONTAINED HEREIN BE TRUTHFUL AND ACCURATE AND, TO THE BEST OF THE DEBTORS' KNOWLEDGE, SUCH INFORMATION IS TRUTHFUL AND ACCURATE.**

**THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLANS ON HOLDERS OF CLAIMS.**

**THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THIS DISCLOSURE STATEMENT SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THE DISCLOSURE STATEMENT AND SINCE THE DATE THAT THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.**

Accompanying this Disclosure Statement are copies of the following documents:

- A. The FHC&L Plan Exhibit A;
- B. The CAAMM Plan Exhibit B;
- C. Order Approving Disclosure Statement and Fixing Time for Filing Acceptances or Rejections of Plan, Combined with Notice Thereof;
- D. For holders of claims against FHC&L, a Ballot for voting to accept or reject the FHC&L Plan (the "Ballot"); and
- E. For holders of claims against CAAMM, a Ballot for voting to accept or reject the CAAMM Plan (the "Ballot");

**THE DEBTORS URGE ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN THAT THEY ARE ENTITLED TO VOTE ON BECAUSE IT PROVIDES THE GREATEST AND EARLIEST POSSIBLE**

RECOVERIES TO CREDITORS. YOUR "YES" VOTE ON THE ENCLOSED BALLOT IS RECOMMENDED FOR THE FOLLOWING REASONS:

- THE PLAN OPTIMIZES THE VALUES OF, AND MINIMIZES DELAY IN, RECOVERIES BY ALL CREDITORS, AND
- THE PLAN ALLOWS CREDITORS TO PARTICIPATE IN DISTRIBUTIONS IN EXCESS OF THOSE THAT WOULD BE AVAILABLE IF EACH DEBTOR WAS LIQUIDATED UNDER CHAPTER 7 OF THE CODE.

Capitalized terms used in this Disclosure Statement and not defined herein shall have the respective meanings assigned to them in each Plan.

**IRS CIRCULAR 230 NOTICE-** TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED , AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR EQUITY INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR THE MARKETING BY THE DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

## II. OVERVIEW OF EACH PLAN

### (A) The FHC&L Plan

THE DESCRIPTION OF THE FHC&L PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY. CREDITORS ARE URGED TO REVIEW THE FHC&L PLAN, WHICH IS INCLUDED AS **EXHIBIT A** TO THIS DISCLOSURE STATEMENT. THE FHC&L PLAN IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS SUMMARY OR ANY OTHER STATEMENTS HEREIN, AND THAT PLAN.

The Plan is a liquidation plan under which the proceeds allocable to FHC&L and generated from the sale of FHC&L's assets to the BEI Entities will be distributed to creditors in the order of priority under the Bankruptcy Code. The sale to the BEI Entities (and the proceeds allocable to FHC&L) is described in Part III of this Disclosure Statement. Under the Plan, the following will occur:

- (A) All current equity interests in the Debtor will be extinguished and Allowed Interests will receive no distributions under the Plan.
- (B) A more complete description of the Claims provided for under the Plan and their treatment is provided in Part IV of this Disclosure Statement. The following, however, is a brief description of the Classes provided for in the Plan and the treatment of Claims in such Classes:

Unclassified	Administrative Expenses	Not Impaired.
Unclassified	Allowed Priority Tax Claims	Not Impaired.
Class 1	Secured Claim of Key Bank (650K)	Impaired.
Class 2	Secured Claim of Key Bank (190K)	Impaired
Class 3	Secured Claim of CT DOL	Impaired
Class 4	General Unsecured Claims	Impaired.

Class 5	Equity Interests	Impaired; deemed to reject.
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<u>Class</u>	<u>Description of Treatment</u>
Allowed Administrative Claims	Paid in Cash in full on the Effective Date, the time such Claim is allowed by Final Order, the time for payment of such Claim under the terms and conditions of the transaction, or such other time as is agreed to between the Debtor and the holder of the Claim. Allowed Administrative Claims are not classified and holders of Allowed Administrative Claims are not entitled to vote on the Plan.
Allowed Priority Tax Claims	Paid in full in Cash in accordance with Bankruptcy Code section 1129(a)(9)(C) and (D). Allowed Priority Tax Claims are not classified and holders of Allowed Priority Tax Claims are not entitled to vote on the Plan.
1. – Allowed Secured Claim of Key Bank (650K)	Paid the sum of \$237,140.87 in cash in full settlement on the Effective Date. Claimant retains its lien on proceeds of its collateral until paid. This class is impaired and allowed to vote on the Plan.
2. – Allowed Secured Claim of Key Bank (190K)	Paid the sum of \$30,328.78 in cash in full settlement on the Effective Date. Claimant retains its lien on proceeds of its collateral until paid. This class is impaired and allowed to vote on the Plan.
3. – Allowed Secured Claim of CT Department of Labor (“CT DOL”)	Paid the sum of \$10,993 in cash on the Effective Date. Claimant retains its lien on proceeds of its collateral until paid. This class is impaired and allowed to vote on the Plan.
4 - Allowed Unsecured Claims	Paid the balance of all cash in the FHC&L estate after payment of Allowed Administrative Claims, Allowed Tax Claims, Allowed Priority Claims, the Allowed Secured Claims of Key Bank, and the Allowed Secured Claim of CT DOL. This class is impaired and is entitled to vote on the Plan.
5 - Allowed Interests	Equity interests will be extinguished. This class is impaired and deemed to have rejected the Plan.

THE DIVIDEND TO BE PAID TO CLASS 4 ALLOWED UNSECURED CLAIMS UNDER THE PLAN IS UNCERTAIN, AND DEPENDS UPON FACTORS INCLUDING THE ALLOWANCE AND DISALLOWANCE OF CLAIMS AGAINST THE DEBTOR'S ESTATE.

**(B) The CAAMM Plan**

THE DESCRIPTION OF THE CAAMM PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY. CREDITORS ARE URGED TO REVIEW THE CAAMM PLAN, WHICH IS INCLUDED AS **EXHIBIT B** TO THIS DISCLOSURE STATEMENT. THE CAAMM PLAN IS CONTROLLING IN THE



EVENT OF ANY INCONSISTENCY BETWEEN THIS SUMMARY OR ANY OTHER STATEMENTS HEREIN, AND THAT PLAN.

The Plan is a liquidation plan under which the proceeds allocable to CAAMM and generated from the sale of CAAMM's assets to the BEI Entities will be distributed to creditors in the order of priority under the Bankruptcy Code. The sale to the BEI Entities (and the proceeds allocable to CAAMM) is described in Part III of this Disclosure Statement. Under the Plan, the following will occur:

(A) All current equity interests in the Debtor will be extinguished and Allowed Interests will receive no distributions under the Plan.

(B) A more complete description of the Claims provided for under the Plan and their treatment is provided in Part IV of this Disclosure Statement. The following, however, is a brief description of the Classes provided for in the Plan and the treatment of Claims in such Classes:

Unclassified	Administrative Expenses	Not Impaired.
Unclassified	Allowed Tax Claims	Not Impaired.
Class 1	Secured Claim of Key Bank (650k)	Impaired.
Class 2	Secured Claim of Key Bank (190k)	Impaired
Class 3	Secured Claim of Lenore Martorelli	Impaired.
Class 4	General Unsecured Claims	Impaired.
Class 5	Equity Interests	Impaired; deemed to reject.

<u>Class</u>	<u>Description of Treatment</u>
Allowed Administrative Claims	Paid in Cash in full on the Effective Date, the time such Claim is allowed by Final Order, the time for payment of such Claim under the terms and conditions of the transaction, or such other time as is agreed to between the Debtor and the holder of the Claim. Allowed Administrative Claims are not classified and holders of Allowed Administrative Claims are not entitled to vote on the Plan.
Allowed Tax Claims	Paid in full in Cash in accordance with Bankruptcy Code section 1129(a)(9)(C) and (D). Allowed Tax Claims are not classified and holders of Allowed Tax Claims are not entitled to vote on the Plan.
1 – Allowed Secured Claim of Key Bank (650k)	Paid cash in the amount of \$259,484.72 This is the precise amount that Key Bank is entitled to on its first mortgage on 263 and 265 Front Street, New Haven, CT. See Schedule A to this Disclosure Statement. Claimant retains its lien on proceeds of its collateral until paid. This class is impaired and is entitled to vote on the Plan.

2 – Allowed Secured Claim of Key Bank (190k)	Paid cash in the amount of \$159,278.74 This is the precise amount that Key Bank is entitled to on its first mortgage on 520 and 524 Quinnipiac Ave., New Haven, CT. See Schedule A to this Disclosure Statement. Claimant retains its lien on proceeds of its collateral until paid. This class is impaired and is entitled to vote on the Plan.
3 – Allowed Secured Claim of Lenore Martorelli	Paid cash in the amount of \$83,149.19. This is the precise amount that Lenore Martorelli is entitled to on her second mortgage on 269 Front Street, New Haven, CT. See Schedule A to this Disclosure Statement. Claimant retains its lien on proceeds of its collateral until paid. This class is impaired and is entitled to vote on the Plan.
4 - Allowed Unsecured Claims	Paid the balance of all cash in the CAAMM estate after payment of Allowed Administrative Claims, Allowed Tax Claims, Allowed Priority Claims, the Allowed Secured Claims of Key Bank and the Allowed Secured Claim of Lenore Martorelli. If the FHC&L Plan is not simultaneously confirmed, disbursement may be in two stages, the second occurring after final liquidation of FHC&L and its disbursement to CAAMM of CAAMM's unsecured claim against FHC&L. This class is impaired and is entitled to vote on the Plan.
5 - Allowed Interests	Equity interests will be extinguished. This class is impaired and deemed to have rejected the Plan.

THE DIVIDEND TO BE PAID TO CLASS 4 ALLOWED UNSECURED CLAIMS UNDER THE PLAN IS UNCERTAIN, AND DEPENDS UPON FACTORS INCLUDING THE ALLOWANCE AND DISALLOWANCE OF CLAIMS AGAINST THE DEBTOR'S ESTATE AND THE DISBURSEMENT TO UNSECURED CLAIMS IN FHC&L.

### III. THE DEBTORS AND THE CHAPTER 11 CASES

The following provides a short summary of each Debtor's history and business and significant issues facing the Debtor and its Creditors.

#### THE COMPANY

##### A. General background

FHC&L was in the business of shellfishing and cultivating and harvesting shellfish. FHC&L owned boats and equipment utilized in its business and CAAMM owned real estate where offices, tanks, sorters and refrigeration equipment were housed. Docks provided moorage for the fishing vessels. CAAMM did not have any source of income apart from rent/use and occupancy payable to it by the operating company, FHC&L, which made use of its premises. Accordingly, all of CAAMM's income was passive and its ability to pay its debts was entirely dependent upon the rent/use and occupancy it received from FHC&L. Historically, that rent/use and occupancy was always calculated on a triple net basis and FHC&L always paid the actual and ongoing expenses of CAAMM as they were actually incurred. CAAMM and FHC&L are Connecticut limited liability companies and each company is owned 100% by the same sole member, Michael Fraenza ("Fraenza").

B. Pre-Bankruptcy History

Fraenza, who has been in the shellfishing business in Connecticut for nearly 45 years, formed the limited liability companies of FHC&L in September 1999 and CAAMM in October 2001. Thereafter, CAAMM purchased 263 and 265 Front Street, two small improved contiguous parcels of approximately .12 and .13 acres. These parcels are on the west side of Quinnipiac River, north, or upstream, from the antique turnbridge that spans the river at Grand Avenue.

Fraenza constructed on the site a dock, a 10,000 gallon lobster tank with filters, and a walk-in shellfish refrigeration unit. He installed clam sorting machines and other accouterments to process clams and lobsters and facilities to service docked fishing vessels. The properties also contain office space and some storage for the business.

To purchase these properties and for other commercial purposes, both Debtors participated as co-borrowers on an SBA loan from Cornerstone Business Credit Inc. in the amount of \$650,000. That loan (owned by its final successor, KeyBank) was secured by (i) mortgages on 263 and 265 Front Street (owned by CAAMM), (ii) a first priority security interest in personalty of FHC&L and (iii) four fishing vessels, three of which FHC&L still owned at the time it filed its bankruptcy case.

In November 2003 CAAMM purchased the adjoining parcel 269 Front Street. Richard Iannucci was granted a first mortgage on 269 Front Street as well as several other junior mortgages recorded on 269 Front Street and other CAAMM properties (263 and 265 Front Street, New Haven and 520 and 524 Quinnipiac Avvenue, New Haven) to secure various loans to CAAMM. In addition, Anthony and Isabelle Teodosio were granted a second mortgage on 269 Front Street, as well as other junior mortgages on other CAAMM properties (263 and 265 Front Street, New Haven), to secure various loans (now owned by their daughter, Lenore Martorelli) to CAAMM.

The Grand Avenue turnbridge at various times temporarily ceased functioning, sometimes for extended periods, blocking the Debtors' access to its docks and clam facilities. Such events were disruptive and could cause loss of a day's catch without access to a nearby facility to offload the clams and a truck to move them to the Front Street processing facility in time to preserve the live shellfish. To fix that problem, CAAMM purchased two small unimproved lots on the east side of the Quinnipiac River below the bridge; namely 520 and 524 Quinnipiac Avenue. Fraenza constructed a dock on the site satisfactory for offloading the fishing vessels' cargo as necessary. Although the business had no vehicles, Fraenza always owned a truck used for business purposes that made possible the ferrying of the shellfish to the processing and storage facilities on Front Street. To purchase 520 and 524 Quinnipiac Avenue and for other commercial purposes, both Debtors participated as co-borrowers on an additional and separate loan from Cornerstone Business Credit Inc. in the amount of \$190,000. That loan (owned by its final successor, KeyBank) was secured by (i) mortgages on 520 and 524 Quinnipiac Ave. (owned by CAAMM) and (ii) a security interest in personalty of FHC&L.

With these facilities Fraenza built the business to a substantial operation, conducting shellfishing on 12 different seabed parcels leased from the State of Connecticut Department of Agriculture (the "State" and "DOA").

Fraenza personally, and the business, suffered some severe setbacks in the years that ensued, including a period of serious illness that continued for about 18 months. The financial distress experienced by the companies was exacerbated by natural disasters, including two hurricanes. Some of the indebtedness in these proceedings accrued during these setbacks as Fraenza attempted to hold the business together. Although the State worked with Fraenza at first to allow a cure of missed seabed lease payments, over time he became unable to maintain the agreements. The State finally instituted an eviction proceeding as FHC&L had fallen behind by hundreds of thousands of dollars on ten seabed leases.

The company retained counsel and ultimately DOA and FCH&L entered a stipulated judgment in

October 2012 in the eviction action, terminating the company's interest as lessee in the ten leases (the "2012 Stipulated Judgment"). The parties agreed in the stipulation that FCH&L could proceed to harvest shellfish from the formerly leased seabed parcels for short time periods, with the last time periods ending in February 2013. The State maintained its claim for unpaid rent which it asserts as an unsecured claim against FHC&L in its bankruptcy case. Thereafter FHC&L continued to engage counsel and a lobbyist in an effort to receive compensation for claims it believed it still owned (or a right to harvest) on the terminated seabed leases. No legal action was ever commenced. For this reason FHC&L scheduled its asserted claim against the State and its claim to the claims on the terminated leased areas in its original Bankruptcy Schedules. The State vigorously denied any liability concerning the claims and FHC&L did make some amendments to the schedules deleting its claim to the claims, and later as described below releasing any claims against the State.

C. The chapter 11 cases

Both the FHC&L bankruptcy case and the CAAMM bankruptcy cases were filed in the United States Bankruptcy Court for the District of Connecticut, New Haven Division on April 22, 2016 (the "Petition Date") and subsequent to that date, each Debtor continued operating as a debtor in possession (the FHC&L case was originally filed as a Chapter 12 case and its case was converted to a case under Chapter 11 on September 22, 2016). The cases are pending before the Honorable Ann M. Nevins. The bankruptcy cases were required for two essential reasons. First, CAAMM's real estate was being foreclosed by five different legal actions by the City of New Haven. Richard Iannucci also had started another foreclosure action on multiple parcels. Second, was FHC&L's continuing inability to pay the annual rent due on the only seabed lease that it still maintained at the time of FHC&L's bankruptcy filing. It owed the DOA just over \$105,000. The state had not yet served a notice of termination and in order to protect its right to cure the payment and save the lease, FHC&L was compelled to file bankruptcy as well.

The Law office of Dean W. Baker of New Haven, Connecticut, represents CAAMM and Coan, Lewendon, Gulliver & Miltenberger, LLC represents FHC&L. Even though CAAMM and FCH&L have always together constituted a single business enterprise of shellfishing, the companies have largely distinct creditor bodies, and CAAMM holds a significant claim against FCH&L for pre-petition use and occupancy that FHC&L had been unable to pay.

At the Petition Date, FHC&L held one executory lease of seabed, "Oyster Grounds Lease 554" ("Lease 554") for shellfish cultivation and harvest. The lease was between the State of Connecticut DOA as lessor and FHC&L as lessee, and included about 2590 acres of seabed. As of the Petition Date, FHC&L owed the entire third year of the three-year lease (i.e. Lease 554) that required annual upfront payments. The lease provided that it was effective as of February 5 (so that each annual installment was due yearly as of that date), which meant that, as of the Petition Date, FHC&L was over 2 months delinquent. The past due payment was \$105,149.94, and as shown in the FHC&L Bankruptcy Schedules, FHC&L held on the Petition Date no money or deposits whatsoever.

While the Debtor was able to recommence shellfish harvesting and generate income, it was unable to pay anything to DOA on Lease 554 for the first months of the case. Ultimately, the parties negotiated a complex stipulation that required monthly payments of \$13,143.74 to DOA and a deadline of November 18, 2016 for assumption or rejection of Lease 554. DOA did not agree to the assumption of Lease 554 and further asserted that FHC&L did not have an absolute right of renewal of Lease 554 at expiration of the 3 year term. Moreover, DOA stated that it could not renew Lease 554 because of the size of the territory leased, which far exceeded its present leasing policy. The Debtor made three monthly payments of \$13,143.74, for August, September, and October of 2016. Finally in November 2016, after further negotiations with DOA, and FHC&L being unable to make any further monthly payments, let alone the required cure of the entire balance of the lease arrearages, the parties agreed (the "2016 Stipulation") that Lease 554 was rejected, the balance of the lease arrearage would be a general unsecured claim, rather than an administrative claim, FHC&L would be allowed to continue shellfish harvesting on the former leased grounds until March 1, 2017 without further payment, and FCH&L released all claims against the state, whether arising from the claims and leases that were the subject of the 2012 Stipulated

Judgment, or arising from Lease 554, or otherwise. The 2016 Stipulation was approved by the bankruptcy court after hearing on notice to all parties in interest without objection (the "2016 Stipulated Order").

Although out of funds again, FCH&L, through a capital contribution from Fraenza, was able to repair one of the vessels to allow that Debtor to recommence shellfishing as allowed by the 2016 Stipulated Order; however, word of the 2016 Stipulated Order quickly passed through the close-knit shellfishing community and was generally interpreted as the death knell FCH&L's operations. Accordingly, FCH&L's crew sought other employment and FCH&L was unable to harvest shellfish at any time thereafter.

Debtors responded promptly to an inquiry for purchase of the Debtors' assets from Norman Bloom ("Bloom") who conducts an oyster business based in South Norwalk. Both Fraenza and the Debtors' chapter 11 counsel became involved in negotiating a sale of all assets of the Debtors to Norman Bloom & Son, LLC ("NBS"). NBS hired the law firm of Halloran and Sage to represent its interests in the acquisition. Counsel to both Debtor companies and counsel to Halloran and Sage worked together to develop an Asset Purchase Agreement for the assets of FHC&L and a Contract of Sale for CAAMM's realty. The NBS offer required both agreements to close in order to effect a transfer of all assets. The offer was in the sum of \$1,220,000, with the amount of \$590,000 allocated for the assets of CAAMM (which equaled the total appraised value of the five parcels of CAAMM's real estate) and \$630,000 allocated for the assets of FHC&L. The deal also provided critical immediate access to FHC&L's half of the \$66,000 deposit, or \$33,000, as a loan to allow FHC&L to, among other things, protect the assets of the Debtors' from freezing during the winter months and until consummation of the sale. FHC&L was also allowed to lease back for a nominal sum one vessel to use for shellfishing through the March 1, 2017 deadline with the DOA.

The NBS offer was consistent with bankruptcy policy and practice of subjecting the deal to higher and better offers. The Court, at the Debtors' request set an auction sale for January 30, 2017, in the bankruptcy court. Debtors sent notice of the sale, by way of the auction procedures order and hearing notice, to all creditors and parties in interest of each estate and to parties who expressed any interest in a purchase of any assets owned by either CAAMM or FHC&L within the last two years and to other possibly interested parties identified by Fraenza. The auction was held on January 30, 2016 and a second qualified bidder, Briarpatch Enterprises, Inc. ("BEI"), participated in the auction and submitted a gross offer of \$1,722,000 to purchase all the assets of the Debtors. The Court determined that BEI's offer was the highest and best offer and approved the sale of the Debtors' assets to BEI or an affiliate entity owned by Nancy Follini, or Nancy Follini and her husband (the "BEI Entities") for the sum of \$1,722,000 pursuant to an Asset Purchase Agreement for the assets of FHC&L and a Contract of Sale for the real property of CAAMM. The sale to the BEI Entities is evidenced by an Order Authorizing Sale of Real Property and Personal Property Free and Clear the Interests, Claims and Liens, dated January 30, 2017 and docketed that same day (the Sale Order"). The BEI Entities offer in the amount of \$1,722,000, was allocated pro rata between the two Debtor estates, based on the original contract price offered by NBS for each Debtor's assets; resulting in a purchase price of \$833,448 for CAAMM's assets and a purchase price of \$888,552 for FHC&L's assets. Pursuant to the Sale Order and the original contracts the Debtors were obligated to return to NBS a \$27,000 stalking horse fee (which expenditure they shared pro rata from the sale proceeds) and the escrowed one-half, or \$33,000, of NBS's deposit. FHC&L was additionally obligated to return, from its pro rata share of the sale proceeds, the other one-half of the NBS deposit, \$33,000, that FHC&L had been authorized to borrow. The sale to the BEI Entities was consummated on February 15, 2017.

Prior to consummation of the sale to the BEI Entities on February 15, 2017, the Debtors motioned the Court for an order to pay the oversecured claims of City of New Haven (\$164,674.92), Richard Iannucci (\$85,842.29), Regional Water Authority (41,506.36) and Greater New Haven Water Pollution Control Authority (\$817.28) on the CAAMM properties (the "Distribution Motion"). By agreement of all mortgage creditors with liens on CAAMM's five parcels, the \$833,448 bid for CAAMM was allocated to the estate of CAAMM as follows:

	263 Front	265 Front	269 Front	520 Quin	524 Quin
Winning Bid	\$204,830	\$169,515	\$226,020	\$63,568	\$169,515

By agreement of all mortgage creditors with liens on the five CAAMM parcels, it was also agreed that CAAMM would receive a 10% carve out based on the gross sales price of the five parcels. Accordingly, the CAAMM estate is entitled to be paid \$83,345 upon closing of the sale to the BEI Entities. The Distribution Motion was granted by order on February 14, 2017 (the "Distribution Order") and payments were made to the oversecured creditors in accordance with the Distribution Order, except that the City of New Haven received \$140,229.86 instead of \$164,674.92 on account of its claim. There was an error in the computation of City of New Haven's claim which was discovered shortly after entry of the Distribution Order – the corrected calculation favored CAAMM. Attached hereto as Schedule A, is a table that shows to the penny the amounts paid to and available for secured creditors in the CAAMM estate, after payment of the routine, customary, and actual costs, adjustments, and expenses of closing (as well as the disbursement of its Pro Rata share of the NBS stalking horse fee) in accordance with the Asset Purchase Agreement for the assets of FHC&L and the Contract of Sale for the real property of CAAMM. In summary there is now due (i) \$83,344.80 to the estate of CAAMM for the agreed upon 10% carve out, (ii) \$418,763.46 to Key Bank (i.e. \$259,484.72 on account of its \$650,000 first mortgage on 263 and 265 Front Street and \$159,278.74 on account of its \$190,000 mortgage on 520 and 524 Quinnipiac Avenue, and (iii) \$83,149.19 to Lenore Martorelli on account of her second mortgage in the original amount of \$75,000 on 269 Front Street. In short the sale proceeds attributable to CAAMM and payable to the secured creditors are completely exhausted by payments to Key Bank on its first mortgages, Richard Iannucci on his first mortgage and Lenore Martorelli on her second mortgage and there are no proceeds available for the junior mortgages of Richard Iannucci and Lenore Martorelli.

During the pendency of these cases, FHC&L, consistent with its obligation to pay all actual expenses of CAAMM, made certain use and occupancy payments comprised of CAAMM's obligation to pay taxes and its secured creditors. The obligation to pay was memorialized in the stipulated order of late July 2016 between CAAMM and counsel for Richard Iannucci upon Iannucci's motion seeking relief from the automatic stay to proceed in state court with Iannucci's foreclosure pending against all of CAAMM's real property. CAAMM made its July 2016 tax payment in full. Payment to its secured creditors ended after October 2016 (except for a scheduled payment to Iannucci in November that was made from a contribution from Fraenza). Accordingly, CAAMM has an administrative expense claim against FHC&L for use and occupancy from May through July 2016 and October 2106 through the sale of CAAMM's properties to the BEI Entities in the approximate amount of \$17,733.46 equaling the sum of unpaid adequate protection monthly installments since the Petition Date calculated pursuant to Section 362(d)(3) of the Bankruptcy Code. CAAMM also has a significant prepetition claim for use and occupancy, calculated to be \$ 413,219.53 as reflected in CAAMM's proof of claim against the FHC&L estate.

FHC&L is allocated gross proceeds of the BEI sale in the sum of \$888,552. As described above and described at the January 30, 2017, auction sale and hearing on the sale approval, this allocation is based on the ratio of the allocation between the estates in the original offer of NBS. FHC&L had two claims of KeyBank that are secured, and one claim of the Connecticut Department of Labor ("DOL") that is secured.

KeyBank's secured claims owed by FHC&L are the same debts owed in the CAAMM case as both Debtors were obligors on the respective notes. Schedule B to this Disclosure Statement shows the balances due on the two notes. The larger note is secured by a preferred ships mortgage attaching to two of the Debtor's fishing vessels that are federally documented and by a security agreement and Uniform Commercial Code financing statement recorded at the Connecticut Secretary of State's offices and attaching to all other personal property including the Debtor's third fishing vessel which is not federally documented. The smaller note is secured by a security agreement and Uniform Commercial Code financing statement recorded at the Connecticut Secretary of State's offices attaching to all personal property other than the federally documented vessels, but including the Debtor's third fishing vessel which

is not federally documented. The proposed disbursements, comprising the balance of these KeyBank secured claims, are in the sums of \$237,141 and \$30,329.

FHC&L also owed a secured claim to DOL in the sum of \$10,993 which is properly recorded and secured by all assets of the Debtor. It receives payment in full under the proposed Plan as shown on Schedule B.

Also reflected on Schedule B is the disbursement of FHC&L's Pro Rata share of the NBS stalking horse fee. As indicated on schedule B the net to the FHC&L estate after these disbursements will be \$563,157.06 from the sale proceeds, plus sums, if any at all, that might remain in the operating and tax Debtor in Possession bank accounts.

*D. Directors, Executive Officers*

Each Debtor is a single member limited liability company that is managed by its sole member, Michael Fraenza. There are no officers or managers for either company.

*E. Business Plan*

Each Debtor has proposed a liquidating plan.

**IV. SUMMARY OF TREATMENT OF CLAIMS AND INTERESTS UNDER EACH PLAN**

THE FOLLOWING IS A SUMMARY OF THE TREATMENT OF CLAIMS AND INTERESTS UNDER EACH PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE INFORMATION SET FORTH IN THE PLANS, WHICH ARE INCLUDED AS EXHIBIT A AND EXHIBIT B TO THIS DISCLOSURE STATEMENT.

The Debtors believe that each Plan affords fair and equitable treatment to all Creditors and will permit Creditors to maximize their recoveries in this bankruptcy case.

**A. Non-Classified Claims (with respect to each Plan).**

1. **Allowed Administrative Claims.** Allowed Administrative Claims include, *inter alia*, the actual, necessary costs and expenses, incurred after the Petition Date, of preserving the Debtor's property and operating the Debtor's business, including post-petition trade claims, post-petition lease claims, and professional fees for the accountant and the legal advisors of each Debtor. Allowed Administrative Claims are not classified under the Plans and, therefore, the holders of unpaid Allowed Administrative Claims have no right to accept or reject the Plan. As of the date of the Disclosure Statement the deadline for the filing of administrative claims has not passed, and even thereafter it is possible objections could be filed within the time that has been set by the Court. Thus estimates respecting such claims can only be the Debtors' best guesses based on current information. The Debtors estimate that as of the Confirmation Date the total amount of Allowed Administrative Claims for professional fees will not exceed approximately (i) \$139,000.00 in the FHC&L case and (ii) \$65,000.00 in the CAAMM case. This total includes estimated fees and expenses due to Dean W. Baker, Esq. counsel to CAAMM, and Coan, Lewendon, Gulliver & Miltenberger, LLC counsel to FHC&L and Borruso & Company, PC, accountant to the Debtors. The Debtors estimate that as of the Confirmation Date the total amount of other Allowed Administrative Claims plus Chapter 11 quarterly fees payable to the United States Trustee Program in the FHC&L case is approximately \$50,000 including a claim by CAAMM of about \$17,700, and in CAAMM there are Chapter 11 quarterly fees payable to the United States Trustee Program of about \$5850. Such estimates are provided for purposes of projection and planning only; the actual Allowed amounts shall be determined by court order upon application pursuant to applicable bankruptcy law and rules. The Allowed amounts may be lower or higher than the estimated amounts.

All payments to Professional Persons for compensation and reimbursement of expenses will be made in accordance with the procedures established by the Bankruptcy Code and the Bankruptcy Rules relating to the payment of interim and final compensation and reimbursement of expenses. The Bankruptcy Court will review and determine all requests for compensation and reimbursement of expenses.

Treatment of Allowed Administrative Claims under each Plan is in accordance with the requirements of the Bankruptcy Code. From the proceeds of the sale to the BEI Entities (attributable to and held by each Debtor) plus other remaining cash, if any, each Debtor shall pay its respective holders of Allowed Administrative Claims in full in Cash as follows:

a. Allowed Administrative Claims incurred in the ordinary course of business by each Debtor other than Allowed Administrative Claims of Professional Persons shall, except to the extent that any holder of such Claim expressly otherwise agrees to some different treatment for payment, be paid in Cash on the later of:

i. the time for payment of such Claim in accordance with the terms and conditions of the particular transaction giving rise to such Claim; or

ii. the Effective Date of the Plan.

b. Allowed Administrative Claims of Professional Persons will be paid in full in Cash on the later of:

i. the Effective Date of the Plan;

ii. the date of entry of a Final Order allowing and determining such Claim or as otherwise agreed to by the holder of such Claim.

2. **Allowed Priority Tax Claims.** Allowed Tax Claims are not classified under each Plan and, therefore, have no right to accept or reject either Plan. The State of Connecticut (Department of Revenue Services), holder of an unsecured priority tax claim under Bankruptcy Code section 507(a)(8) in each of the Debtor's cases, and Internal Revenue Service, holder of such a claim in FHC&L, will be paid the total value equal to the allowed amount of such claims, on the Effective Date of the Plan. All other holders, if any, of unsecured priority tax claims under Bankruptcy Code section 507(a)(8) will be paid the total value equal to the allowed amount of such claims, on the later of Effective Date of the Plan or the date of entry of a Final Order allowing and determining such Claims or as otherwise agreed to by the holder of such Claims. The Debtors estimate that as of the Confirmation Date the total amount of Allowed Tax Claims will not exceed approximately (i) \$283 in CAAMM's case and (ii) \$1536.39 in FHC&L's case.

## **B. Classified Claims (with respect to each Plan).**

### **1. Secured Classes**

#### **a. CAAMM Secured Classes**

Proposed payments to CAAMM secured classes 1, 2, and 3 are set forth in the section of Schedule A hereto labeled "Disbursements Pursuant to Plan." KeyBank holds both secured claims in classes 1 and 2. The outstanding balance as of the Petition Date of KeyBank's secured claims in classes 1 and 2 are approximately \$497,000 and \$190,000, respectively and each claim is partially secured by certain of CAAMM's properties as indicated on Schedule A and elsewhere in this Disclosure Statement. Class 3 is held by Lenore Martorelli and is partially secured by her senior most mortgage which is a second mortgage on 269 Front Street. The CAAMM Plan describes the respective treatment of each as follows:



**CAAMM Class 1 – Allowed Secured Claim of KeyBank, N.A.** The Debtor will pay \$259,484.72 to the holder of the Class 1 Allowed Secured Claim.

**CAAMM Class 2 – Allowed Secured Claim of KeyBank, N.A.** The Debtor will pay \$159,278.74 to the holder of the Class 2 Allowed Secured Claim.

**CAAMM Class 3 – Allowed Secured Claim of Lenore Martorelli.** The Debtor will pay \$83,149.19 to the holder of the Class 3 Allowed Secured Claim.

**b. FHC&L Secured Classes**

Proposed payments of FHC&L secured classes 1, 2, and 3 are described in Schedule B hereto. As set forth therein the FHC&L secured claims are calculated after the CAAMM secured claims. Classes 1 and 2 are held by KeyBank and partially secured by certain collateral by a preferred ships mortgage and a UCC financing statement respectively. The FHC&L Plan describes the respective treatment of each as follows:

**FHC&L Class 1 – Allowed Secured Claim of KeyBank, N.A.** The Debtor will pay \$237,141 to the holder of the Class 1 Allowed Secured Claim.

**FHC&L Class 2 – Allowed Secured Claim of KeyBank, N.A.** The Debtor will pay \$30,329 to the holder of the Class 2 Allowed Secured Claim.

**FHC&L Class 3 – Allowed Secured Claim of Connecticut Department of Labor.** The Debtor will pay \$10,933 to the holder of the Class 3 Allowed Secured Claim.

**2. Unsecured Classes**

**a. FHC&L Unsecured Class**

**FHC&L-Class 4 Allowed Unsecured Claims of FHC&L.** Class 4 of the FHC&L Plan consists of all Allowed Unsecured Claims. Holders of Allowed Claims in Class 4 shall be paid pro rata from the remainder of the sales proceeds attributable to FHC&L after payment in full of all Allowed Secured Claims, Allowed Administrative Claims and Allowed Priority Tax Claims. The Debtor estimates that there will be approximately \$1,445,494 of Allowed Class 4 Claims in FCH&L, including any unpaid balance of secured claims after payment of Classes 1, 2, and 3. Said claims, subject to any objections within the time allowed, are set forth on Schedule C appended hereto. Class 4 is impaired and is entitled to vote on the FHC&L Plan.

**b. CAAMM Unsecured Class**

**CAAMM-Class 4 Allowed Unsecured Claims of CAAMM.** Class 4 of the CAAMM Plan consists of all Allowed Unsecured Claims. Holders of Allowed Claims in Class 4 shall be paid pro rata from the 10% Carve Out of sale proceeds attributable to CAAMM plus the distribution to CAAMM on its proof of claim and its claim for administrative expense against FHC&L, after payment in full of all Allowed Secured Claims, Administrative Claims, and Allowed Priority Tax Claims. The Debtor estimates that there will be approximately \$1,157,979 of Allowed Class 4 Claims in CAAMM, including any unpaid balance of secured claims after payment of Classes 1, 2, and 3. Said claims, subject to any objections within the time allowed, are set forth on Schedule D appended hereto. Class 4 is impaired and is entitled to vote on the CAAMM Plan.

**3. Allowed Interests.**

**CAAMM and FHC&L-Class 5 - all Allowed Interests.** Class 5 of each Plan shall consist of all Allowed Interests under each Plan. In each Plan, said interests are held 100% by Michael Fraenza. This class is impaired under each Plan. All equity interests in each Debtor (i.e. all Allowed Interests) will be extinguished and will not receive any property or payment on account of their Interests.

#### V. MEANS FOR EXECUTION OF THE PLAN

A. **The Effective Date.** The Effective Date of the Plan is the date fifteen (15) days after the order confirming the plan has been entered upon the docket of the case. Payments under the Plan will be funded through the net sales proceeds received from the sale to the BEI Entities and attributable to each estate and in the case of CAAMM, all amounts it receives from FHC&L on account of its proof of claim and any other amounts it receives on account of its administrative claim for use and occupancy. The sales proceeds after closing costs and adjustments attributable to (i) CAAMM total \$833,448 and (ii) FHC&L \$888,552.

On the Effective Date all required payments and transfers of property shall be made to holders of Allowed administrative expenses (unless not yet due, subject to a pending dispute, or as to professionals, not yet approved and except as otherwise set forth above), Allowed Tax Claims and to holders of Class 1, 2 and 3 Allowed Secured Claims in each estate. Generally the remainder shall be distributed by the chapter 11 counsel Pro Rata to Allowed Unsecured Claims, with distribution calculated in FHC&L first and CAAMM second so that the CAAMM recovery from the claim and the administrative expense against FHC&L can be collected and disbursed along with the 10% Carve Out proceeds to the CAAMM creditors. The Debtors have reserved the right to delay disbursement to general unsecured claims until the administrative claims filing and objection deadlines have passed, and any disputed administrative claims are allowed or disallowed.

B. **Causes of Action.** The Debtor has determined no recoverable transfers or other causes of action remain to be liquidated.

C. **Distributions by the Debtor.** The Debtors shall reserve and distribute Cash and other assets of the Debtors, if any, in accordance with the provisions of their respective Plans. The Debtor shall make distributions as often as in their discretion and judgment there is an amount of funds sufficient to make a meaningful distribution to holders of Allowed Claims. Under either Plan, if (i) any distribution made to the holder of any Claim is returned as not deliverable, and such holder fails to notify counsel to that Debtor of a proper address before 60 days after the distribution date, or any distribution check remains uncashed for more than 60 days after the date of the check, then the holder of such Allowed Claim shall be deemed to have waived (a) its Allowed Claim, and (b) all rights to any further distribution under either Plan. During such 60 day period, counsel for the Debtors shall make a good faith effort to discover a proper address for the holder of such Allowed Claim, and to contact such entity.

D. **Professionals and Compensation of Professionals after Confirmation Date.** Counsel to the Debtors shall continue to provide services they deem necessary or advisable in carrying out the provisions of both Plans, including administration of the payments due under the Plans.

E. **Debtor's Powers and Duties.** Michael Fraenza shall continue to serve after Confirmation as Manager of the Debtor, but sales proceeds shall be held and disbursed, in accordance with the Plan, by one or both of the Debtors' chapter 11 counsel retained herein pursuant to orders of the Court. Mr. Fraenza has been the sole member of each Debtor before and after the filing of the Petitions herein and is an "insider" as that term is defined in the Bankruptcy Code. He will receive no compensation for his post-Confirmation service. The Debtors shall fulfill their obligations under the Plans including, without limitation, the following powers and duties, so long as they are consistent with the Plans:

to protect the property and assets of each Debtor;

to pay any taxes payable by either Debtors;

to release, convey and/or assign any right, title or interest in or to the property or assets of each Debtor;

to deposit Debtor funds, draw checks and make disbursements thereof;

to employ and compensate without further order of the Bankruptcy Court persons at such rates of compensation as the Debtors may deem reasonable;

to take any action required or permitted by the Plans;

to appoint, remove and act through agents, managers and employees and confer upon them such power and authority as may be necessary or advisable;

to commence, prosecute or defend any and all actions comprising or affecting property of either Debtor;

to cause any and all Claims to be determined, allowed or disallowed;

to respond to audits and inquiries to the extent that such response(s) is, or are, reasonable and appropriate in each Debtor's discretion; and

F. **Compromise of Actions and Abandonment of Property.** Each Debtor shall have the authority, at its discretion, to: compromise any causes of action vested in that Debtor and any matter relating to the that Debtor or its property or assets in the manner and upon the notice prescribed by Rule 9019 of the Federal Rules of Bankruptcy Procedure; and abandon any asset or property of a Debtor that the Debtors conclude in their sole discretion is burdensome to a Debtor, is of inconsequential value to a Debtor or cannot be effectively prosecuted or pursued because of inadequacy or insufficiency of funds available for such purpose. Notice shall be given as prescribed by Federal Rule of Bankruptcy Procedure 6007.

G. **Debtor's Actions.** Each Debtor shall be authorized and empowered to take such actions and seek from the Bankruptcy Court such orders, judgment, injunctions and rulings as may be necessary to further fulfill the intentions and purposes of, and to give full effect to, the provisions of its Plan. Each Debtor shall further be authorized and empowered to file or record in any state or other political subdivision any documents necessary or advisable to implement any aspect of its Plan.

H. **Objections to Claims.**

DEADLINE FOR OBJECTING TO UNSECURED CLAIMS:

\_\_\_\_\_, 2017

Objections to Unsecured Claims, if any, with the exception of any Claim to which an objection may be filed under Bankruptcy Code section 502(d) (as to which Claims an objection need not be filed within the time period set forth hereinafter), shall be filed with the Bankruptcy Court no later than the \_\_\_\_\_, 2017. Except as otherwise set forth herein, objections which are not filed by said date are barred, precluded and may not be raised. With respect to any Claim for which no objection is filed within such time, such Claim shall be deemed an Allowed Claim for the amount specified in a timely filed proof of claim with respect to such Claim, or, if no timely filed proof of claim exists, in the amount specified in the Schedules, unless the Claim was specified in the Schedules as being disputed, contingent or unliquidated. If no timely filed proof of claim exists, and the Claim was specified in the Schedules as being disputed, contingent or unliquidated, the Claim shall be barred and no distribution made thereon pursuant to Bankruptcy Code section 1111(a) and Bankruptcy Rule 3003(c)(2). With respect to any Claim to which a timely objection (which shall expressly be deemed to include any application, motion or

complaint seeking subordination of a Claim) is filed (i.e., a "Disputed Claim"), no distribution shall be made to the holder of any such Disputed Claim until the entry of a Final Order or judgment determining the allowed amount of such Disputed Claim. Pending the time of such Final Order or judgment, to the extent that any sum otherwise becomes payable to the holders of Claims of the class to which the Disputed Claim belongs, there shall be reserved by the Debtor an amount equivalent to that amount which would be payable to the holder of the Disputed Claim in the event that such Disputed Claim were allowed in the full amount asserted. Upon final determination of the allowed amount of the Disputed Claim, payment will be made to the holder of the Disputed Claim to the extent necessary to pay the allowed amount of such Claim. No interest shall be paid to any such Disputed Claim that becomes an Allowed Claim regardless of the period of delay in distribution.

## VI. MISCELLANEOUS

A. **Conditions Precedent to Consummation of the Plans.** Each Plan provides that the following shall constitute conditions precedent to the consummation of such Plan:

1. A Confirmation Order for the Debtor has been entered on the docket maintained by the Clerk of the Bankruptcy Court.

B. **Treatment of Executory Contracts and Unexpired Leases.** All executory contracts and leases that have not been rejected as of the Confirmation Date shall be deemed to be rejected by the Debtor on the Confirmation Date. Any claims arising therefrom shall be filed on or before the Effective Date.

C. **Retention of Jurisdiction by the Bankruptcy Court.** Notwithstanding the Confirmation of either Plan or the occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction for the following purposes:

(1) to take any action to resolve any disputes arising out of or relating to any Claim or any equity security interest; to determine other issues presented by or arising under each Plan; and to take any action to resolve any dispute of any creditor with respect to its Claim;

(2) to construe and to take any action to enforce each Plan, issue such orders as may be necessary for the implementation, execution and consummation of each Plan, and determine all other matters which may be pending on the Confirmation Date;

(3) to determine any and all applications for allowance of compensation;

(4) to determine any and all applications pending on the Confirmation Date for the rejection and disaffirmance, assumption or assignment of executory contracts and the allowance of any Claim resulting therefrom;

(5) to determine all Causes of Action, applications, adversary proceedings, contested matters and other litigated matters pending on or filed after the Confirmation Date;

(6) to determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(7) to modify each Plan, or to remedy any apparent non-material defect or omission in each Plan, or to reconcile any non-material inconsistency in each Plan so as to carry out its intent and purposes;

(8) to adjudicate all Claims as to a security or ownership interest in any property of either Debtor or in any proceeds thereof; and

(9) to determine all matters and disputes arising out of or in any way relating to the transactions contemplated by each Plan.

## VII. FEDERAL TAX CONSEQUENCES OF THE PLAN

The implementation of each Plan may have significant and complex federal, state, local and foreign tax consequences to each 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 each Plan. This discussion does not attempt to comment on all aspects of the federal income tax consequences associated with each 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 DEBTORS AND THEIR PROFESSIONALS DO NOT INTEND TO GIVE AND ARE NOT GIVING TAX OR OTHER LEGAL ADVICE TO ANY CREDITORS. THE DEBTORS ONLY PROVIDE THIS GENERAL INFORMATION TO ASSIST THE PARTIES INVOLVED IN EVALUATING HOW EACH PLAN AFFECTS THEM FOR TAX PURPOSES. CREDITORS ARE ADVISED TO CONSULT WITH THEIR TAX ADVISORS 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 EITHER PLAN. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE IRS WOULD AGREE WITH THE FOLLOWING DISCUSSION.**

In general, a Creditor receiving a distribution under either 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 such 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.

### **VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

If either Plan is not confirmed and consummated, the alternatives include (a) dismissal of that Debtor's chapter 11 case, (b) liquidation of such Debtor's assets under chapter 7 of the Bankruptcy Code, or (c) an alternative chapter 11 plan. Each Debtor believes that its Plan is preferable to the alternatives described below because each Plan provides for an equitable, early distribution to that Debtor's Creditors and because any alternative to confirmation of its Plan would result in significant delays in and probable diminution of recoveries.

**A. Dismissal of the Debtor's Chapter 11 Case.** If a Plan is not confirmed under Bankruptcy Code section 1129, that Debtor's case could be dismissed. Dismissal of the Debtor's chapter 11 case would result in piecemeal litigation and executions of the Debtor's assets (i.e the undisbursed sales proceeds) without Bankruptcy Court supervision, the result of which would generate substantially less for Creditors than the sums which will be realized under the Plan.

**B. Liquidation under Chapter 7.** If a Plan is not confirmed under Bankruptcy Code section 1129, that Debtor's case could be converted to a case under chapter 7 of the Bankruptcy Code, in which case a trustee would be elected or appointed to distribute the undisbursed sales proceeds (plus any other proceeds received on account of claims held by CAAMM against FHC&L, for example) to Creditors in accordance with the priorities established under the Bankruptcy Code. Liquidation under chapter 7 would decrease the amount or value of assets available for distribution. Liquidation under chapter 7 of the Bankruptcy Code would result in diminution of and harm to the Debtor's estate because, *inter alia*, (a) the Debtor's estate would become subject to additional administrative expenses entitled to priority over the Claims of holders of Allowed Unsecured Claim, and (b) distributions to Creditors would be delayed for a substantial period of time. As these proposed plans are liquidating plans for distribution of all remaining net proceeds of sale in accordance with the priority provisions of the Bankruptcy Code, no liquidation analysis beyond the proposed plan terms is set forth.

**C. Alternative Chapter 11 Plan.** If the Plans are not confirmed under Bankruptcy Code section 1129, the Debtor(s), or any other party in interest, could attempt to formulate an alternative chapter 11 plan(s). A rehabilitative plan of reorganization is not feasible, and the only alternatives to the Plan are dismissal of the Debtor's case and liquidation under chapter 7 or chapter 11. The Debtors believe that failure to confirm the Plans and formulation of a new liquidating plan would result in substantial expense and delay to each Debtor's estate, and negatively impact the time and amount of distributions to Creditors.

### IX. CONCLUSION AND RECOMMENDATION

The Debtors submit that the Plans comply in all respects with chapter 11 of the Bankruptcy Code. The Debtors believe, for the reasons described herein and in the Plans, that the Plans offer Creditors the most favorable alternative under existing circumstances. **ACCORDINGLY, THE DEBTORS RECOMMEND THAT CREDITORS VOTE TO ACCEPT THE PLANS.**

Dated at New Haven, Connecticut, this 7<sup>th</sup> day of March 2017.

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**Schedules**

- Schedule A: Disbursements Upon Closing/Disbursements Pursuant to Plan
- Schedule B: Fair Haven Clam & Lobster Co., LLC Secured Claims Disbursements After CAAMM's Disbursement to its Secured Creditors
- Schedule C: FHC&L Priority and General Unsecured Balances After Proposed FHC&L and CAAMM Disbursements to Secured Creditors
- Schedule D: CAAMM Unsecured Claims including Deficiency Claims to Secured Claims and Payment on Claim by Fair Haven Clam & Lobster