

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS**

In Re:)	
)	
CARLMAC-MCKINNON'S, INC.)	CHAPTER 11
)	CASE NO. 15-14530-MSH
DEBTOR)	
)	

**COMBINED LIQUIDATING PLAN AND DISCLOSURE STATEMENT FOR
SMALL BUSINESS DEBTOR**

I. INTRODUCTION

This is the Combined Liquidating Plan and Disclosure Statement for a Small Business Debtor (the "Plan and Disclosure Statement") for Carlmac- McKinnon's Inc. (the "Debtor" or "McKinnon's"). Portions of the Plan and Disclosure Statement which refer solely to the Plan of Liquidation will be referred to as the "Plan". This Plan and Disclosure Statement contains a description of (1) the Debtor, (2) the operation of its business, and (3) the sale of the business and the resultant cessation of business operations. It also discusses the alternatives to the Plan and the treatment of claims under the Debtor's Plan.

On November 23, 2015, (the "Petition Date") the Debtor filed a voluntary petition for relief under Title 11, United States Code, known as the Bankruptcy Code (the "Code"). The Chapter 11 case is pending in the United States Bankruptcy Court for the District of Massachusetts in Boston, Massachusetts (the "Court").

Prior to the closing upon the sale of the Debtor's assets was consummated on November 7, 2016, pursuant to an Order entered on October 28, 2016 [Doc. No. 145] in connection with the Debtor's Motion by Debtor to (A) Authorize Debtor to Enter Into Agreement for Purchase and Sale; (B) Authorize Sale of the Debtor's Personal Property by Private Sale Free and Clear of Liens, Claims, Encumbrances, and Interests; (C) Authorize the Debtor to Assume and Assign Lease of Premises and Certain Executory Contracts; and (D) For Related Relief (the "Motion") [Doc. No. 121], the Debtor operated a retail meat market and grocery store. The Debtor's business operations were located in leased premises at 239A Elm Street, Somerville, Massachusetts and generated its revenues as a Debtor-in-Possession under Sections 1107 and 1108 of the Code. Upon distribution, the Debtor will have liquidated all assets and shall cause the corporation to be dissolved upon filing of final tax returns.

Pursuant to Section 1125 of the Code, this Plan and Disclosure Statement is being sent to all holders of claims against the Debtor so that the Debtor may solicit votes for the Plan and creditors may be provided with information concerning the Plan, the Debtor and the distributions under the Plan. All references herein to the Plan and the Disclosure Statement are as it may be amended from time to time. Prior to confirmation of the Plan, the Debtor will have satisfied the post-petition obligations incurred in the ordinary course of business during the Chapter 11 proceeding. The Plan provides for distribution of the balance of the sale proceeds by payment first of its administrative and priority claims with the balance to be distributed to its creditors in the order of their priority. The funds available for distribution under the Plan are \$32,844.54 as set forth below.

THE PLAN IS A LEGALLY BINDING ARRANGEMENT AND SHOULD BE READ IN ITS ENTIRETY. ACCORDINGLY, SOLICITED PARTIES MAY WISH TO CONSULT WITH THEIR ATTORNEYS REGARDING THE CONTENTS OF THE PLAN AND DISCLOSURE STATEMENT.

II. THE PLAN

A. Payment of Administrative Claims.

Administrative Claims will be paid in cash, in full, on the later of the Effective Date or the date they are allowed by an Order of the Bankruptcy Court. Ordinary trade debt incurred by the Debtor in the course of the Chapter 11 case have been paid on an ongoing basis in accordance with the ordinary business practices and terms between the Debtor and its trade creditors. The payments contemplated by the Plan will be conclusively deemed to constitute full satisfaction of Allowed Administrative Claims.

Any Administrative Claims for outstanding fees due to the United States Trustee pursuant to 11 U.S.C. §1930 shall be paid in full on or before the Effective Date. All fees that become due and owing to the United States Trustee after the Effective Date shall be paid when due. It is estimated that the sums due shall be in the approximate sum of \$4,750.

Administrative Claims include any post-petition fees and expenses allowed to professionals employed upon Court authority to render services to the Debtor during the course of the Chapter 11 cases. In this case, the professionals employed by the Debtor were Nina M. Parker, Esquire and Parker & Associates, as counsel to the Debtor and Samuel Freeman as the Certified Public Accountant for the Debtor. Payment of the administrative claims of Parker & Associates and R.A. Hall & Company shall be subject to the allowance of an Application for Compensation. In order to be compensated, all professionals shall apply to the Court for compensation and they will be paid that amount which the Court allows. It is estimated that administrative fees due to be paid shall be approximately \$15,000.00 as payments have been paid during the course of the proceedings in accordance with approved Applications for Compensation. This is an estimate by the Debtor and actual fees may be higher or lower than as represented. This Combined Plan and Disclosure Statement was prepared and submitted prior to the date anticipated for Confirmation and there will be additional work to be undertaken on behalf of the Debtor to that date and to the Effective Date of Confirmation. The Administrative Claims shall be paid from the sale proceeds as allowed.

B. Payment of Tax Claims. Priority Claims, as scheduled or as filed and allowed by the Court, of whatever kind or nature will be paid in full on the Effective Date or in monthly installments with interest over a 5 year period from the Petition Date. The Internal Revenue Service filed an Amended Proof of Claim [Claim 10] in the sum of \$100.00. Neither the Massachusetts Department of Revenue ("DOR") nor the Department of Unemployment Assistance filed a claim. To the extent there are any allowed claims, they shall be paid on the Effective Date of confirmation of the Plan.

C. Designation and Payment of Classes of Claims

Class One: Class One consists of the secured claim asserted by American Express Bank, FSB in the sum of \$110,478.83. [Proof of Claim No. 1]. The Claimant asserts that it is entitled to a secured claim and provides as evidence of same, a Business Loan and Security Agreement dated September 17, 2015 (the "Business Loan").

The Debtor disputes that the Class One claimant holds a secured claim as the UCC-3 Financing Statement which purports to support the claim was recorded on January 24, 2014. The UCC-3 Financing Statement was recorded, well in advance of the Business Loan referred to in the Proof of Claim. The language in the Business Loan documents define the effective date of the loan to provide that it "begins on the date we accept it or by sending you the Loan, whichever is earlier...".

In light of the lack of a contemporaneous UCC-3 Financing Statement evidencing the September 15, 2015 loan, the Debtor disputes that Class One is entitled to a secured claim. The Class One claim shall be deemed to be unsecured and shall be treated in accordance with the claimholders in Class Four. The Class One claimant is impaired.

Class Two: Claims of Nstar Electric Company dba Eversource Energy and Nstar Gas Company dba Eversource Energy: Class Two consists of the claims of Nstar Electric Company dba Eversource Energy in connection with its claim of \$6,289.88 as set forth on the Proof of Claim filed [Claim No. 8] and the claims of Nstar Gas Company dba Eversource Energy in connection with its claim of \$241.11 as set forth on the Proof of Claim filed [Claim No. 9], (collectively "Nstar"). As of the Petition date, the Class Two claimant was owed the sum of \$6,530.99 (the "Pre-Petition Claim"). Nstar was paid in the ordinary course during the proceeding but at the time of the sale, the final payments were outstanding and there are post-petition sums owed in the amount of \$ 2,980.55.

After the filing date, the Debtor entered into a Stipulation and Order Providing Adequate Assurance to Nstar which was allowed on January 12, 2016 [Doc. No. 74] pursuant to which, the Debtor paid the sum of \$9,868.00 to Nstar as a deposit. The post-petition sums owed shall be deducted first from the deposit to satisfy the administrative obligation in full leaving a balance on deposit in the sum of \$6,887.45. The pre-petition claims of Nstar in the sum of \$6,530.00 shall be deducted from the deposit and satisfied in full. The remaining sums on deposit in the sum of \$357.45 shall be refunded to the Debtor. The Class Two claimant is not impaired.

Class Three: Class Three consists of all Non-Insider Unsecured Claims as scheduled or as filed and allowed by the Court, against the Debtor of whatever kind or nature which are not included in any other Class, including, without limitation, claims based on the rejection of executory contracts or unexpired leases, and claims for damages to person or property based on strict liability, negligence or breach of a warranty, express or implied, relative to services rendered or products delivered by the Debtor but excluding claims of Insiders. Non-Insider, unsecured creditor claimants owed or scheduled as owed by the Debtor on the Petition Date exclusive of the claims of disputed claims of unsecured claimants or claimants treated above were in the approximate sum of \$896,062.51 inclusive of the disputed secured claim of the Class One claimant in the sum of 110,478.83.

The Debtor expects to have approximately \$13,000 on hand after satisfaction of the above

noted administrative claims which sums shall be distributed pro rata among the unsecured claims in Class Three in full satisfaction of all claims of the Class Three obligations. The Debtor estimates that this one-time payment will result in a dividend of approximately 1.5% to the claimants.

Class Four: Class Four consists of the Insider Unsecured Claims as scheduled or as filed by the insiders of the Debtor of whatever kind or nature. Insiders are owed or scheduled as owed the sum of \$305,000.00. The Debtor is the owner of a 2008 Jeep Wrangler which during the course of the proceedings became inoperable and therefore, not registered. The Debtor attributes minimal value to the vehicle due to its inability to be driven. The Debtor shall abandon the 2008 Jeep Wrangler to the Class Four creditors in full satisfaction upon their claims. The Class Four claimants are impaired.

Class Five: Equity Interests. Class Five consists of the Equity Interests in Carlmac-McKinnon's, Inc. At the time of the filing, there were two (2) shareholders, Clemente Palmariello and James N. Kontos who are the principals of the Debtors. The assets of the corporation having been liquidated, there is no present value of the shares. The Debtor shall file such tax returns as are required and thereafter, shall dissolve the corporation. The Equity Interest holders shall receive nothing under the Plan.

D. Treatment of Executory Contracts and Unexpired Leases.

There are no known remaining executory contracts or unexpired leases of the Debtor. To the extent there are any asserted, they are rejected upon confirmation of the Plan? All proofs of Claim with respect to a claim arising from the rejection of any executory contracts or unexpired leases must be filed with the Bankruptcy Court within thirty (30) days from and after the date of the confirmation of the Plan or such claims will be barred. A creditor whose claims arise from rejection of executory contracts and unexpired leases will be treated as an unsecured creditor.

E. Means for Implementation of the Plan

The Debtor has the sum of \$32,844.54 on hand and contemplates a refund of \$357.45 from the Class Two Claimant for a total of \$33,201.99. On the Effective date of Confirmation, the Debtor will pay the claims from the sale proceeds as set forth herein. The Debtor estimates that on the Effective Date the funds to be distributed are:

Cash	\$33,201.99
United States Trustee	(\$4,270.00*)
Parker & Associates	(\$10,000.00)
Samuel Freeman, CPA	(\$5,000.00)
IRS	(\$100.00)
General Unsecured	(\$13,000.00)
Miscellaneous	<u>(\$351.99*)</u>
Balance after distributions	\$0

*All quarterly disbursement fees, arising under 23 U.S.C. §1930 ("Quarterly Fees"), accrued prior to confirmation shall be paid in full, on or before the date of confirmation of the Debtor's plan, by the Debtor or any successor to the Debtor. All Quarterly Fees which accrue post-

confirmation shall be paid in full on a timely basis by the Debtor prior to the Debtor's case being closed, converted or dismissed.

F. Provision for Disputed Claims:

The Debtor may object to the allowance of any Claims within 30 days of the Effective Date by filing an objection with the Bankruptcy Court and serving a copy thereof on the holder of the Claim in which event the Claim objected to will be treated as a Disputed Claim under the Plan. If and when a Disputed Claim is finally resolved by allowance of the Claim in whole or in part, the Debtor will make any payments in respect of such Allowed Claim in accordance with the Plan.

III. INFORMATION PERTAINING TO THE DEBTOR

A. Description of the Debtor's Business.

McKinnon's Meat Market commenced its business in Davis Square approximately 50 years ago. It operated as a neighborhood market as well as a butcher and meat market. The business operated profitably for many years. The business successfully operated on slim margins in an effort to provide quality beef and poultry and other products at extremely low prices. A series of unfortunate events occurred which caused the business to suffer cash flow shortages which ultimately forced a chapter 11 filing and subsequent sale of the business.

B. Sale of Debtors Assets.

On February 8, 2016, the Debtor having researched business brokers filed an Application to Employ P. Goodman Enterprises, Inc., d/b/a Goodman and Company Business Brokers (hereinafter "Goodman and Company" or "Broker") to procure a buyer for the sale of the retail meat market and grocery store as the Debtor hoped to sell the retail meat market and grocery store, furniture, fixtures and equipment, trademarks, trade names, leasehold improvements, goodwill and inventory, etc. (hereinafter "the meat market") as a going concern. The Application was approved and the Broker commenced efforts to obtain a buyer.

A number of interested parties expressed interest in purchasing the Debtors assets. The Debtor engaged in a serious process of considering potential sales and restructuring alternatives which would result in a sale which could maximize recovery for its creditors. After carefully considering its options, and in light of its liquidity constraints, the Debtor determined that the best course of action was to accept an offer from Broadway Marketplace, LLC, a Massachusetts limited liability company or its designee (the "Proposed Purchaser") on July 26, 2016 which offered to pay the sum of \$125,000.00 for the personal property used in the operation of the Carlmac-McKinnon, Inc.'s together with an offer to purchase the Debtors inventory.

After negotiation of a Purchase and Sale Agreement and working with the landlord for the Premises, the Debtor filed the Motion which contained information with regard to bidding procedures in connection with the proposed acquisition. Thereafter, bidding procedures were established and a Notice of Intended Sale was served upon all creditors and parties in interest including those parties having previously expressed interest in acquiring the assets of the Debtor. The Notice of Intended Sale established deadlines for objections and counteroffers. The deadlines expired without any objections or counteroffers and the sale was approved to the Proposed Purchaser on October 27, 2016.

Thereafter, the Proposed Purchaser and the Debtor proceeded to close upon the transaction on November 7, 2016 and the Debtor ceased to operate as a meat market.

C. Officers, Directors and Shareholders.

The Officers, Directors and Shareholders of the Debtor are comprised of Clementino Palmariello, President, Director and Shareholder and James N. Kontos, Treasurer, Secretary, Director and Shareholder. Each continued to work and to operate the Debtor until the sale of the Assets. Since that time, they continue to assist in the winding down of the Debtor and confirmation of the within Plan. Since the sale of the business, Palmariello has been employed by the Purchaser in his capacity as a meat cutter. Kontos has been working with the Purchaser to assist in the transition of the business.

IV. VOTING AND CONFIRMATION

A. General Requirements

In order to confirm a Plan, the Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including that: (1) the Plan has classified Claims in a permissible manner; (2) the Plan complies with the technical requirements of Chapter 11 of the Code; (3) the proponent of the Plan has proposed the Plan in good faith; (4) the disclosures concerning the Plan as required by Chapter 11 of the Code have been adequate and have included information concerning all payments made or promised by the Debtor in connection with the Plan; (5) the Plan has been accepted by the requisite vote of creditors, except, as explained below, to the extent that “cramdown” is available under Section 1129(b) of the Code; and (6) the Plan is in the “best interests” of all creditors (that is, that creditors will receive at least as much under the Plan as they would receive in a Chapter 7 liquidation). To confirm the Plan, the Bankruptcy Court must find that all of these conditions are met. Thus, even if the creditors of the Debtor accept the Plan by the requisite number of votes, the Bankruptcy Court must make independent findings respecting the Plan’s feasibility and whether it is in the best interests of the Debtor’s creditors before it may confirm the Plan. The Debtor believes that the Plan fulfills all of the statutory conditions of Section 1129 of the Code. The statutory conditions to confirmation are more fully discussed immediately below.

B. Classification of Claims and Interests

The Code requires that a plan of reorganization place each creditor’s claim in a class with other claims which are “substantially similar.” The Debtor believes that the Plan meets the classification requirements of the Code.

C. Voting

As a condition to Confirmation, the Code requires that each impaired class of claims accept the Plan. The Code defines acceptance of a Plan by a class of claims as acceptance by holders of two-thirds in dollar amount and a majority in number of claims of that class, but for that purpose the only ballots counted are those of the creditors who are allowed to vote and who actually vote to accept or to reject the Plan. Persons who are considered “insiders,” as that term is defined in Section 101 of the Code, may vote, but its vote is not counted in determining acceptance of the Plan.

Classes of claims that are not “impaired” under the Plan are deemed to have accepted the Plan.

Acceptances of the Plan are being solicited only from those persons who hold Allowed Secured and Unsecured Claims that are impaired under the Plan. An Allowed Claim is “impaired” if the legal, equitable, or contractual rights attaching to the Allowed Claims of the class are modified, other than by curing defaults and reinstating maturity or by payment in full in cash. A claim to which an objection is filed is not an Allowed Claim. However, the Court may allow such a claim for purposes of voting on the Plan. If you have not received an objection to your claim prior to Confirmation of the Plan and you have received a ballot for purposes of voting on the Plan, then most likely your claim is an Allowed Claim. If you have a question, you should consult your own attorney.

D. Best Interests of Creditors

Notwithstanding acceptance of the Plan by creditors of each class, in order to confirm the Plan the Bankruptcy Court must independently determine that the Plan is in the best interests of all classes of creditors impaired by 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 the Debtor was liquidated under Chapter 7 of the Code. Please see the discussion of liquidation value below.

E. Liquidation Valuation

To calculate what creditors would receive now that the Debtor has liquidated its assets, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated for payment to creditors would be greater if the Chapter 11 case were converted to a Chapter 7 case under the Code and the assets were distributed by a trustee in bankruptcy (the “Liquidation Value”). The Liquidation Value would consist only of the net proceeds from the previously disposed of assets of the Debtor. The Liquidation Value available to general creditors would be reduced by (a) the claims of secured creditors to the extent of the value of its collateral, and (b) by the costs and expenses of the administrative expenses of the Debtor’s estates. The Debtor’s costs of liquidation under Chapter 7 would include the compensation of trustees, as well as of counsel and of other professionals retained by the trustees; disposition expenses; all unpaid expenses incurred by Debtor during the Chapter 11 case (such as compensation for attorneys and the certified public accountant) which are allowed in the Chapter 7 proceeding versus the final costs associated with the obtaining of confirmation of the Debtor’s liquidating Chapter 11 Plan which will result in a distribution to creditors. A conversion to Chapter 7 liquidation will result in there being zero (\$0) funds available for creditors. Confirmation of the liquidating Plan is in the best interests of the creditors. The following table of estimated amounts suggests a likely liquidation scenario for the Debtor.

Source and application of funds	Amount	Assumptions
Net Proceeds from sale of Assets	\$32,844.54	
Refund from Nstar	\$357.45	
Sale of 2008 Jeep	\$800	The vehicle is inoperable and unregistered
Total	\$34,001.99	
Payment of Secured claims:	\$110,4378.83	Assumes American Express claim is allowed as secured
	\$0	Assumes Class One claimant is unsecured

Chapter 7 Trustee fees and expenses and Chapter 7 Accounting fees	\$15,000	Estimated costs of trustee commission, counsel fees and accounting fees
Chapter 11 expenses	\$20,000	Includes unpaid United States Trustee fees, professional fees and expenses.
Net Available for Unsecured Creditors	\$0	

The Debtor estimates that its unsecured creditors will receive a dividend under the Plan while receiving zero in the event of a conversion to Chapter 7 liquidation. The Debtor believes that the Plan is in the best interests of all creditors as a conversion to Chapter 7 with the additional costs noted above would provide less of a return to the creditors.

VI. FEDERAL INCOME TAX CONSEQUENCES

Implementation of the Plan may result in federal income tax consequences to holders of Allowed Claims. Tax consequences to a particular creditor may depend on the particular circumstances or facts regarding the claim of the creditor. No tax opinion has been sought or will be obtained with respect to any tax consequences of the Plan, and the following disclosure (the "Tax Disclosure") does not constitute and is not intended to constitute either a tax opinion or tax advice to any Person. Rather, the Tax Disclosure is provided for informational purposes only.

Because the Debtor does not intend to continue its existence and business operations, it will not receive a discharge with respect to its outstanding indebtedness. Actual debt cancellation in excess of the fair market value of the consideration -- stock, cash or other property -- paid in respect of such debt will hereinafter be referred to as a "Debt Discharge Amount." In general, the IRC provides that a taxpayer who realizes a cancellation or discharge of indebtedness must include the Debt Discharge Amount in its gross income in the taxable year of discharge. The Debt Discharge Amounts may arise with respect to Creditors who will receive, in partial satisfaction of their Claims, including any accrued interest, consideration consisting of or including cash. The Debtor's Debt Discharge Amount may be increased to the extent that unsecured Creditors holding unscheduled claims fail to timely file a Proof of Claim and have their Claims discharged on the Confirmation Date pursuant to section 1141 of the Bankruptcy Code. No income from the discharge of indebtedness is realized to the extent that payment of the liability being discharged would have given rise to a deduction.

If a taxpayer is in a case under the Bankruptcy Code and a cancellation of indebtedness occurs pursuant to a confirmed plan, however, such Debt Discharge Amount is specifically excluded from

gross income (the "Bankruptcy Exception"). The Debtor intends to take the position that the Bankruptcy Exception applies to it. Accordingly, the Debtor believes it will not be required to include in income any Debt Discharge Amount as a result of Plan transactions.

Section 108(b) of the IRC, however, requires certain tax attributes of the Debtor to be reduced by the Debt Discharge Amount excluded from income. Tax attributes are reduced in the following order of priority: net operating losses and net operating loss carry-overs; general business credits; minimum tax credits; capital loss carry-overs; basis of property of the taxpayer; passive activity loss or credit carry-overs; and foreign tax credit carry-overs. Tax attributes are generally reduced by one dollar for each dollar excluded from gross income, except that general tax credits, minimum tax credits, and foreign tax credits are reduced by 33.3 cents for each dollar excluded from gross income. An election can be made to alter the order of priority of attribute reduction by first applying the reduction against depreciable property held by the taxpayer in an amount not to exceed the aggregate adjusted basis of such property. The Debtor does not presently intend to make such election. If this decision were to change, the deadline for making such election is the due date (including extensions) of the Debtor's federal income tax return for the taxable year in which such debt is discharged pursuant to the Plan.

The federal tax consequences of the plan to a hypothetical investor typical of the holders of claims or interests in this case depend to a large degree on the accounting method adopted by that hypothetical investor. A "hypothetical investor" in this case is defined as a general unsecured creditor. In accordance with federal tax law, a holder of such a claim that uses the accrual method and who has posted its original sale to the Debtor as income at the time of the product sold or the service provided hypothetically should adjust any net operating loss to reflect the dividend paid by the Debtor under the Plan provided that holder previously deducted the liability to the Debtor as a "bad debt" for federal income tax purposes. Should that holder lack a net operating loss, then in accordance with federal income tax provisions, the holder should treat the dividend paid as ordinary income, again provided the holder previously deducted the liability to the debtor as a "bad debt" for federal income tax purposes. If the accrual basis holder of the claim did not deduct the liability as a "bad debt" for federal income tax purposes, then the dividend paid by the Debtor has no current income tax implication. A holder of a claim that uses a cash method of accounting would, in accordance with federal income tax laws, treat the dividend as income at the time of receipt.

THE DEBTOR MAKES NO REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY CREDITOR. EACH PARTY AFFECTED BY THE PLAN SHOULD CONSULT HER, HIS OR ITS OWN TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO A CLAIM.

VII. FEASIBILITY

The Bankruptcy Code requires as a condition to Confirmation that the Bankruptcy Court find that liquidation of the Debtor or the need for further reorganization is not likely to follow after Confirmation. The Debtor has on hand all funds to perform its obligations in the Plan which is a liquidating Plan.

VIII. DISCLAIMERS

THE CONTENT OF THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS PROVIDING ADEQUATE INFORMATION TO CREDITORS SO THAT THEY MAY HAVE SUFFICIENT INFORMATION TO VOTE ON THE PLAN. THE DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETE OR WITHOUT OMISSIONS. THE BANKRUPTCY COURT'S APPROVAL OF THIS PLAN OF REORGANIZATION AND DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION FOR OR AGAINST THE PLAN.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED IN IT WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON HOLDERS OF CLAIMS.

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

IX. EFFECT OF THE ORDER CONFIRMING THE PLAN.

To understand the full effect of an order confirming the Plan you should read Section 1141 of the Code. The following is a summary of that section.

A. The provisions of the confirmed Plan bind the Debtor, any entity issuing securities under the plan, any entity acquiring property under the Plan, and any creditor, equity security holder, or general partner in the debtor, whether or not the claim or interest of such creditor, equity security holder, or general partner is impaired under the Plan and whether or not such creditor, equity security holder, or general partner has accepted the Plan.

B. Except as otherwise provided in the Plan or the order confirming the Plan, the confirmation of the Plan vests all of the property of the estate in the Debtor.

C. Except as otherwise provided in the Plan or in the order confirming the Plan, after confirmation of the Plan, the property dealt with by the Plan is free and clear of all claims and interests of creditors, equity security holders, and of general partners in the Debtor.

D. Except as otherwise provided in the Plan, or in the order confirming the plan, the confirmation of the Plan discharges the debtor from any debt that arose before the date of such confirmation. There may be other exceptions set forth in Section 1141.

E. The confirmation of the Plan does not discharge a debtor if the Plan provides for the

liquidation of all or substantially all of the property of the estate, the Debtor does not engage in business after consummation of the plan; and the Debtor would be denied a discharge if the case were a case under chapter 7.

X. CONCLUSION

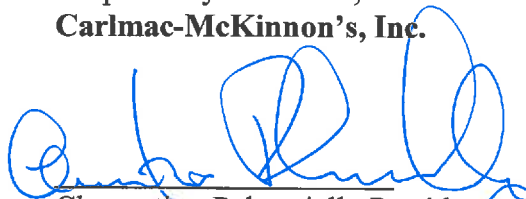
The Bankruptcy Court has determined that this Plan and Disclosure Statement contains information sufficient for holders of Claims to make an informed judgment in exercising their right to vote on the Plan. The Plan is the result of an effort by the Debtor to provide creditors with a meaningful dividend. An alternative to the Plan is liquidation which will, in all likelihood, reduce significantly the return to creditors on its Allowed Claims. The Debtor believes that the Plan is clearly preferable to liquidation.

A BALLOT IS ENCLOSED WITH THIS DISCLOSURE STATEMENT. YOU SHOULD VOTE TO ACCEPT OR REJECT THE PLAN ON THAT BALLOT AND RETURN IT AS FOLLOWS:

BALLOTS SHOULD BE SENT TO:

**Nina M. Parker, Esq.
Parker & Associates
10 Converse Place, Suite 201
Winchester, MA 01890**

Respectfully submitted,
Carlmac-McKinnon's, Inc.


Clementino Palmariello, President
James N. Kontos. Treasurer