

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MASSACHUSETTS
(EASTERN DIVISION)

_____)	
In re:)	Chapter 11
_____)	
CAPE COD COMMERCIAL LINEN)	Case No. 16-11811-JNF
SERVICE, INC.,)	
_____)	
THIS IS IT, LLC)	Case No. 16-11813-JNF
_____)	
Debtors)	Jointly Administered
_____)	

**FIRST~~SECOND~~ AMENDED DISCLOSURE STATEMENT
WITH RESPECT TO SECOND AMENDED JOINTLY ADMINISTERED DEBTORS'
CHAPTER 11 PLAN OF REORGANIZATION**

Dated: September ~~13~~23, 2016

CAPE COD COMMERCIAL LINEN SERVICE,
INC.

By: /s/ D. Jeffrey Ehart
D. Jeffrey Ehart, President

THIS IS IT, LLC

By: /s/ D. Jeffrey Ehart
D. Jeffrey Ehart, Manager

And by their attorneys,

/s/ David B. Madoff
David B. Madoff (BBO # 552968)
Steffani M. Pelton Nicholson (BBO# 666470)
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I. Introduction

Debtors Cape Cod Commercial Linen Service, Inc. ("CCCLS") and This Is It, LLC ("This Is It", collectively, the "Debtors") provide this Disclosure Statement to all of the Debtors' known creditors in order to supply the information you will need in exercising your right to vote upon the Jointly Administered Debtors' Chapter 11 Plan of Reorganization (the "Plan"), proposed by the Debtors under Chapter 11 of the United States Bankruptcy Code. A copy of the Plan is attached to this Disclosure Statement as **Exhibit A**.

A ballot for your use in voting to accept or reject the Plan is enclosed. Instructions for completing and returning the ballot are printed on the ballot itself.

NO REPRESENTATIONS CONCERNING THE DEBTORS OR THE PLAN ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

Except where specifically stated otherwise, the information contained in this Disclosure Statement is based upon information supplied by the Debtors. Although this Disclosure Statement describes the Plan in summary and in detail, it is recommended that you review the Plan for a definitive understanding of its terms.

Pursuant to this Disclosure Statement, the Debtors recommend that creditors vote to accept the Plan by completing and returning the enclosed ballot. Because a liquidation of the Debtors would provide the unsecured creditors with virtually no dividend, there is no alternative to the Plan that will provide creditors with better treatment. If the Debtors' business succeeds, the creditors will have an opportunity to share in the success.

II. Summary of the Plan

The Plan, which is described in detail below, is intended to permit CCCLS to continue to operate the commercial laundry business at the This Is It location in Hyannis, in order to repay the Debtors' primary secured creditor and to provide a dividend to the unsecured creditors of CCCLS. Unsecured creditors of CCCLS shall receive a distribution of twenty five percent (~~2025~~%) of each allowed unsecured claim, payable from the operation's cash flow. The first twenty ~~five~~ percent of the payment shall be made on the Effective Date, and the remaining payments shall be made over a period of ~~four~~ (4)five years.

In addition, Class 4A claimants shall receive: (a) seventy-five percent (75%) of any cash over the budgeted Cash at End of Period for the period corresponding to the Effective Date anniversary each year for five (5) years; and (b) in the event of a sale of the company or substantially all of its assets within five (5) years of the Effective Date, seventy-five percent (75%) of the net proceeds up to a maximum of 100 percent of their claims. All unsecured creditors of This Is It are also unsecured creditors of CCCLS, and so will receive distributions from CCCLS. ~~The principals of the Debtors, and/or their children, who work for the Debtors, shall retain their interests of the Debtors. However, as described more fully below, the Debtors~~

~~believe that they will satisfy the absolute priority rule, given the new value, in the form of new personal guaranties, which they will invest into the plan.~~

Upon confirmation, all equity interests in the Debtors and their properties shall be cancelled, and reissued to a family trust whose beneficiaries are the principals' children.

A budget for the plan is attached hereto as **Exhibit B**.

III. Description of the Debtors

A. The Debtors' Business Prior to the Petitions

CCCLS is a Massachusetts corporation operating a commercial laundry facility in Hyannis, Massachusetts. It has been a family run business since 1985 and is currently owned by Jeffrey and Ann Ehart. CCCLS is the largest commercial laundry facility on Cape Cod, servicing a large portion of the resorts, hotels, restaurants and inns on the Cape. Since 2012, CCCLS has operated out of a facility located at 880 Attucks Lane, Hyannis, which is owned by This Is It (the "Attucks Facility"). This Is It is also owned by the Ehart family.

The Debtors' financial difficulties stem from the 2012 expansion at the Attucks Lane facility. In addition to moving to the new location, CCCLS purchased a new state-of-the art washing system known as the Milnor CBW Tunnel Washer ("Tunnel Washer"), at a cost of approximately \$2 million. Delays in getting the new system running resulted in significant cost overruns.

Over the years, the Debtors entered into several loan transactions with Cape Cod Five Cents Savings Bank ("Cape Cod 5"). In 2011, as part of the acquisition and move to the Attucks Facility, Cape Cod 5 acted as principal lender for the purchase of the real property, substantial build-out and the purchase of new equipment. The current obligations are described more fully below (the "Loan Agreements").

On November 25, 2013, Cape Cod 5 sent written notification to the Debtors that they were in default under the Loan Agreements. On December 3, 2013, Cape Cod 5 notified the Debtors that they remained in default under the terms of the Loan Agreements. Accordingly, Cape Cod 5 demanded payment of all amounts due and owing by the Debtors and certain guarantors. In January 2014, Cape Cod 5 commenced an action in Barnstable Superior Court against, among others, the Debtors seeking the appointment of a state court receiver (the "Receiver"). The Debtors did not oppose the appointment of a Receiver and, pursuant to an Agreed Order entered by the Barnstable Superior Court, Craig Jalbert of Verdolino & Lowey, PC, was appointed as the Receiver.

The Debtors continued to operate the business under the supervision and with the assistance of the Receiver. At the same time, the Receiver marketed the business for sale. During the two-year period that the Receiver was appointed, there were no reasonable offers to purchase the Debtors. However, at the same time, the Debtors significantly improved their financial position. Therefore, in order to complete the Debtors' turnaround through a Chapter 11 proceeding, Cape Cod 5, the Debtors and the Receiver agreed to dismiss the Receivership Action. An Order dismissing the case was entered on May 12, 2016 by the Barnstable Superior Court, and this Chapter 11 case was commenced.

B. Summary of Debtors' Assets

CCCLS

The Assets of CCCLS consist primarily of machinery and equipment, accounts receivable, and cash, with liquidation values as follows:

Cash (as of August 8, 2016)	\$258,000.00
Machinery and Equipment Forced Liquidation Value (per Frank Ronne Appraisal)	\$828,850.00
Accounts Receivable	\$1,044,000.00
Total	\$2,127,850.00

This Is It

This Is It's only asset is the real property located at 880 Attucks Lane, Hyannis, Massachusetts (the "Property"). This Is It recently obtained an appraisal of the Property, performed by The Appraisal Company of Cape Cod, Inc. The appraisal indicated that the Property has a value of \$1,300,000.

The Property is subject to liens totaling in excess of \$2.8 million, including: a first mortgage in favor of Cape Cod Five with a principal balance as of the Petition Date of approximately \$1,259,042; a second mortgage in favor of the SBA with a principal balance as of the Petition Date of approximately \$919,000; and a third mortgage in favor of Massachusetts Growth Capital Corporation with a principal balance as of the Petition Date of approximately \$715,000.

IV. The Chapter 11 Case

On May 13, 2016 (the "Petition Date"), the Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code in this Court. Pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors continue to manage their businesses and financial affairs as debtors-in-possession. No creditors' committee was appointed in either case.

So that the Debtors could continue to operate, the Debtors and Cape Cod Five spent a significant amount of time negotiating and obtaining Court approval of a stipulation permitting the Debtors to use the cash proceeds from the operations of the Debtors.

Since the commencement of the case, the Debtors have had steady operations and are well within the budget established with Cape Cod Five at the commencement of the case.

**V. Classification of Claims and Their Treatment
 Under the Plan**

The following is a description of the Debtors' liabilities, and their treatment under the Plan. In summary, the order of payment of claims shall be:

- A. Administrative Claims (Unclassified)
- B. Secured Claims (Classes 1A – 1G)
- C. Prepetition Priority Claims (Class 2)
- D. Prepetition Priority Tax Claims (Class 3)
- E. General Unsecured Claims (Classes 4A and 4B)
- F. Equity and Beneficial Interests (Class 5)

A. Administrative Claims.

Administrative claims under 507(a)(1) include expenses incurred during the Chapter 11 case, including fees of professional persons, United States Trustee Quarterly Fees, and Reservation for Post-Confirmation Expenses. Holders of Allowed Claims for administrative expenses that have been incurred in the ordinary course of the Debtor's business shall be paid in the ordinary course of business, including the United States Trustee Quarterly Fees. All other holders of Allowed Claims for administrative expenses shall be paid the full amount of such Allowed Claim in cash at confirmation, except as set forth below:

Professional Fees

Payment to professionals shall be made first from retainers held by the professionals, and then over a period of four months in accordance with the Budget. The estimated fees of professionals in this case are as follows:

Madoff & Khoury LLP, <i>Counsel to Debtors</i>	\$30,000, less retainer of approximately \$19,000, for net fees of approximately \$11,000.00
B Erickson Group, LLC, <i>Financial Advisor</i>	\$10,000, less retainer of \$7,500, for net fees of approximately \$2,500
Darmody, Merlino & Co., LLP, <i>Accountant</i>	\$ 5,000

Estimated Total Professional Fees after escrow and retainers	\$ 18,500
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All administrative claims relating to expenses incurred during the Debtor's reorganization case, on account of the employment of Professional Persons, as defined in Article I, above, at least through and including thirty (30) days prior to the first date scheduled for the Confirmation Hearing, shall be made the subject of applications for allowance of fees and reimbursement of expenses ("Fee Applications") which shall be filed on or before _____, **2016 at 4:30 p.m.** Any such Fee Application may include a request for payment of anticipated fees and expenses through the Effective Date of the Plan to the extent such fees and expenses can be reasonably determined.

A. Classes 1A through 1F – Secured Claims

A claim is "secured" when a creditor holds a lien on particular assets ("collateral") to assure payment of the claim. In general, proceeds from any sale of collateral must be applied first to the repayment of any claims secured by the collateral. If the amount of the claim exceeds the value of the collateral, then the claim is considered to be a "secured claim" under bankruptcy law only to the extent of value of the collateral.

The bankruptcy law permits the holder of a secured claim to require that the claim be paid in full. If full payment is not made as soon as the plan of reorganization takes effect, then the secured creditor is entitled to keep its lien or to receive equivalent assurance of payment.

EACH OF THE FOLLOWING CONSTITUTES A SEPARATE CLASS

Class 1A – Cape Cod Five (\$1,097,222 Adjustable Term Note dated February 16, 2012:

This note is secured by, among other things, a first mortgage on the Attucks Facility. The borrowers are CCCLS and This Is It. As of the May 3, 2016, Cape Cod Five is owed the outstanding balance of \$1,259,041.78 which includes interest, fees and expenses. In full satisfaction of the Class 1A claim, the Debtors shall execute a new promissory note and mortgage in favor of Cape Cod Five in the full amount of the Allowed Claim. The new note shall have a term of sixty (60) months, with a twenty (20) year amortization, with an interest rate of six percent (6%), and other commercial terms as provided in the existing loan documents, including the default rate of interest and the rights of Cape Cod 5 upon any default. The new note shall be secured by a first position security interest in the Attucks Facility and a first priority security interest in all personal property of the Debtors. The new note shall be guaranteed by the existing guarantors, and any party holding more than a 20 percent ownership interest in the reorganized debtor.

Class 1A is impaired.

Class 1B – Cape Cod Five \$1,356,860 Adjustable Term Note dated February 16, 2012, as amended:

This note is secured by, among other things, a first position security interest in certain of the equipment of CCCLS, in particular the Tunnel Washer. The borrowers are CCCLS and This Is It. As of May 3, 2016, Cape Cod Five is owed the outstanding balance of \$1,129,833.02 which includes interest, fees and expenses. In full satisfaction of the Class 1B claim, the Debtors shall execute a new promissory note and mortgage in favor of Cape Cod Five in the full amount of the Allowed Claim. The new note shall have a term of sixty (60) months, with a ten (10) year amortization, with an interest rate of six percent (6%), and other commercial terms as provided in the existing loan documents, including the default rate of interest and the rights of Cape Cod 5 upon any default. The new note shall be secured by a third position security interest in the Attucks Facility and a first priority security interest in all personal property of the Debtors. The new note shall be guaranteed by the existing guarantors, and any party holding more than a 20 percent ownership interest in the reorganized debtor.

Class 1B is impaired.

Class 1C – Cape Cod Five \$800,000 Term Note dated May 16, 2008:

This note is secured by, among other things, a security interest in the assets of CCCLS. The borrower is CCCLS. As of May 3, 2016, Cape Cod Five is owed the outstanding balance of \$587,311.61 which includes interest, fees and expenses. In full satisfaction of the Class 1C claim, the Debtors shall execute a new promissory note and mortgage in favor of Cape Cod Five which shall include the full amount of the Allowed Claims in Class 1C, 1D and 1E. The new note shall have a term of sixty (60) months, with a ten (10) year amortization, with an interest rate of six percent (6%), and other commercial terms as provided in the existing loan documents, including the default rate of interest and the rights of Cape Cod 5 upon any default. The new note shall be secured by a third position security interest in the Attucks Facility and a first priority security interest in all personal property of the Debtors. The new note shall be guaranteed by the existing guarantors, and any party holding more than a 20 percent ownership interest in the reorganized debtor.

Class 1C is impaired.

Class 1D – Cape Cod Five \$300,000 Demand Note dated June 15, 2007, as amended:

This note is secured by, among other things, a security interest in the assets of CCCLS. The borrower is CCCLS. As of May 3, 2016, Cape Cod Five is owed the outstanding balance of \$70,570.08 which includes interest, fees and expenses. In full satisfaction of the Class 1D claim, the Debtors shall execute a new promissory note and mortgage in favor of Cape Cod Five which shall include the full amount of the Allowed Claims in Class 1C, 1D and 1E. The new note shall have a term of sixty (60) months, with a ten (10) year amortization, with an interest rate of six percent (6%), and other commercial terms as provided in the existing loan documents, including the default rate of interest and the rights of Cape Cod 5 upon any default. The new note shall be

secured by a third position security interest in the Attucks Facility and a first priority security interest in all personal property of the Debtors. The new note shall be guaranteed by the existing guarantors, and any party holding more than a 20 percent ownership interest in the reorganized debtor.

Class 1D is impaired.

Class 1E – Cape Cod Five \$160,000 Term Note dated March 18, 2011, as amended:

This note is secured by, among other things, a security interest in the assets of CCCLS. The borrower is CCCLS. As of May 3, 2016, Cape Cod Five is owed the outstanding balance of \$84,841.72 which includes interest, fees and expenses. In full satisfaction of the Class 1E claim, the Debtors shall execute a new promissory note and mortgage in favor of Cape Cod Five which shall include the full amount of the Allowed Claims in Class 1C, 1D and 1E. The new note shall have a term of sixty (60) months, with a ten (10) year amortization, with an interest rate of six percent (6%), and other commercial terms as provided in the existing loan documents, including the default rate of interest and the rights of Cape Cod 5 upon any default. The new note shall be secured by a third position security interest in the Attucks Facility and a first priority security interest in all personal property of the Debtors. The new note shall be guaranteed by the existing guarantors, and any party holding more than a 20 percent ownership interest in the reorganized debtor.

Class 1E is impaired.

Class 1F – \$905,000 SBA Term Note dated August 2, 2012:

This Note is secured by a second mortgage on the Attucks Facility. The borrower is CCCLS and the guarantor is This Is It. As of the Petition Date, the SBA is owed the outstanding balance of approximately \$1,100,000, which includes interest, fees and expenses.

In full satisfaction of the Class 1F claim, the Debtors shall execute a new promissory note and mortgage in favor of the SBA in the full amount of the secured portion of the SBA debt, which is \$43,900. The new note shall have a term of sixty (60) months, with a twenty (20) year amortization, with an interest rate of six percent (6%), and other commercial terms as provided in the existing loan documents, including the default rate of interest and the rights of the SBA upon any default. The new note shall be secured by a second position security interest in the Attucks Facility and a second priority security interest in all personal property of the Debtors. The new note shall be guaranteed by the existing guarantors.

The remainder of the SBA claim shall be a general unsecured claim and treated as a Class 4A Claim.

Class 1F is impaired.

Class 1G – Town of Barnstable Municipal Lien

The Town of Barnstable has a secured claim against both Debtors, in the approximate amount of \$75,000, for unpaid taxes, sewer and water bills. On the Effective Date, the Debtors shall pay the Town of Barnstable in full in satisfaction of its Class 1G claim.

Class 1G is unimpaired.

Remaining Secured Claims that are Wholly Unsecured

In addition to the Secured Claim classified above, the Debtors have the following obligations originally secured by assets of the Debtors. However, since the value of the collateral is exceeded by the amount of the senior liens, these claims shall be treated as Class 4A general unsecured claims:

1. \$1,294,000 SBA Term Note dated August 2, 2012: This Note is secured by a second position security interest on the assets of CCCLS. The borrower is CCCLS. As of the Petition Date, the SBA is owed the outstanding balance of approximately \$1,300,000, which includes interest, fees and expenses.
2. \$650,000 MGCC Term Note dated October 26, 2012 (the “MGCC Note”): This Note is secured by a third position security interest on the assets of CCCLS. The borrower is CCCLS. As of the Petition Date, the MGCC is owed the outstanding balance of approximately \$625,000, which includes interest, fees and expenses. The Debtors assert that the MGCC Note is wholly unsecured.

C. Class 2 – Priority Claims (Non-Tax)

The Bankruptcy Code entitles certain types of prepetition unsecured claims to be paid in full prior to other claims. These "priority claims" include wages incurred within 90 days and employee benefits incurred within 180 days before the beginning of the Chapter 11 case or the date of cessation of the debtor's business, whichever occurs first (up to \$10,000 per employee), and most taxes arising before the Chapter 11 case.

Section 1129(a)(9)(A) of the Code requires, with respect to priority claims that, except to the extent the holder of such priority claim has agreed to a different treatment of such claim, on the effective date of the plan, holders of such claims “receive on account of such claim cash equal to the allowed amount of such claim.” Under the Plan, holders of Class 2 claims, if any, will receive cash payment in the full amount of their claims on the effective date.

The Debtors do not believe that there are any priority claims in this case.

Class 2 is unimpaired.

D. Class 3 – Priority Tax Claims.

Priority claims also include certain tax claims, as set forth in Section 507(a)(8) of the Bankruptcy Code. The treatment of priority and secured tax claims is set forth in Section 1129(a)(9)(C) and (D) of the Code. The Debtors do not believe there are any Class 3 claims.

Class 3 is impaired.

E. Classes 4A and 4B – General Unsecured Claims

Unsecured claims not entitled to priority under the Bankruptcy Code are called “general unsecured claims.” If you loaned money without collateral or supplied goods or services to the Debtors prior to the dates on which they filed their bankruptcy petitions and you have not been paid, then you probably hold a general unsecured claim. Holders of general unsecured claims also include secured creditors whose claims exceed the value of their collateral.

In order to be allowed, a general unsecured claim must either be set forth in a proof of claim properly filed with the Bankruptcy Court on or before the deadline established by the Court (August 12, 2016) or listed by the Debtors in their Schedules of Liabilities filed with the Bankruptcy Court as an obligation other than a liability that is disputed, unliquidated or contingent. Even a properly filed or scheduled claim may still be disallowed if any objection to the claim is filed and granted by the Bankruptcy Court. The objection procedure is described in Section VI below.

EACH OF THE FOLLOWING CONSTITUTES A SEPARATE CLASS

Class 4A – Allowed Unsecured Claims of CCCLS

Class 4A consists of all general unsecured creditors of CCCLS.

The Debtors project that the principal amount of allowed Class 4 general unsecured claims will total approximately \$2,650,000. This includes deficiency claims of the SBA and MGCC, as well as all other holders of general unsecured claims. As set forth in the Liquidation Analysis below, in a liquidation, unsecured creditors would likely receive no distribution on account of their claims. Nevertheless, CCCLS shall pay to each holder of an allowed Class 4 claim a total amount equal to twenty five percent (2025%) of such Allowed Claim, payable over fourfive years. Payment shall be made from the cash flow of operations. The initial twenty-five percent (2520%) of the payment shall be made on the Effective Date, and the remaining payments shall be made over a period of four (4five (5)) years, and will be payable in sixteen (16)twenty equal, consecutive quarterly payments, beginning on the first day of the first full quarter after the Effective Date.

In addition, Class 4A claimants shall receive: (a) seventy-five percent (75%) of any cash over the budgeted Cash at End of Period for the period corresponding to the Effective Date

anniversary each year for five (5) years; and (b) in the event of a sale of the company or substantially all of its assets within five (5) years of the Effective Date, seventy-five percent (75%) of the net proceeds up to a maximum of 100 percent of their claims. A sale for these purposes shall not include a refinancing that results in the payment in full of the debt to Cape Cod Five, but results in no other funds to the Debtor.

Class 4A is impaired.

Class 4B – Allowed Unsecured Claims of This Is It

Class 4B consists of all general unsecured claims of This Is It. The only members of such class are the Small Business Administration and Mass Growth Capital Corp, each of which holds undersecured mortgages on the This Is It Property. (See p. ~~---~~9, above). Class 4B creditors will receive their distributions as Class 4A creditors, but will receive no separate distribution as Class 4B creditors.

Class 4B is impaired.

F. Class 5 – Equity and Beneficial Interests

Upon confirmation, all equity interests in the Debtors and their properties shall be cancelled, and reissued to a family trust which shall include the following beneficial interests:

CCCLS: Patrick Ehart – 100 percent

TII: Patrick Ehart – 60.2 percent
Paige Ehart – 19.9 percent
Lane Ehart – 19.9 percent

In order to address concerns raised by creditors who hold personal guaranties of the current principals of the Debtor, Jeffrey and Anne Ehart, in the event that the new holders of the equity interests in the Reorganized Debtor sell the stock or substantially all of the assets of the reorganized Debtors within five (5) years of the Effective Date, creditors of the Debtors who hold personal guaranties against the current principals reserve the right to challenge the treatment of the Class 5 interests as a constructive fraudulent transfer, and the owners of the Reorganized Debtors have the right to oppose such challenge. Such rights shall expire on the fifth anniversary of the Effective Date.

Class 5 is unimpaired

VI. Claims Objections

The Debtor intends to file objections to claims within 30 days of the Effective Date of the Plan. No claim will be paid unless it is allowed by the Bankruptcy Court. If you filed a proof of claim before the deadlines established by the Court, then your claim will be automatically allowed unless a Debtor or another interested party files a written objection with the Court before the time periods set forth below. Similarly, even if you did not file a proof of claim, if your claim is listed in the Schedules of Liabilities filed by the Debtors as an obligation that is not disputed, unliquidated or contingent, then your claim will be automatically allowed unless an objection is filed with the Court before the deadlines set forth below.

If an objection to your claim is filed, a copy of the objection will be sent to you. You will also receive a notice specifying the deadline for you to file a written response to the objection, as

well as the date, time and place of the hearing regarding the merits of your claim. If your claim is then allowed, you will be entitled to receive a distribution on account of your Allowed Claim as provided by the Plan.

In order to ensure that there are funds available to make the appropriate distribution on account of disputed claims that are ultimately allowed (in whole or in part), the Plan provides for the Debtors to hold in reserve the pro-rata amount to which such holder would be entitled if its claim were allowed in the full amount asserted. If a claim to which an objection has been filed is allowed by the Court, the holder will receive the amount to which it is entitled. If the claim is allowed in a reduced amount or disallowed, then the reserved funds not necessary to pay the claim will go back to the Debtors.

A. Objections to Pre-Petition Claims

All claims that arose prior to the dates on which each of the Debtors' bankruptcy petitions were filed and are either (i) listed on the Debtor's Schedules and not listed as disputed, contingent or unliquidated, or (ii) the subject of a timely filed Proof of Claim, shall be allowed in full, unless such claim is objected to within 30 days of the Effective Date of the Plan.

Claims based upon the rejection of an executory contract or unexpired lease shall not be deemed timely filed and shall be disallowed unless a proof of claim has been filed by the later of the Bar Date or 30 days after the entry of an order rejecting such executory contract or unexpired lease.

B. Bar Date for and Objection to Post-Petition Claims

Any claim entitled to priority under Code Section 503(b), except for claims of Professional Persons, shall be forever barred unless it is the subject of a proof of claim filed with the Bankruptcy Court and served by the Administrative Claim Bar Date. Such proof of claim will be allowed in full unless such claim is objected to within 30 days of the Effective Date of the Plan.

VII. Implementation of the Plan

A. Consummating the Plan

On the Effective Date, the Debtors shall commence making payments under the Plan and according to the Budget. All property of the Debtors, including property of the estate under 11 U.S.C. Section 541, shall be vested in the Debtors free and clear of any claims, liens and encumbrances, except for the liens granted hereunder or to be retained under the Plan.

B. Distributions

a. Delivery of Distributions. Distributions, deliveries, and any notice to holders of Allowed Claims will be made at (i) the addresses set forth in any proof of claim filed by the holders of such Allowed Claims or, if none, at the address set forth in the Debtors' Schedules, or (ii) at the addresses set forth in any written notices of address changes delivered to and received by the Debtors after the Effective Date. If any Distribution is returned as undeliverable, no further distributions to the holder will be made unless and until the Debtors are notified of the holder's then current address, at which time all returned Distributions will be made to the holder without interest. All claims for undeliverable Distributions must be made to the Debtors on or before one hundred and twenty (120) days from the date of mailing or other form of delivery of such Distribution. After that date, all unclaimed property shall be repaid to the Debtors and the Claim of any holder with respect to such property will be discharged and forever barred.

b. Time Bar to Cash Payments. Checks issued by the Debtors in respect of Allowed Claims will be null and void if not cashed within 90 days of the date of their issuance. Requests for reissuance of any check shall be made to the Debtors by the holder of the Allowed Claim which respect to which the check originally was issued. Any claim in respect of such a voided check must be made on or before one hundred and twenty (120) days after the date of issuance of the check (unless extended in the sole and exclusive discretion of the Debtors). After that date, all claims in respect of void checks will be discharged and forever barred and the cash, including interest earned thereon, if any, shall be distributed in accordance with the terms of this Plan.

c. De Minimis Distributions. No cash payment of less than ten dollars (\$10.00) will be made by the Debtors to any creditor unless a request is made in writing to the Debtors to make such a payment within 45 days after the date that such payment became due.

C. Discharge

Except as otherwise provided in the Plan or the Confirmation Order, upon the Effective Date, pursuant to Section 1141(d)(1) of the Bankruptcy Code, the Debtors shall be discharged and released of and from any and all debts, liabilities of Claims arising on or before the Confirmation Date, including, without limitation, all principal and interest, and whether or not (a) a proof of claim or interest is filed or deemed filed under Section 501 of the Bankruptcy Code, (b) such Claim or Interest is Allowed under Section 502 of the Bankruptcy Code, or (c) the holder of such Claim or Interest has accepted the Plan.

Nothing in the Plan shall discharge or release the obligations of non-Debtor guarantors to creditors of the Debtors.

D. Other Duties and Responsibilities of the Debtors

In addition to the various obligations and duties of the Debtors described elsewhere in the Plan, the Debtors shall have the following specific duties and powers:

- a. preparation and filing of all required tax returns including the right to request a determination of tax liability as set forth in Bankruptcy Code Section 505. All 2015 state and federal tax returns for the Debtors have been filed or shall be filed by the date set for the hearing on confirmation of the Plan;
- b. preservation or liquidation of assets or the distribution of proceeds of assets;
- c. payment of post-confirmation fees due to the Office of the United States Trustee;
- d. filing of status reports with the Bankruptcy Court or other parties in interest; and
- e. filing a motion for Final Decree;

E. Obligations to the United States Trustee

The Debtors will be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6). After confirmation, the Debtors will serve the United States Trustee with a monthly financial report for each month (or portion thereof) the case remains open. The monthly financial report shall include the following:

- a. a statement of all disbursements made during the course of the month, whether or not pursuant to the plan;
- b. a summary, by class, of amounts distributed or property transferred to each recipient under the plan, and an explanation of the failure to make any distributions or transfers of property under the plan;
- c. Debtors' projections as to their continuing ability to comply with the terms of the plan;
- d. a description of any other factors which may materially affect the Debtors' ability to consummate the plan; and
- e. an estimated date when an application for final decree will be filed with the court (in the case of the final monthly report, the date the decree was filed).

F. Postpetition Management of the Debtors

The Reorganized Debtors will continue to be managed by the current owner and his family. Below is a summary of their positions and salaries. No member of the Ehart family shall take a shareholder distribution during the period covered by the Budget, except to the extent needed to pay taxes for the pass-through entity. During the Budget period, compensation for the Eharts will not exceed amounts set forth in the Budget:

D. Jeffrey Ehart	President	\$143,000/year
Patrick Ehart	CFO	\$100,360/year
Anne Ehart	Administrative	\$46,000/year

VIII. Executory Contracts and Unexpired Leases

The Bankruptcy Code permits the rejection of executory contracts and unexpired leases that are burdensome to the Debtors' estates. As of the Effective Date, all executory contracts and unexpired leases, except those expressly rejected by prior Court order, shall be deemed assumed.

Any claim for damages arising from the rejection of an executory contract or unexpired lease shall, upon allowance, be a Class 4 general unsecured claim against the estate. Proof of such Claim must be filed by the later of the Bar Date or 30 days after entry of an order rejecting such executory contract or unexpired lease, or the claimant shall be forever barred from asserting such Claim.

IX. Acceptance and Confirmation of the Plan

The bankruptcy law provides that any class of creditors or stockholders whose rights are "impaired" (that is, not fully honored) under a proposed plan of reorganization has the right, as a class, to accept or reject the plan. Each member of the class may vote on this decision. A class of creditors accepts the Plan if more than one-half of the ballots that are timely received from members of the class, representing at least two-thirds of the dollar amount of claims for which ballots are timely received, are voted in favor of the Plan.

Classes 1A, 1B, 1C, 1D 1E, 1F, 3, 4A and 4B are impaired, and may therefore vote to accept or reject the plan. Classes 2 and 5 are unimpaired and may not vote.

Included in the same envelope containing this document is a ballot by which you may vote to accept or reject the Plan. Instructions for completing and returning the ballot are found on the ballot itself. **IN ORDER FOR YOUR VOTE TO COUNT, IT MUST BE RECEIVED BY THE UNDERSIGNED COUNSEL NOT LATER THAN 4:30 P.M. (EASTERN STANDARD TIME) ON _____.**

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan for _____ **(Eastern Time)** which shall be held in the United States Bankruptcy Court before the Honorable Joan N. Feeney, located at _____. Any objection to confirmation of the Plan must be filed with the Bankruptcy Court and served on Debtor's Counsel, by **4:30 p.m. (Eastern Time) on _____.**

The Debtor's Plan will be confirmed if it meets the requirements set forth in the Bankruptcy Code. Among these requirements are:

- The Plan must have been accepted by at least one impaired class of creditors.
- If any class rejects the Plan, the Bankruptcy Court must find that the Plan is fair and equitable to, and does not unfairly discriminate against, such class.
- If any creditor does not accept the Plan, the Bankruptcy Court must determine that the Plan provides such creditor with at least as great a distribution as the creditor would receive in a Chapter 7 liquidation. The Debtors' management believes that, as illustrated in the liquidation analysis set forth below, this requirement has been established. In fact, the Plan provides that holders of Allowed Class 4 unsecured claims will receive more under the Plan than in a liquidation, where such creditors would not receive any dividend.
- The Bankruptcy Court must determine that confirmation of the Plan is not likely to be followed by the need for liquidation (except as contemplated by the Plan) or further reorganization. Debtor's management asserts that, as set forth in the Budget and based upon the actions undertaken by the Debtor during the Proceedings, confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

Assuming that the Plan is otherwise confirmable, the Debtors reserve the right to seek confirmation even if one or more classes vote to reject the Plan. The Bankruptcy Code contains provisions for confirmation of a plan where at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in Section 1129(b) of the Bankruptcy Code. A plan of reorganization may be confirmed under the cramdown provisions if, in addition to satisfying the usual requirements of Section 1129 of the Bankruptcy Code, it (i) does not discriminate unfairly and (ii) is fair and equitable with respect to each class of claims that is impaired under and has not accepted the plan.

In addition, the Debtors reserve the right, in order to resolve any objection to confirmation of the Plan or otherwise, to modify the Plan without further notice or disclosure, so long as the modification does not adversely change the treatment of any creditor who has not accepted the modification.

The requirement that a plan of reorganization not "discriminate unfairly" means that a dissenting class must be treated equally with respect to other classes of equal rank. The Debtors believe that their Plan does not "discriminate unfairly" with respect to any class of Claims.

X. Alternatives to the Plan: Liquidation

If the Plan is not confirmed, the only viable alternative would be a liquidation of the Debtor's assets. To calculate what creditors would receive if the Debtors were to be liquidated, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated

from the Debtors' assets if the Chapter 11 case were converted to a Chapter 7 case under the Bankruptcy Code and the assets were liquidated by a trustee in bankruptcy (the "Liquidation Value"). The Liquidation Value would consist of the net proceeds from the disposition of the assets of the Debtors.

The Liquidation Value available to general unsecured creditors would be reduced by (a) the Allowed Secured Claims, the unpaid prepetition priority claims, and (b) by the costs and expenses of the liquidation, as well as other administrative expenses of the Debtors' Chapter 11 and Chapter 7 estates. The Debtors' costs of liquidation under Chapter 7 would include the compensation of a trustee, as well as of counsel and of other professionals retained by the trustee; disposition expenses; all unpaid expenses incurred by the Debtors during the Chapter 11 case (such as compensation for attorneys) which are allowed in the Chapter 7 proceeding; litigation costs; and claims arising from the operation of the Debtor's business during the pendency of the Chapter 11 reorganization and Chapter 7 liquidation cases.

The liquidation valuation of a business is often a contested issue in a Chapter 11 case. Two methods of valuation widely used are the so-called "auction" method and the "going concern" method. Using the auction approach, assets tend to be valued as though they were sold at a public auction and not in use at the time of the sale. The auction method is widely used with tangible personal property such as trucks, trailers and tractors, assets which you can touch and feel and which are easily valued as a function of the initial purchase price and subsequent depreciation from use. The latter approach, the going concern method, tends to value assets based upon its contribution to earnings. The going concern method tends to be used with assets that tend not to suffer a decline from use such as accounts of a utility, maintenance contracts and the like.

If the Plan were not confirmed, and the assets of the Debtors were liquidated, below is a chart showing the likely net value of the assets, after satisfaction of the secured claims:

A. This Is It

<u>Asset</u>	<u>Value</u>
880 Attucks Lane	\$1,300,000 (per appraisal)
<u>Secured Liabilities</u>	<u>Value</u>
Cape Cod Five Mortgage	1,259,041
SBA Mortgage	919,000
MGCC Lien	717,000
Liability Total	\$2,872,426
Available:	0.00

B. CCCLS

<u>Asset</u>	<u>Value</u>
Cash	\$ 258,000
Accounts Receivable	1,044,000
Equipment and Machinery	<u>828,850</u>
Asset Total	\$2,127,850
 <u>Secured Liabilities</u>	
Cape Code Five Lien	\$1,800,000
SBA Lien	1,300,000
MGCC Lien	<u>717,000</u>
Liability Total	\$3,725,000
 Available:	 0.00

Copies of the summary pages of the Appraisals supporting the Liquidation Analysis are attached hereto as **Exhibit C**. Full appraisals are available upon request.

XI. Best Interests Test and Absolute Priority Rule

As noted above, a liquidation of the Debtor in a Chapter 7 proceeding would likely yield no funds available for a distribution to unsecured creditors, and therefore, such creditors would receive no dividend. As general unsecured creditors will receive or retain under the Plan, on account of such claims, a dividend equal to twenty percent of their claims, it is evident that such creditors will receive more under the Plan than under a liquidation. Accordingly, the Plan satisfies the best interest test under Section 1129(a)(7) of the Bankruptcy Code.

Section 1129(b)(2)(B)(ii) of the Bankruptcy Code is known as the Absolute Priority Rule. It provides that a plan cannot be confirmed if all classes of creditors do not vote in its favor, and unless the plan provides that: “the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.” Therefore, if a debtor retains property that has some value under the plan, where creditors are not receiving payment in full, the plan could violate the Absolute Priority Rule.

In this Plan, the principals are retaining their interest in the equity of CCCLS and This Is It. However, since the businesses have no net value, they are not violating the Absolute Priority Rule.

Further, courts have recognized an exception to the Absolute Priority Rule, referred to as the New Value Exception, which provides that that the contribution of new capital in money or money's worth, in return for a future participation in an enterprise which is reasonably equivalent to the contribution, does not violate the Absolute Priority Rule. Under this Plan, the new equity holders are providing personal guaranties of the debt to the Bank as an inducement for the Bank to accept this Plan. The Debtors submit that such personal guaranties constitute money's worth equivalent to meet the New Value Exception.

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XII. Feasibility

The Plan is based on the Budget, which has been developed by the Debtors and their financial consultant. The assumptions in the budget are reasonably conservative and based upon historical cash flow patterns as well as figures generated during the course of the Debtors' Chapter 11 proceeding. Therefore, in accordance with Section 1129(a)(11) of the Code, confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor.

Attached hereto as **Exhibit D** is a profit and loss statement for the Debtors for the 12-month period ending August 31, 2016.

XIII. Federal Income Tax Consequences

It is not practicable to present a detailed explanation of the possible federal or state income tax consequences of the Plan on holders of Allowed Claims, and the Debtor expresses no opinion as to the tax consequences. All parties affected by the Plan are urged to seek advice from their own tax professionals. However, set forth below is a brief summary of some of the federal tax consequences of the Plan on creditors.

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 intends to continue its existence and business operations, it will 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 Internal Revenue Code (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 Debtors' 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 Debtors 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 Debtors do 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 Debtors' 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 Debtors 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 Debtors under the Plan provided that holder previously deducted the liability to the Debtors 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 Debtors 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 DEBTORS MAKE 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.

XIV. Disclaimers

THE CONTENT OF THIS PLAN AND 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. NO REPRESENTATIONS CONCERNING THE DEBTOR, INCLUDING THOSE RELATING TO THEIR FUTURE BUSINESS OPERATIONS, OR THE VALUE OF THEIR ASSETS, ANY PROPERTY, AND CREDITORS' CLAIMS, INCONSISTENT WITH ANYTHING CONTAINED HEREIN HAVE BEEN AUTHORIZED. THE DEBTOR DOES 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 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.

XV. Conclusion

The Bankruptcy Court has determined that this 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 Debtors to provide creditors with full payment of their allowed claims, and thus urges you to vote to accept the Plan.

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

David B. Madoff
MADOFF & KHOURY LLP
124 Washington Street
Foxboro, MA 02035

508-543-0040

Respectfully submitted this ~~14th~~23rd day of September, 2016.

CAPE COD COMMERCIAL LINEN
SERVICE, INC.

By: /s/ D. Jeffrey Ehart
D. Jeffrey Ehart, President

THIS IS IT, LLC

By: /s/ D. Jeffrey Ehart
D. Jeffrey Ehart, Manager

Filed by their attorneys,

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