

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW HAMPSHIRE

In Re: Kleen Laundry and
Drycleaning Services, Inc.
Debtor-In-Possession

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Chapter 11
Case No. 16-11079-BAH

**DEBTOR-IN-POSSESSION'S FIRST AMENDED DISCLOSURE STATEMENT DATED
SEPTEMBER 28, 2016 TO ACCOMPANY DEBTOR-IN-POSSESSION'S FIRST
AMENDED PLAN OF REORGANIZATION DATED SEPTEMBER 28, 2016**

NOW COMES Kleen Laundry and Drycleaning Services, Inc., Debtor and Debtor-in-Possession, by its attorneys, Ford & McPartlin, P.A., and makes the following Disclosure Statement in connection with the above-captioned Plan of Reorganization to all creditors, claims holders and interest holders.

INSTRUCTIONS FOR BALLOTS

With this Disclosure Statement you will receive a ballot. It is important that you vote. Review the Ballot. Determine which Class includes the claims or claims that you hold. On the line for that Class, check either accepts (if you vote in favor) or rejects (if you wish to vote against) the Debtor-in-Possession's Plan. Include the amount of your claim. Return the complete and signed Ballot to Ford & McPartlin, P.A., Attention: Edmond J. Ford, Esquire, 10 Pleasant Street, Suite 400, Portsmouth, New Hampshire 03801. (Fax: 603-433-2122, if necessary; email: eford@fordlaw.com). Your Ballot must be received at that address (not the address for the Bankruptcy Court) on or before _____, 2016, or it will not count. Do not mail your Ballot to the Debtor. Do not mail your Ballot to the Bankruptcy Court.

The Debtor-in-Possession has proposed a Plan of Reorganization (the "Plan"). The Plan accompanies this Disclosure Statement. The Debtor-in-Possession asks you to vote in favor of

the Plan. The Court may approve the Plan if it is fair and equitable, and if it is accepted by at least one class of impaired creditors, not including insiders. Your vote either in favor or against this Plan is important to its approval or rejection.

Voting is by class. A class votes to approve the Plan if more than one-half in number and more than two-thirds in amount of all voting holders of claims in the class vote in favor of the Plan. Your vote matters.

The term “unsecured creditors” means essentially all trade debt and all other creditors to the extent that any collateral held by them is not worth as much as the owed to them. The Plan anticipates distribution of approximately \$93,833,000 in cash to unsecured creditors together with additional payments over five years in the amount of \$350,000 plus interest. The total principal and interest will be \$396,250 in addition to the initial payment of \$93,833 for an ultimate dividend over five years of \$490,083.00, or approximately 21.6%. There may also be a distribution from proceeds of certain claims retained by the Plan Trustee. The Debtor does not anticipate a material additional dividend from those claims. The Debtor anticipates that the dividend of \$490,083 will be shared among approximately 2,269,226. in **unsecured claims** for a dividend of approximately **21.6% over five years beginning with an initial dividend of approximately 4% on or before approximately February 15, 2017.**¹

The Official Committee of Unsecured Creditors, with the aid of highly skilled and experienced bankruptcy attorneys, has spent many hours negotiating with the Debtor over the terms of this Plan. As a result of their efforts, the dividend to unsecured creditors has been substantially increased. THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.

¹ Except for claims as to which objections have been filed in which case the payment will be the later of February 15, 2017 or twenty one days after the claim is allowed.

SUMMARY OF PLAN

The Plan provides for the auction sale of the business while it is a going concern. The essence of the Plan is that the business is sold. The proceeds from the sale of the business are then distributed to creditors with the first \$850,000.00 being paid to the first lien holder, then to creditors in order of priority.

DEBTOR'S HISTORY

What follows is the Debtor-in-Possession's view of the relevant history of the Debtor and thereafter of the Debtor-in-Possession's prospects. Such Debtor-in-Possession's views as are expressed in this Disclosure Statement, including without limitation, as to the business and its prospects, are its views only, and Court approval of this Disclosure Statement does not constitute a factual finding as to any such assertions, except as may be explicitly provided in any order approving this Disclosure Statement.

The Debtor, Kleen Laundry and Drycleaning Services, Inc., (sometimes the "Debtor" or "Kleen") is a New Hampshire corporation formed in the State of New Hampshire on June 20, 1950 as Lebanon Laundry and Dry Cleaners, Inc. The corporate name was changed to Kleen Laundry and Drycleaning Services, Inc. on May 16, 1967. Kleen Laundry and Drycleaning Services, Inc. merged with Kleen Linen Service, Inc. on December 29, 1972 and was the surviving entity. At the time the Ch. 11 petition was filed, the sole shareholder of Kleen Laundry and Drycleaning Services, Inc. was Kleen LD, LLC (formerly Kleen LLC and hereinafter referred to as "Kleen LD, LLC") which in turn is solely owned by Kleen/Envoy Services, LLC, a Delaware limited liability company (sometimes "Envoy"). The three directors of the Debtor are Edward Hazard, Dennis Kim, and Sean Melia. Immediately before the filing of the bankruptcy case, Jonathan Benjamin was removed as a director by vote of the Shareholder in as much as Mr.

Benjamin was out of the country at the time the petition was filed.

Timeline of Kleen's history:

1897: Lebanon Steam Laundry is founded, offers home laundry services.

1928: Joe Gosselin becomes sole owner of Lebanon Steam Laundry. Company expands services to include dry cleaning.

1959: Joe Gosselin's son, Leon, purchases Williams Laundry in West Lebanon, which provides services to local restaurants, motels, and Dartmouth College.

1965: June 4, 1965, Madeline Gosselin purchased the 1 Foundry Street property from Carter & Churchill Company. [Grafton County Registry of Deeds, Book 1018, Page 327]

1967: Williams Laundry and Lebanon Steam merge, creating Kleen Laundry and Dry Cleaning Inc. From approximately 1963 to 2006 the business is run by Thomas and James Gosselin.

1972: Kleen enters the healthcare industry after helping the Mary Hitchcock Hospital outsource its laundry operations.

1980: August 1, 1980, Madeline R. Gosselin conveyed the 1 Foundry Street location to Thomas and James Gosselin. [Book 1404, Page 369]. Thomas and James Gosselin then leased the property to the Debtor. [Book 1404, Page 375].

1982: Kleen opens a stand-alone laundromat in Lebanon.

1985: Kleen builds a new dry-cleaning processing plant, combining their three previous sites into one plant on Mechanic Street in Lebanon.

1993: Kleen starts new division called Kleenpak renting non-sterile, reusable gowns and towels to its hospital clients replacing paper gowns that created disposal issues for these clients.

2006: Kevin Melia and investors form Kleen LLC (now known as Kleen LD, LLC) and

through that entity purchase all of the shares of stock in Kleen from Thomas Gosselin for \$7.2 Million. As part of the purchase price Mr. Gosselin takes back a subordinated note from Kleen in the amount of \$1,200,000.00 (the “Gosselin Note”). At the same time, James and Thomas Gosselin leased the real estate to Kleen by leases dated July 11, 2006, with an initial term of ten years and option terms extending for a total of thirty five years ultimately terminating on July 10, 2041. In that same year, James and Thomas Gosselin conveyed the real estate to 1 Foundry Street Properties, LLC, the current landlord.

2012: January 31, 2012: Kleen “merges” with Envoy, based in Manchester, NH. The “merger” is implemented by a contribution to Envoy, of all of the membership interests in Kleen LD, LLC (formerly Kleen LLC), and the issuance to the members of Kleen LD, LLC of appropriate membership units in Envoy based upon the agreed relative value of Kleen and Envoy. The resulting corporate organization structure is diagramed in Exhibit A attached to this Disclosure Statement. In the “merger,” the former owners of Kleen LD, LLC acquired approximately 60% of the merged entity and the former Envoy owners retained approximately 40% of the merged entity. The “merger” preserved the separate existence of Kleen, which, at the time of the merger, provided commercial laundry services to hospitals and healthcare customers and dry cleaning and laundromat services in the Lebanon, New Hampshire area. That separate existence has been maintained from the date of the “merger” forward. Envoy, at the time of the “merger”, had three operating subsidiaries including Sterling Linen Services, LLC (commercial laundry services for the hotel and hospitality markets and hereinafter referred to as “Sterling”), Freitas Equipment, LLC (sells, repairs and maintains commercial laundry equipment and hereinafter referred to as “Freitas”) and Turning Bridge LLC (provides certain value-added linen and inventory management services hereinafter referred to as “Turning Bridge”).

June 27, 2012: Thomas Gosselin dies.

From January 31, 2012 through June of 2014, Kevin Melia was the Chairman of Kleen, Kleen LD, LLC and Envoy.

March 6, 2014: Envoy obtains an option to purchase the Gosselin Note (on which \$1,461,000 was then due) from the Gosselin Trust for \$1,100,000, contingent on refinancing.

June 17, 2014: Kevin Melia dies unexpectedly. Kevin Melia as Chairman was important to the operation and management of Kleen and to the refinancing which would have permitted the purchase of the Gosselin Note and would have extended the term of certain TD Bank liabilities. Shortly after his death, the contemplated refinancing fell through and withholding tax obligations were not met, resulting in the IRS claim that is Class 3 in this case.

August 12, 2015: Gregory Gosselin, as trustee of the Thomas L. Gosselin Family Trust, sued Kleen and Envoy for payment on the Gosselin Note.

December 9, 2015: the Gosselin Family Trust and Kleen settled the Gosselin Note lawsuit on terms that contemplated the entry of a judgment in favor of the Gosselin Trust and against Kleen in the amount of \$1,700,000 provided that it would be satisfied by payment of \$250,000 on or before June 30, 2016.

April 18, 2016: Austin Financial Services expresses interest in providing a \$2,000,000 line of credit to Envoy. More or less contemporaneously, New Hampshire Community Loan fund provided Envoy with its terms for the financing of \$1,700,000. Each such expression of interest was subject to due diligence conditions and a settlement with TD Bank, the terms of which had to be acceptable to the lenders.

July 19, 2016: 1 Foundry Street Properties, LLC served three notices of eviction with respect to the leases at 1 Foundry Street, 25 Mechanic Street, and 45 Mechanic Street, Lebanon,

New Hampshire, the Debtor's most important operating facilities. Absent the bankruptcy filing, the evictions would have been effective on July 26, 2016.

The bankruptcy case was filed on July 25, 2016.

Banking and Inter Company Relations -- The Two Halves of the Whole.

Kleen is approximately half of the revenue of the entire Envoy enterprise. It is, however, the more troubled half. Its troubles have infected the whole because the debt to TD Bank (which was historically mostly from the Kleen side) is now completely cross collateralized and cross guaranteed. The result is that if Kleen defaults on its bank debt, then both Kleen and Envoy are at risk.

The banking relationship with TD Bank also involved a line of credit and cash management relationship that used one central entity: Envoy. Before the bankruptcy case was filed, advances under the line of credit were deposited into a central account held by Envoy. Similarly, almost nightly, amounts deposited into each of the subsidiary accounts (including Kleen accounts) were swept by TD Bank into that same central Envoy account. Envoy then funded the individual operating accounts of Kleen, Sterling, Freitas and Turning Bridge to enable these entities to independently pay operating expenses. Occasionally, Envoy paid the bills of each of the subsidiaries from that account. So as a matter of cash flow and administrative convenience for TD Bank, before the bankruptcy case, receipts were moved nightly from each Envoy subsidiary, including Kleen, to Envoy, line-of-credit advances were advanced to the Envoy account and Envoy funded each subsidiary to allow the subsidiaries to pay operating expenses. Payroll at each subsidiary was funded by weekly transfers from the Envoy account to the Kleen payroll account as well as the payroll account of the other subsidiaries of Envoy. Occasionally, Envoy would directly pay Kleen operating expenses. Each transfer of funds was

recorded on Kleen's books as either a debit or a credit against the intercompany loan account.

The result of that intercompany accounting relationship has been that the bankruptcy of Kleen has impaired Envoy's ability to access funds. Envoy has worked out a forbearance agreement with TD Bank, but that forbearance is dependent on the consummation of the transactions contemplated by the Plan.

Operating Results of Kleen

Kleen over the last three years (2013-2015) has incurred net losses, and has continued to incur at net losses in 2016. Kleen has lost approximately \$600,000 over the last three years on an aggregate of just over \$25,000,000 in sales revenue during that period. Kleen has generated some positive EBITDA during this period, which suggests that at least one of the various problems Kleen faced was simply too much debt and too much debt service. It should be noted that prior to the Ch. 11 filing, Envoy charged Kleen \$150,000 for administrative expenses related to the services of the President and Chief Financial Officer and other Envoy overhead attributed to Kleen (the CEO and CFO were not W-2 employees of Kleen). This \$150,000 charge was an expense for Kleen and income for Envoy. The unaudited results for the last three years are as follows:

	Kleen Yearly Totals			
	2013	2014	2015	
Revenue	8,608,657	8,821,292	7,933,043	25,362,992
Labor / Personnel	2,879,973	3,138,325	2,861,552	
Utilities	1,545,321	1,525,364	1,378,261	
Transportation	1,281,010	1,347,712	1,027,591	
Chemical / Supplies / COGS	369,582	417,140	347,438	
Maintenance / Repairs	489,548	519,057	442,161	
Linen / Rental Linen	123,270	103,622	88,862	
Insurance	433,537	462,811	425,843	
Rent				

	393,853	402,146	403,490	
Other	69,816	69,012	57,748	
COGS	7,585,911	7,985,189	7,032,947	
Gross Profit	1,022,747	836,102	900,096	
S,G&A Personnel	365,083	283,253	273,249	
Office Supplies	82,560	68,258	78,963	
Travel & Entertainment	434	-	218	
Dues & Subscriptions	9,476	5,918	540	
Professional Services	40,642	36,407	35,281	
Other Admin	110,038	89,567	74,409	
Depreciation and Amortization	367,209	360,947	365,382	
Total S,G&A	975,442	844,349	828,042	
Operating Income	47,304	(8,246)	72,054	111,112
Interest	229,959	179,156	109,618	
Taxes & Other	67,764	67,764	67,764	
Net Income (losses)	(250,419)	(255,166)	(97,910)	(603,495)
EBITDA Adjustments	664,932	607,866	542,764	
EBITDA	414,513	352,700	437,437	1,204,650

Operating Results of Envoy

After the 2012 “merger” transaction in which Kleen became a subsidiary of Kleen LD, LLC and Envoy, Kleen and the Envoy subsidiary businesses continued to be operated on a separate basis. In fact, because Kleen is and was at all relevant times, a C Corporation for federal and state income tax purposes, Kleen was required to maintain its own separate books and accounts and file its own separate tax returns. Envoy and its subsidiaries, other than Kleen, were all limited liability companies subject to pass-through partnership tax treatment. In general, Kleen was the larger operation, with greater difficulties and a heavier debt load. The operating

results of the Envoy side were more positive and during years 2013-date, have subsidized the Kleen side. The Envoy unaudited operating results for 2013 through 2015 were as follows:

	Envoy Yearly Totals			
	2013	2014	2015	
Revenue	6,221,829	7,071,660	6,799,838	20,093,327
Labor / Personnel	2,365,832	2,835,983	2,493,986	
Utilities	403,558	641,809	475,574	
Transportation	537,418	607,119	403,218	
Chemical / Supplies / COGS	854,942	779,522	947,617	
Maintenance / Repairs	160,133	200,188	124,375	
Linen / Rental Linen	275,763	462,929	532,103	
Insurance	244,871	274,573	304,537	
Rent	151,097	144,037	199,417	
Other	27,031	25,258	25,472	
COGS	5,020,645	5,971,417	5,506,297	
Gross Profit	1,201,185	1,100,244	1,293,541	
S,G&A Personnel	799,786	537,205	589,452	
Office Supplies	9,522	14,870	17,558	
Travel & Entertainment	13,767	27,689	18,384	
Dues & Subscriptions	2,607	1,180	3,910	
Professional Services	84,179	73,647	101,506	
Other Admin	43,204	57,420	55,602	
Depreciation and Amortization	129,752	140,652	147,588	
Total S,G&A	1,082,817	852,664	934,000	
Operating Income	118,368	247,580	359,541	725,489
Interest	74,363	123,052	130,327	
Taxes & Other	7,156	33,296	(6,803)	
Net Income	36,849	91,232	228,600	356,681
EBITDA Adjustments				

	211,085	297,000	274,228	
EBITDA	247,934	388,232	510,244	1,146,410

Going Concern Valuation

Commercial laundry service is the core business of Envoy and its subsidiaries, including Kleen (focused on hospitals and healthcare) and Sterling (focused in hotels and hospitality). The business is generally a high volume, low margin business which is capital intensive to the extent significant industrial laundry equipment is utilized. At this point, the equipment of both Kleen and Sterling is substantially depreciated and relatively significant capital expenditures will need to be made by both Kleen and Sterling in order to repair/replace equipment and enhance operating efficiencies. The Debtor believes that a fair valuation for the combination of both Kleen and Envoy is three times EBITDA, yielding a value of the entire enterprise of about \$2,700,000 (\$900,000 x 3). Because the EBITDA from the Kleen side of the business is about \$400,000 annually, the value of the Kleen portion of the enterprise is about \$1,200,000 (\$400,000 x 3). All of the assets of both sides (Kleen and Envoy) are pledged to secure the debts from TD Bank, which debts are in excess of \$3,200,000. As a result, even on a going concern basis, there is no value in any of the businesses for unsecured creditors.

LIQUIDATION ANALYSIS

The Debtor would do the liquidation analysis in two ways: first, for the combination of both Kleen and Envoy and second just for Kleen. Either way, there is not nearly enough value to satisfy the secured debt. The basis of the liquidation analysis is the Appraisal done by the Joseph Finn Company in April 2016. A copy of that appraisal is attached hereto as Exhibit B.

The Debtors liquidation analysis of both Kleen and Envoy is as follows:

	More Conservative Estimates		More Aggressive Estimates	
AR (7/23 Borrowing Base)	1,468,991	AR	1,468,991	AR

	734,495	Collection Rate	50%	101,743	Collection Rate	75%
	110,174	Collection Cost	15%	165,261	Collection Cost	15%
	624,320	Net Proceeds		936,481	Net Proceeds	
Inventory (7/23 Borrowing Base)	1,500,016	Inventory		1,500,016	Inventory	
	231,002	Recovery	15%	381,004	Recovery	25%
	57,751	Cost	25%	95,251	Cost	25%
	173,252	Net Proceeds		285,753	Net Proceeds	
Fixed Assets:	1,100,000	FLV		1,100,000	FLV	
	880,000	Net FLV	80%	1,100,000	Net FLV	100%
	308,000	Cost	35%	385,000	Cost	35%
	572,000	Net Recovery		715,000	Net Recovery	
	1st Security Positions in FA			1st Security Positions in FA		
	192,000	VfG current debt		192,000	VfG current debt	
	255,000	Northstar Leasing		255,000	Northstar Leasing	
	30,000	Vehicle Loans		30,000	Vehicle Loans	
	477,000	Subtotal		477,000	Subtotal	
	95,000	Net FA Proceeds		238,000	Net FA Proceeds	
	892,572	Total Proceeds		1,460,234	Total Proceeds	

The Debtor concludes that on liquidation of both Kleen and Envoy, TD Bank would receive approximately \$900,000 to \$1,500,000 and there would be nothing remaining for unsecured creditors.

If just the Debtor were liquidated, the results would be equally or more dismal:

	More Conservative Estimates			More Aggressive Estimates		
Petition	960,000	AR		960,000	AR	
	480,000	Collection Rate	50%	720,000	Collection Rate	75%
	72,000	Collection Cost	15%	108,000	Collection Cost	15%

	408,000	Net Proceeds		612,000	Net Proceeds	
Petition	424,000	Inventory		424,000	Inventory	
	65,296	Recovery	15%	107,696	Recovery	25%
	16,324	Cost	25%	26,924	Cost	25%
	48,972	Net Proceeds		80,772	Net Proceeds	
Fixed Assets:	749,775	FLV		749,775	FLV	
	599,820	Net FLV	80%	749,775	Net FLV	100%
	209,937	Cost	35%	262,421	Cost	35%
	389,883	Net Recovery		487,354	Net Recovery	
	1st Security Positions in FA			1st Security Positions in FA		
	-	VfG current debt		-	VfG current debt	
	80,000	Northstar Leasing		80,000	Northstar Leasing	
	26,000	Vehicle Loans		26,000	Vehicle Loans	
	106,000	Subtotal		106,000	Subtotal	
	283,883	Net FA Proceeds		381,354	Net FA Proceeds	
	740,855	Total Proceeds		1,074,126	Total Proceeds	

The Debtor prepared an internal balance sheet maintained on a cost basis as of May 2016.

That balance sheet is substantially as follows:

ASSETS

Current Assets

Cash and Equivalents	35,229
Accounts Receivable	978,799
AR from Affiliates	2,017,330
Inventory	460,127
Other Current Asset	113,737

Total Current Assets **3,605,223**

Fixed Assets

Property Plant & Equipment

	10,559,229
Intangible Assets	177,631
Less accumulated D and A	(9,237,425)
Net Fixed Assets	1,499,435
Other Assets	-
Total ASSETS	5,104,658
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	1,391,068
Other Current Liability	1,039,599
Total Current Liabilities	2,430,667
Long Term Debt	
Kleen - Cap Equip Line	41,958
Kleen - TD Senior	718,714
Kleen - LNG Loan	671,207
Kleen - Cap Equip Line #2	28,668
Total Senior Term Debt	1,460,547
Auto 1	26,647
Total Asset Financing	26,647
Kleen Seller Paper	1,440,342
Total Subordinated Debt	1,440,342
2721 - Intercompany Loan	2,556,860
Total Member / Interco Loans	2,556,860
Total Long Term Debt	5,484,396
Total Liabilities	7,915,063
Total Equity	(2,810,406)
Total LIABILITIES & EQUITY	5,104,657

Intercompany Accounts. The intercompany transactions are depicted on the Kleen balance sheet in three places. First there is the asset "AR From Affiliates" in the amount of \$2,017,330; second, is the liability captioned "Interco Loan" in the amount of \$2,556,860; third

in accounts payable in the amount of about \$636,475.85 due to Sterling and \$115,247.37 due to Freitas. The numbers net out such that over the years the Envoy side has subsidized the Kleen side in the amount of about \$1,291,253. It should be noted that Kleen specific debt service was \$61,545/month. Envoy debt service was \$28,370 which does not take into account Kleen's allocable share of the use of proceeds of the line-of-credit loan. Debt service at Kleen had a significant negative impact on cash flow, which exacerbated Kleen's financial difficulties.

The AR from Affiliates comes from laundry done by Kleen for Turning Bridge. Kleen does some of the laundry for Turning Bridge at market rates and bills Turning Bridge for the laundry services at market rates. Turning Bridge in turn bills its customers. Customer payments go to Turning Bridge bank accounts held at TD Banks. Those accounts are swept to the central Envoy account and either reduces the amount on the Line of Credit or funds the operations of Envoy's subsidiaries including Kleen. The total of the laundry done over a period of time by Kleen for Turning Bridge is about \$2,000,000 and the total of Kleen liabilities paid by Envoy is about \$2,500,000. The Kleen liabilities paid by Envoy are treated as payments in satisfaction of the invoices for laundry but the reconciling book entry is normally only made annually in conjunction with the preparation of tax returns.

The intercompany receivable accounts would not change the liquidation analysis for three reasons. First, in point of fact, the amounts are not due. Instead, they were paid daily (until the bankruptcy) as Kleen accounts were funded by Envoy payments to Kleen and/or by Envoy's direct payment of Kleen obligations. Second, they are subject to setoff. Third, even if they are technically an asset which someone might sue to collect, collection would be fruitless because of the first priority security interest of TD Bank in the assets of Envoy, Sterling and Turning Bridge and any such attempt would force the liquidation of Envoy as well as Kleen and result in no

collection at all for the benefit of Kleen.

As a result, the liquidation of Kleen alone will result in no better recovery for unsecured creditors than the liquidation of Kleen and Envoy together, and either way the unsecured creditors will receive only nominal distributions, if any.

BUSINESS ISSUES:

Employees. Kleen employs approximately 100 total employees. It has sixty seven production workers, one plant manager, four production management staff, three maintenance workers, and approximately 23 retail employees. The Kleen plant operates seven days a week from 6:00 a.m. to 11:00 p.m.

The total cost of labor for 2015 was approximately \$2,493,986 which means that the cost per employee was approximately \$25,000 including taxes. The average hourly wage is approximately \$10.50. Post-filing, Kleen employs only one person who is also an owner of equity in Envoy: Mr. Dennis Kim. His salary is approximately \$1,750 per week. Mr. Kim owns approximately 12.5% of Envoy. Pre-filing, Mr. Kim's compensation was included with a \$150,000/year administrative charge by Envoy to Kleen. None of the Company's employees are unionized.

The unemployment rate in the area (Lebanon, New Hampshire) is very low. The State of New Hampshire reports that the unemployment rate in Lebanon New Hampshire in June, 2016, was 2.4% and that there were a mere 370 people unemployed and looking for work. *New Hampshire Employment Security, Economic & Labor Market Information Bureau*, www.nhes.nh.gov/elmi. Finding and keeping employees is a challenge and a risk to the success of the Company.

Lines of Business. Kleen has three lines of business: commercial laundry focused on

hospital and healthcare markets, retail dry cleaning and laundromats. Kleen operates four laundromats and four retail dry cleaning locations. The dry cleaning is performed in a central plant at the company's main 1 Foundry Street location (laundry) and 25 Mechanic Street (dry cleaning). The company maintains retail operating locations at:

25 Mechanic Street, Lebanon, NH: dry cleaning collection and processing

Kmart Plaza West Lebanon, NH: dry cleaning collection, coin operated laundromat

25 Lebanon Street, Hanover, NH: dry cleaning collection

27 Washington Street, Claremont, NH: dry cleaning, coin operated laundromat.

97 Pleasant Street, Claremont, NH: coin operated laundromat.

The results of operation by business line for 2015 are as follows:

	Kleen		
	Commercial	Dry Cleaning	Laundromat
Revenue	6,157,017	1,217,837	558,189
Labor / Personnel	2,149,586	639,676	72,289
Utilities	1,221,179	39,400	117,683
Transportation	1,009,423	18,168	-
Chemical / Supplies	226,735	110,891	9,812
Maintenance / Repairs	354,131	32,160	55,871
Linen / Rental Linen	88,862	-	-
Insurance	312,096	102,280	11,467
Rent	129,441	171,479	102,570
Other	13,572	41,887	2,289
COGS	5,505,026	1,155,940	371,981
Gross Profit	651,992	61,897	186,208
S,G&A Personnel	218,343	43,701	11,205
Office Supplies	67,913	11,050	-
Travel & Entertainment	218	-	-

Dues & Subscriptions	-	540	-
Professional Services	35,281	-	-
Other Admin	40,891	33,518	-
Depreciation	321,141	20,119	24,122
Total S,G&A	683,787	108,928	35,326
Operating Income	(31,796)	(47,032)	150,882
Interest	109,618	-	-
Taxes & Other	67,764	-	-
Net Income	(186,939)	(46,681)	135,710
EBITDA Adjustments	498,523	20,119	24,122
EBITDA	289,346	(26,913)	175,003

Customers: The largest portion of Kleen’s operations for 2015 and throughout its history has been the commercial laundry serving hospitals and healthcare customers. Kleen has twenty three institutional healthcare customers. Of those, twenty one own their own linens and the company solely washes the linens. For two institutional healthcare customers, Kleen rents the customer the linen and provides laundry services as well. Additionally, Kleen’s Kleenpak product provides re-usable non-sterile surgical products to its healthcare customers on a rental basis. In addition to the institutional healthcare customers, the Kleen also services one seasonal hotel and lodging customer.

Environmental Issues.

Stock Purchase Agreement and Lease. Kleen LD, LLC purchased all of the issued and outstanding capital stock of Kleen Laundry and Drycleaning Services, Inc. pursuant to a certain Stock Purchase and Redemption Agreement dated July 11, 2006 (the “Stock Purchase Agreement”); Thomas L. Gosselin was the seller of shares. Simultaneously, Kleen Laundry and

Drycleaning Services, Inc. entered into a certain Lease Agreement for approximately 3.5 acres of land with buildings and improvements located at 1 Foundry Street, Lebanon, New Hampshire (the "Lease"); the landlords were Thomas L. Gosselin and his brother James Gosselin. In anticipation of the closing of the stock purchase transaction, a Phase I Environmental Site Assessment was prepared for an affiliate of Kleen LD, LLC as the purchaser of the stock (the "Phase I Assessment"). The environmental representations and warranties in the Stock Purchase Agreement were limited by the conditions noted in the Phase I Assessment. Thus, Kleen LD, LLC accepted the risk of the environmental conditions noted in the Phase I Assessment, except as otherwise provided in the Lease. There have been no subsequent Phase I or Phase II assessments of the 1 Foundry Street property.

The Lease provided the following two environmental assurances:

- Thomas L. Gosselin represented and warranted that all asbestos-containing materials in, on and under the leased premises had been removed, encapsulated or otherwise abated in accordance with applicable laws and regulations. Thomas L. Gosselin agreed to indemnify Kleen as the tenant for damages suffered by Kleen from a breach of the asbestos representation and warranty.
- Landlord also acknowledged that Tenant was not responsible for environmental conditions at the premises that required contamination test wells, which contamination, the Lease provides, was caused by a third party "unaffiliated with Tenant" prior to the date of the Lease. Thomas L. Gosselin agreed to indemnify Kleen as tenant with respect to any and all such contamination as provided in the Stock Purchase Agreement.

The Lease specifically says that the Landlord makes no other representations concerning the condition of the leased premises.

The Lease, however, does not make the Tenant responsible for remediation or damages attributable to known environmental conditions existing at the effective date of the Lease.

Matters existing as of July 11, 2006. The following potential Recognized Environmental Conditions were highlighted in the Phase I Assessment:

1. The historic use of the site as a woolen mill (the main factory building was originally constructed over 100 years ago).
2. The former dry cleaning operations within the main factory building.
3. The former presence of underground fuel oil tanks below the south parking lot.
4. The history of an underground gasoline tank adjacent to the office/storage building.
5. The current use of the 25 Mechanic Street building for dry cleaning operations.
6. The documented presence of chlorinated volatile organic compounds under the southern parking lot near the former underground fuel oil tanks.
7. The documented spill of perchloroethylene onto pavement near the factory building loading dock.
8. The documented presence of fuel oil and gasoline releases at the properties located on either side of Foundry Street at the intersection with Mechanic Street.
9. The documented release of fuel oil at an adjacent property located on Mechanic Street.
10. The presence of a former gasoline station on Mechanic Street, upgradient from the Site.
11. The presence of an existing double walled fuel oil tank that is no longer in service;

12. And the storage of acids and alkali solution in above ground storage tanks in the basement level of the factory building.

One tank that was not removed before 2006 is presently the subject of requirements by the State New Hampshire Department of Environmental Services that the single walled system referred to as Tank #5 to be “closed” by December 31, 2015. The Debtor has not yet complied, but has sought an extension and is seeking permission to close the tank in place. The cost of closure-in-place is approximately \$16,000. The Debtor believes that the cost ought to be borne by the Landlord as the owner of the property.

Other than the requirement that Tank #5 be closed, the Debtor is unaware of any other environmental matters which require present action. The leased premises have monitoring wells which are sampled annually by Kleen on behalf of the landlord with the results provided to the New Hampshire DES. The Debtor believes that it is in compliance with the monitoring well requirements and that the results of the sampling have shown declining groundwater contamination levels over time.

From the date Kleen was purchased by Kleen LD, LLC in 2006 until March, 2014, Kleen continued utilizing perchloroethylene in its dry cleaning process; the use of that chemical by Kleen was terminated in March, 2014.

THE ASSET PURCHASE TRANSACTION AND AUCTION.

The Plan provides for the sale of all of the assets of the Debtor to Kleen LD, LLC, or any higher bidder (“Purchaser”) pursuant to an Asset Purchase Agreement (“APA”). The Purchase Price will be an amount equal to the sum of the “Base Bid” plus the DIP Loan Balance at Closing. The Base Bid means \$2,195,400. By way of example, if the DIP Loan Balance at Closing is \$150,000, then the Purchase Price shall be \$2,345,400. In addition, the Purchaser will

assume certain liabilities including all historic federal and state tax liabilities of the Debtor.

Procedurally, the Debtor is concurrently filing this Disclosure Statement, a Plan, a Motion to Sell, and a Motion to Approve Bid Procedures. The APA requires and the Debtor will seek simultaneous approval of this Disclosure Statement and the Bid Procedures, and then will seek to obtain simultaneous approval of both the Sale and the Plan. The Debtor anticipates that if there are competing bids then an auction will be held at or prior to Plan Confirmation wherein the high bidder will be determined and the successful high bidder will then be the "Purchaser." The Debtor anticipates that the auction, if necessary, will take place in the Bankruptcy Court and after the auction, the Court will enter two orders which will be interdependent: an order authorizing the sale and waiving any stay under Fed. R. Bankr. P. 6004(h), and an order confirming the Plan.

The sale and plan only work because TD Bank has agreed in principle to accept \$1,500,000 in full satisfaction of its first lien pre-petition secured claims (plus payment in full of the DIP Loan). The TD Bank pre-petition first lien claims are approximately \$3,259,000. TD Bank is agreeing to take approximately \$1,700,000 less than the aggregate amount it is due. The Plan provides for TD Bank to receive \$850,000 and relies on the remaining Envoy entities to pay the remaining balance of \$650,000. TD Bank has demanded that the payment be made on or before November 18, 2016 otherwise it will demand payment in full and presumably liquidate the assets of Kleen and Envoy. Neither the Debtor nor Envoy and its subsidiaries, either alone or together, can pay TD Bank the full \$3,259,000. The Debtor, however, does believe that TD will vote in favor of this Plan and, on closing, save the business from liquidation and preserve the jobs and allow Debtor to continue to serve its hospital customers in northern New England.

Kleen LD, LLC, gets funding for the transaction only through the efforts of Envoy and its subsidiaries other than Debtor. Envoy believes that it can get funding from two sources: New Hampshire Community Loan Fund, Inc., d/b/a Vested for Growth (“VfG”) and Austin Financial Services, Inc. (“Austin”). It believes those sources are likely to provide necessary funding because Envoy received written expressions of interest from both before the bankruptcy case was started. Austin had expressed an interest in funding a \$2,000,000 working capital line of credit with availability of about \$1,300,000 at closing and VfG had expressed an interest in funding \$1,700,000 term loan. Due to events that have since occurred, including in particular the bankruptcy case, the Debtor believes that the VfG funding will be on a slightly more limited scale and expects Envoy will be able to negotiate and obtain funding in the amounts of \$1,050,000 from Austin at closing and funding from VfG at closing in the amount of \$1,100,000. With that funding, the Debtor believes that the following will be the approximate sources and uses of funds at closing:

Kleen FUNDS USED		Kleen FUNDS PROVIDED	
TD Bank	\$850,000	Purchase Price	\$2,195,400
TD LOC	\$0	TD LOC Payment	\$0
IRS	\$370,000	Atty Fee Retainer	\$55,000
Admin	\$196,833	IRS Adeq. Prot	\$19,845
UST Fees	\$10,400	Cash Flow	\$25,000
Priority 503 b 9 Exec/Lease Cure Amt	\$60,000		
Lease Town Water	\$0		
Lease Town Taxes	\$0		
Unsecured Subordinated Note	\$113,000		
	\$350,000		
Total	\$2,260,845	Total Funds	\$2,295,245

CLAIMS

This Bankruptcy Plan (like all bankruptcy plans) divides creditors up into classes. It then provides certain defined treatment to each of the creditors in each of the classes. You should look at the Plan for a precise definition of the manner in which the Plan treats the class in which any particular creditor is placed. This Disclosure Statement is merely a summary and is subject to the Plan. If the Disclosure Statement and the Plan diverge on any particular matter, the Plan controls.

Administrative Claims.

Certain kinds of claims are not classified and are required to be paid in full either in accordance with its terms or at the Effective Date. Those claims are generally administrative claims. Administrative claims include any claim for goods, services, assumed leases or assumed executory contracts or under contracts entered into by the Debtors after the bankruptcy cases commenced. Administrative claims also include claims arising from the delivery of goods to the Debtors during the twenty days prior to the petition date. As of the date of the writing of this Disclosure there have been no claims filed for goods delivered within twenty (20) days before the commencement of this case. The debtor expects that ultimately the amount of claims under section 503(b)(9) will be under \$50,000. That is because, the 503(b)(9) priority is reserved for “goods” delivered to the debtor within twenty (20) days. The debtor does not purchase many “goods.” The goods that the debtor purchases are chemical supplies and linen. In the year 2015, the debtor purchased about \$436,000 in such items through the entire year. That is about \$1,195 per day or about \$19,000 in an average period of twenty days. As a result, the Debtor is fairly comfortable that the total of the Section 503(b)(9) claims will be less than \$50,000.

Administrative claims also include claims of professionals employed by the Debtor-in-

Possession. Such professionals include attorneys, appraisers and accountants. Those claims may only be paid after notice and a hearing and court approval that the fees and expenses sought are reasonable. The Debtor has budgeted about \$250,000 for such fees and expenses. The Debtor can give no assurance that such an amount will be adequate, but it believes that such an amount represents a reasonable reserve for such expenses. The Debtor's cash budget anticipates paying retainers through the month of November in the aggregate amount of \$55,000. The cash needed at closing for those expenses is thus somewhat below \$200,000.

Administrative claims also include the fees due to the United States Trustee Program which the Debtor anticipates to be the amount of \$10,400 and will be funded at closing by the disbursements of proceeds from the closing.

Administrative claims also include post-petition taxes arising from the operating and sale of the Debtors' business. The amounts of those taxes may not be known with precision until after tax returns are prepared and filed. The Asset Purchase Agreement requires the Purchaser to pay those claims. Those tax claims will be paid in full.

The operation of the business will result in post-petition business enterprises taxes and business profit taxes. The amounts of those taxes may not be known with precision until after tax returns are prepared and filed. The Asset Purchase Agreement requires the Purchaser to pay those claims. Those tax claims will be paid in full.

Pre-Petition Claims.

The Plan divides the pre-petition creditors into various classes.

Class 1: Secured Claims of TD Bank

Class 1 consists of all of the secured pre-petition claims of TD Bank. The amount of the Class 1 claims is estimated to be \$3,259,000.00 as of July 25, 2016, plus attorney's fees and

costs of collection. This class is impaired.

Class 1 shall be paid the sum of \$850,000 at Closing from the Purchase Price. To the extent unpaid, the claim in Class 1 deficiency claim will be assigned to the Plan Trustee for the benefit of claims in Classes 2, 8 and 11.

Class 2: Claims of Gosselin Trust

Class 2 consists of the secured, but unperfected claims of Gregory T. Gosselin, Trustee of the Thomas L. Gosselin Family Trust (the “Gosselin Trust”) evidenced by a judgment in the Merrimack County Superior Court Case Number 216-2015-cv-00493. The approximate amount of the Class 2 debt is \$1,700,000.00. This class is impaired.

Confirmation of this plan shall constitute an order avoiding entirely any lien or security interest benefitting claims in Class 2 pursuant to 11 U.S.C. § 544(a).

The claims in Class 2 will be treated as an unsecured claim and shall be included in Class 8 for distribution purposes. Claims relating to the alleged subordination of Class 2 to any other Class by virtue of agreements entered into with respect to the TD Debt are waived.

Class 3: Secured Claims held by the IRS

Class 3 consists of the secured claim of the IRS filed as Claim number 3 in this case (as amended from time to time) in the approximate amount of \$372,570.60 approximately \$354,000 of which is secured by liens on all of the Debtor’s assets as recorded in the State of New Hampshire Secretary of State’s office on August 17, 2015 as file number 1508191281253 and on October 14, 2015 as file number 1510151327511. The liens secured thereby are junior behind TD Bank and certain other equipment loans on all assets except those receivables arising after July 20, 2016, and before the Petition Date (July 25, 2016), inventory coming into existence after July 20, 2016 and before the petition date (July 25, 2015), and their proceeds as to which the IRS

is the senior lienholder. The IRS appears to hold a first lien on approximately \$70,000 in pre-petition receivables and their proceeds. This class is impaired.

The claims in Class 3 shall be paid as follows: (a) in cash at closing in an amount equal to the lesser of that amount due to the IRS as is entitled to senior lien status or the sum of \$70,000.00; (b) the balance of the Class 3 Claim shall be paid in equal monthly installments together with interest at the rate of 4.25% per annum. Each monthly installment shall be calculated so as to amortize the balance in equal monthly installments over the period from the Effective Date to July 24, 2021. Notwithstanding the calculation of the monthly payment to Class 3, confirmation of this Plan of Reorganization shall constitute an order allocating all payments received as follows: (a) first to trust fund taxes due and unpaid, (b) second to non-trust fund taxes, and (c) thereafter to interest and penalties.

The Plan permits the Purchaser to challenge the amount of the allowable claim in Class 3 and to the extent that such a challenge is successful to reduce the amount paid to the IRS. The likely sources of any such challenge are: (a) the estimated amount of \$18,362.66 for the third quarter of 2016; and (b) the penalty portion of the claim. The estimated portion of the IRS Claim appears to represent withholding payments for the third quarter of 2016. The Debtor believes that it has made all of those withholding payments.

The IRS Claim also includes secured penalties in the amount of \$92,075.44. The Debtor believes that it is possible that there may be legal theories involving §§507 and 1129 of the Bankruptcy Code which may permit it to challenge the need to pay those penalties under the Bankruptcy Plan. The right to assert those challenges is preserved and if successful would result in a lower payment to the IRS and a smaller IRS Note Principal obligation.

Class 4: Claims of Lessors and Purchase Money Security Interest Holders

Class 4 consists of the secured claims secured by purchase money security interests in specific pieces of equipment. The claims in this class include claims of Xeros Inc. and CBS Financial Services, LLC. This class is impaired.

Holders of claims in Class 4 secured by property conveyed to the Purchaser in the Sale shall be paid by the Purchaser in accordance with their contract terms and receive no other distribution under this Plan. Any contract provision allowing any claim in Class 4 to accelerate all or any amounts due, or to require additional security as a result of the conveyance contemplated by this Plan shall be deemed stricken. Any term of any contract relating to any claim in Class 4 requiring the claimholder's assent before any transfer subject to such claim shall be deemed stricken or unenforceable as to any transaction contemplated by this Plan.

Class 5: Claims of Landlords

Class 5 consists of the claims of Landlords (including claims for the payment of real estate taxes and water and sewer bills) for assumed Leases. This class is unimpaired.

All Real Estate Leases shall be assumed and assigned to the Purchaser, with the exception of the Real Estate Lease of 27 Maple Street, White River Junction, Vermont, which shall be rejected. All Claims of Landlords in Class 5 shall be paid in full on the Effective Date. The Debtor believes that the only monetary defaults under the leases are (1) the failure to pay real estate taxes and the water and sewer bills to the City of Lebanon; (2) failure to pay the water and sewer bills to the City of Claremont, and (3) past-due rent to KTC Ltd. in the amount of \$13,000. The pre-petition water and sewer bills due to the City of Lebanon are \$167,949.62 as of November 18, 2016. The Debtor is paying the post-petition water and sewer bills monthly from operations.

According to the bill dated August 1, 2016, the total amount due for water and sewer is

\$160,509.05. At a 12% interest rate, that would be \$19,261.09 per year, or \$52.77 per diem. The bill ran through June 30, 2016. There are 141 days between July 1, 2016 and November 18, 2016, for a total per diem expense of \$7,440.57, bringing the total amount needed through November 18, 2016 to **\$167,949.62**, as follows:

Property	Due as of 8/1
7 Foundry Street Sewer Meter	\$117,050.09
328102	
7 Foundry Street Main Meter	\$10,454.28
328100	
25 Mechanic Street/Dry Clean	\$4,163.84
327200	
7 Foundry Street/Office Bldg	\$761.44
328000	
Foundry Street – Hydrant	\$511.66
2000800	
45 Mechanic Street/Laundry M	\$6,772.29
325500	
200 S. Main St	\$20,795.45
710719	
	Total Due
	\$160,509.05
12%	
\$52.77 per diem	Total per diem
	\$7,440.57
	Total needed
	\$167,949.62

The amount needed for real estate taxes through November 18, 2016 is **\$116,659.16**, as follows:

Property	Bill/Lien	Amount	Per Diem	Days to 11/18	Accrued through 11/18
1 Foundry Street					
As of	2014 Lien	\$23,063.51	9.3194	108	\$1,006.50
8/2/2016	2015 Lien	\$39,306.66	18.5618	108	\$2,004.67
	2016 Bill	\$17,755.86	5.7768	108	\$623.89
25 Mechanic Street					
As of	2015 Lien	\$11,130.26	5.2483	107	\$561.57
8/3/2016	2016 Bill	\$4,993.60	1.6241	107	\$173.78
45 Mechanic Street					
As of	2015 Lien	\$10,589.33	4.9929	107	\$534.24

8/3/2016	2016 Bill	\$4,749.98	1.5449	107	\$165.30
	Due as of date:	\$111,589.20		Total Per Diem	\$5,069.96
	Needed through 11/18		\$116,659.16		

The Debtor is paying the post-petition real estate taxes directly to the Landlord for the post-petition period from July 25, 2016 through November 18, 2016.

Class 6: Priority Wage Claims

This Class consists of all wage claims entitled to priority pursuant to 11 U.S.C. § 507(a)(4) to the extent of their priority. This class is unimpaired.

The claims in Class 6 shall be paid in full by the Purchaser as due.

Class 7: Government Tax Claims

This Class consists of the allowed unsecured claims of governmental units entitled to priority under 11 U.S.C. § 507(a)(8). This class is unimpaired. Claim in this class will be paid when due by the Purchaser.

Class 8: Unsecured Claims

This Class consists of the allowed unsecured claims not otherwise classified. This class is impaired. The Plan basically creates a pot of money from the sale of the business. At the Closing, the Debtor expects that there will be \$1,545,000 in cash available to be paid to creditors of the estate. Creditors (except the IRS) will be paid in order of priority approximately as follows:

CASH AT KLEEN

Cash in **\$1,545,400**

TD	\$850,000
IRS	\$50,155
Admin 503(b)(9)	\$60,000
UST Fees	\$10,400
Exec/Lease Cure	\$310,612
RE Tax	\$0
Admin Claims	\$150,000
Total Out	\$1,431,167
Cash to Unsecured	\$114,233

The Debtor thus expects that there will be \$94,233.00 available to unsecured creditors at or shortly after the Closing Date. The amount available may be more or less depending on the actual amount of administrative expenses and the actual amount of 503(b)(9) claims. In addition, the Plan proposes a subordinated unsecured promissory note due over the course of five years in the amount of \$350,000 plus interest at the rate of 4% per annum. The payments under the subordinated unsecured promissory note are quarterly with a balloon payment of \$100,000 due on the maturity date: December 31, 2021. The schedule of payments on the subordinated unsecured promissory note is:

Period	Start Bal	Interest	Principal Pay	Interest Pay	Ending Bal
1	\$350,000.00	\$3,500.00	\$12,500.00	\$3,500.00	\$337,500.00
2	\$337,500.00	\$3,375.00	\$12,500.00	\$3,375.00	\$325,000.00
3	\$325,000.00	\$3,250.00	\$12,500.00	\$3,250.00	\$312,500.00
4	\$312,500.00	\$3,125.00	\$12,500.00	\$3,125.00	\$300,000.00
5	\$300,000.00	\$3,000.00	\$12,500.00	\$3,000.00	\$287,500.00
6	\$287,500.00	\$2,875.00	\$12,500.00	\$2,875.00	\$275,000.00
7	\$275,000.00	\$2,750.00	\$12,500.00	\$2,750.00	\$262,500.00
8	\$262,500.00	\$2,625.00	\$12,500.00	\$2,625.00	\$250,000.00

9	\$250,000.00	\$2,500.00	\$12,500.00	\$2,500.00	\$237,500.00	
10	\$237,500.00	\$2,375.00	\$12,500.00	\$2,375.00	\$225,000.00	
11	\$225,000.00	\$2,250.00	\$12,500.00	\$2,250.00	\$212,500.00	
12	\$212,500.00	\$2,125.00	\$12,500.00	\$2,125.00	\$200,000.00	
13	\$200,000.00	\$2,000.00	\$12,500.00	\$2,000.00	\$187,500.00	
14	\$187,500.00	\$1,875.00	\$12,500.00	\$1,875.00	\$175,000.00	
15	\$175,000.00	\$1,750.00	\$12,500.00	\$1,750.00	\$162,500.00	
16	\$162,500.00	\$1,625.00	\$12,500.00	\$1,625.00	\$150,000.00	
17	\$150,000.00	\$1,500.00	\$12,500.00	\$1,500.00	\$137,500.00	
18	\$137,500.00	\$1,375.00	\$12,500.00	\$1,375.00	\$125,000.00	
19	\$125,000.00	\$1,250.00	\$12,500.00	\$1,250.00	\$112,500.00	
20	\$112,500.00	\$1,125.00	\$12,500.00	\$1,125.00	\$100,000.00	
Total Payment			\$250,000.00	\$46,250.00	\$100,000.00	\$396,250.00

The subordinated unsecured promissory note (the “Plan Note”) is subject to a number of provisions. First, if it is prepaid within three years, then there is a discount in the amount of \$50,000. Second, if it is prepaid within four years, then there is a discount in the amount of \$25,000. Third it is subordinate to the senior lenders and their replacements. That means that the Senior Lenders will be entitled to dictate (through Subordination Agreements) the circumstances under which any payments on the Plan Note may be made.

The Debtor expects that if the Plan Note is paid as scheduled, the total payment to unsecured creditors will be \$510,483 will be divided among approximately \$2,269,000 in claims as follows:

Total Payment	\$510,483
Reserve	\$20,000
Payment	\$490,483
Trade Debt	\$569,226
Gosselin	\$1,700,000
TD Bank	\$0
Total	\$2,269,226

Dividend 21.615%

The Plan provides that the initial dividend will be made on or within ninety days after the Closing Date or twenty days after a particular claim is allowed. That means that for claims with respect to which there is no objection an initial payment of the dividend will occur on or before approximately February 15, 2017.

After Closing, the Plan creates a litigation trust and appoints a trustee to pursue any available preference recoveries. While there are a large number of payments in the 90 days before the bankruptcy petition, the Debtor does not believe that there will be substantial preference recoveries. However, the Plan will appoint a Plan Trustee to examine those claims and seek to recover what may be recovered. There were also a number of prepetition checks that cleared right at the petition date. The Plan Trustee holds the power to review those payments and, if appropriate, recover them under 11 U.S.C. §549.

Class 9: Equity Interests

This Class consists of all the equity interests. This class is impaired. This class will receive no property under the Plan and is deemed to have rejected the Plan.

Class 10: Convenience Claims

This Class consists of allowed unsecured claims in the amount of Five Thousand (\$5,000.00) Dollars or less and any holder of an allowed unsecured claim of more than Five Thousand (\$5,000.00) Dollar which elects to be treated as holding a claim of less than Five Thousand (\$5,000.00) Dollars. Any creditors who make such an election will be deemed to have a general unsecured claim in the amount of Four Thousand, Nine Hundred (\$4,900.00) Dollars. This class is impaired. As of the date of this Disclosure Statement, and with no creditors having yet made an election to be treated as holding a claim of less than \$5,000.00, there are \$91,675.77

worth of claims that are listed on the Debtor's schedules, or for which proofs of claims have been filed, in the amount of \$5,000.00 or less. At a proposed 2.5% dividend, the proposed payment to Class 10 is \$2,291.89, as follows:

Claims under \$5,000				Amount Paid at 2.5% Dividend
Creditor	Amount of Claim			
	(Source)	Schedules	POC	
F.W. Webb Company			\$2,341.48	\$58.54
IBF Solutions, Inc.			\$2,077.44	\$51.94
Staples, Inc.			\$4,056.64	\$101.42
Colmac Industries, Inc.			\$1,225.07	\$30.63
Betsy Chestnut/Industrial Scientific			\$1,134.50	\$28.36
R.S.D. Leasing, Inc.			\$2,086.13	\$52.15
GateKeeper Lock & Save, LLC			\$130.00	\$3.25
LaValley Building Supply, Inc.			\$826.24	\$20.66
PSNH			\$671.64	\$16.79
Able Air Corp		\$1,578.43		\$39.46
Ad Instruments		\$471.00		\$11.78
Aldrich Clean-Tech Equip.		\$208.31		\$5.21
Alice Peck Day Hospital		\$111.76		\$2.79
Allied Electronics		\$247.30		\$6.18
American Plate Glass Co., Inc.		\$954.00		\$23.85
Avaya, Inc.		\$135.00		\$3.38
B&G Lieberman Co., Inc.		\$286.10		\$7.15
Barclay Water Management		\$4,689.31		\$117.23
Baynes & Jones Elec. Supp.		\$392.21		\$9.81
CasellaWaste Services		\$126.54		\$3.16
Chiplin Enterprises		\$225.00		\$5.63
City of Lebanon		\$700.00		\$17.50
Clear Chem		\$2,041.19		\$51.03
Comcast		\$49.50		\$1.24
Covers Etc. #45 Inc.		\$2,379.14		\$59.48
Dataonline		\$26.00		\$0.65
Dex Media		\$1,202.70		\$30.07
Dimmick Wastewater Serv.		\$1,267.75		\$31.69
DJS Electric Motors LLC		\$578.74		\$14.47

Energy Machinery	\$3,164.58	\$79.11
Evans Expressmart	\$334.22	\$8.36
FairPoint Communications	\$523.24	\$13.08
Halo Innovations, Inc	\$406.20	\$10.16
Hampshire Fire Protection	\$2,410.00	\$60.25
Hartford Land Co	\$2,313.00	\$57.83
Hudson Services Inc	\$2,397.00	\$59.93
Irving Energy	\$3,500.00	\$87.50
JJ Keller & Associates	\$266.00	\$6.65
Kelley-Mackenzie Auto Parts	\$30.03	\$0.75
K-Four Systems LLC	\$656.25	\$16.41
Kibby Equipment Inc	\$433.82	\$10.85
Kone, Inc.	\$3,674.95	\$91.87
Magee/Office Plus	\$312.00	\$7.80
Maine Medical Center	\$4,614.14	\$115.35
Maine Oxy Group	\$582.88	\$14.57
Maineline Computer Systems	\$660.00	\$16.50
Mayer & Mayer	\$20.00	\$0.50
Medline Industries	\$5,000.00	\$125.00
Miller Construction	\$3,084.84	\$77.12
Nancy Carlisle Interior	\$350.60	\$8.77
Neofunds by Neopost	\$600.00	\$15.00
P&G Refrigeration	\$396.00	\$9.90
Pathway Consulting LLC	\$1,112.00	\$27.80
Puff-fect Window Cleaning	\$128.00	\$3.20
Reliance Standard Life Ins. Co.	\$1,666.82	\$41.67
Securian Dental Plans	\$3,900.00	\$97.50
State of NH - Treasury	\$234.00	\$5.85
Swish White River Paper Co	\$1,120.00	\$28.00
Tifco Industries	\$1,677.68	\$41.94
TimeCentre, Inc	\$4,685.37	\$117.13
Tingue, Brown & Company	\$1,584.99	\$39.62
Top Stick Embroidery, Inc.	\$46.95	\$1.17
Transgas, Inc.	\$1,200.00	\$30.00
Unipress Corp.	\$426.47	\$10.66
Upper Valley Equip. Rentals	\$525.35	\$13.13
UPS	\$266.00	\$6.65
Valley News	\$204.00	\$5.10
Vermont Boiler Specialists	\$830.78	\$20.77
WB Mason	\$1,606.53	\$40.16
West Lebanon Supply	\$11.96	\$0.30

Xpress Natural Gas	\$2,500.00		\$62.50
<i>Subtotal:</i>	\$77,126.63	\$14,549.14	
Total:	\$91,675.77		
Total paid at 2.5% Dividend	\$2,291.89		

LEASES AND EXECUTORY CONTRACTS

All leases and executory contracts will be assumed under the Plan and assigned to the Purchaser, with the exception of the Real Estate Lease of 27 Maple Street, White River Junction, Vermont, which shall be rejected.

PRESERVED CAUSES OF ACTION

Unless any causes of action against any entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, or by a Final Order, in accordance with section 1123(b) of the Bankruptcy Code, the Plan Trustee, as successor-in-interest to the Debtor and its Estate, shall retain and may enforce all rights to commence and pursue, as appropriate, any and all causes of action whether arising before or after the Petition Date and the rights of the Plan Trustee to commence, prosecute, or settle such causes of action, and all defenses and counterclaims to all Claims asserted against the Debtor and its Estate, including setoff, recoupment, and any rights under section 502(d) of the Bankruptcy Code, shall be fully preserved notwithstanding the occurrence of the Effective Date.

Such causes of action included, but are not limited to, any Chapter 5 actions, including preference actions, against the following entities: Daniels Transportation, Inc., UGI Energy Services, LLC, 1 Foundry Street Properties, LLC, Vermont Boiler Specialists, Inc., Anthem Blue Cross & Blue Shield, the City of Lebanon, New Hampshire, Irving Energy, Package Supply

Corporation, South Street Downtown Holdings, Inc., Windalier West Lebanon, LLC, Aristo Craft of America, Vizient Supply, Accountemps, Jensen USA, Inc., United Linen Services, KTC, Ltd, Yankee Equipment Systems, Inc., Kone, Inc., Hartford Land Company and Sulco Corporation. The preserved causes of action also include the recovery of any checks issue pre-petition that were negotiated and deposited post-petition, which the Debtor estimates to be approximately \$40,000.00.

The Plan Trustee may pursue such causes of action, counterclaims, and defenses, as appropriate, in accordance with their best interests, as determined by the Plan Trustee. All causes of action are expressly reserved for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such causes of action upon, after, or as a consequence of Confirmation or Consummation. The Plan Trustee is deemed the representative of the Debtors' Estates for the purpose of prosecuting the causes of action. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any cause of action against such Person as any indication that the Reorganized Debtors will not pursue any and all available causes of action against such Person.

DISCLOSURES REGARDING FEASIBILITY

The Debtor-in-Possession believes that the Plan is feasible. The primary issue with respect to feasibility is whether the Purchaser can obtain the necessary funding. The Purchaser and the Debtor believe that they can obtain the necessary funding because they had been working with the proposed funding sources for three months before the filing and believe that, had the process not been interrupted by the filing, a financing deal would have been consummated. While making no commitments, both funding sources have expressed a willingness to continue

this process notwithstanding the filing.

In the face of the Plan Note, there is a risk that the Purchaser will be unable to pay the payments that arise in the future. That risk is driven in part by the nature subordination agreement required by the Senior Lenders. It is possible that the terms the Senior Lenders require may be so onerous as to severely limit the ability of the Debtor to make any payments.

There is the further risk that the results of operation of the Debtor will fail to be sufficient to pay the Plan Note. The Debtor and the Official Committee of Unsecured Creditors arrived at the Plan Note by negotiation using forecasts that the Debtor prepared of the results of operation without the Plan Note. Those Forecasts are attached. The Debtor believes (and the Official Committee appears to have concluded) that the prospective operating results can in fact support the Plan Note.

TAX CONSEQUENCES

This Disclosure Statement is not intended to provide any tax advice to any party. You are encouraged to consult your own tax advisors with respect to the tax aspects of this Plan of Reorganization.

CERTAIN OTHER MATTERS

The Debtor believes that it has adequately disclosed both the reality of its operations and that of its affiliates. One creditor has indicated that the inter-company debt number makes no sense because it has declined over time by \$500,000. The reason is that certain accounting entries transferred the obligations from sub accounts in the intercompany debt account to more appropriate locations. The Sub-accounts included the amounts due from Turning Bridge to Kleen on account of commercial cleaning as well as different sub accounts relating to other intercomany transactions (such as the purchase of linens, or the payment of health insurance, a

portion of which is Kleen and a portion of which is for other entities). For the year end, those other sub accounts were transferred (as credits) to the inter company loan account. The result is that at year end (12/31/2015) the amount owed from Kleen to Envoy was reduced on the order of \$500,000 and the amounts owed from affiliates to Kleen were also reduced by a like amount. The Debtor concludes and believes that the inter company accounting is accurate.

Mr. Gosselin has asserted that the Debtor has been doing laundry work for Turning Bridge (a related entity) at below cost. The debtor thinks that the analysis is more complicated. The Debtor does the Turning Bridge work at the same rate that Sterling Linen had done it. The work was moved from the Sterling Linen plant to the Debtor's plant because the Debtor's facility was underutilized and the second shift would otherwise have been inadequately utilized. So the correct analysis is whether the work contributes to cover overhead. The debtor believes that it does and has, and that Kleen has benefitted from having the work where, without it the second shift would have been adversely affected.

RISKS

Obviously, this Plan of Reorganization is subject to various economic risks. Among other things, the Debtor-in-Possession believes that the following risks are important.

The first risk is that the Purchaser's financing will not come together. The Debtor and its affiliates have been working on the financing in one fashion or another for two years and have not put it together. The Debtor believes that the bankruptcy has given it a much better opportunity to put the transaction together, however, there continues to be significant risks that the Plan will not be confirmed or that the financing will not be consummated.

The second risk is that the results of operations from the petition date to the Closing Date are insufficient resulting in insufficient cash at closing.

PLEASE VOTE!

**THE DEBTOR-IN-POSSESSION AND THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS EACH URGE AFFIRMATIVE VOTES. YOUR VOTE
MATTERS.**

Please note that the terms of the Plan control over any statements made in this Disclosure Statement. If there are inconsistencies between the Disclosure Statement and the Plan, then the Plan will govern. A copy of the Plan is appended for your review.

Respectfully submitted,

**KLEEN LAUNDRY AND
DRYCLEANING SERVICES, INC.**

By its attorneys,
FORD & McPARTLIN, P.A.

Dated: September 28, 2016

By: /s/ Edmond J. Ford
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List of Exhibits

- A. Diagram of Corporate structure.
- B. Joseph Finn Appraisal.
- C. Forecasts for two years

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