

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 SECOND AMENDED DISCLOSURE STATEMENT
DATED OCTOBER 3, 2016 TO ACCOMPANY DEBTOR-IN-POSSESSION’S SECOND
AMENDED PLAN OF REORGANIZATION DATED OCTOBER 3, 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 **November 8, 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 \$91,941 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 \$91,941 for an ultimate dividend over five years of \$488,191.00, or approximately 21%. 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 \$477,357 will be shared among approximately 2,274,087.00 in unsecured claims for a dividend of approximately 21% over five years beginning with an initial dividend of approximately 4% on or before approximately February 15, 2017.¹ Unsecured claims of less than \$5,000 will receive one fixed dividend of 2.5%.**

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

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.

CREDITORS URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.

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 first pay off any amount of the post petition DIP Loan (up to \$150,000), then the proceeds are then distributed to creditors. The first \$850,000.00 being paid to TD Bank, the first lien holder, then to other creditors in order of priority.

TD Bank will receive no other payment from this Plan other than satisfaction of the DIP Loan (to the extent outstanding) and the sum of \$850,000, but it will receive other payments from affiliates of the Debtor such that in total TD Bank will receive as a result of this Plan in addition to the DIP Loan will be \$1,500,000 plus post-petition attorney's fees and costs.

Unsecured creditors holding claim that are less than \$5,000 will receive a single fixed dividend on or before February 15, 2016, in the amount of 2.5% of their claims.

Unsecured creditors holding claims in excess of \$5,000 will receive an initial dividend of uncertain amount, but estimated to be approximately 4% and additional dividends over approximately five years from an unsecured subordinated promissory note and from litigation recoveries brought by the Plan Trustee.

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 Chemical / Supplies / COGS	1,281,010 369,582	1,347,712 417,140	1,027,591 347,438	
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 Depreciation and Amortization	110,038 367,209	89,567 360,947	74,409 365,382	
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	
	192,000	1st Security Positions in FA VfG current debt		192,000	1st Security Positions in FA 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 start in the Bankruptcy Court (and may be concluded at such time and place as may be determined by the 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 Unsecured	\$0		
Subordinated Unsecured Note	\$113,000		
	\$350,000		
Total	\$2,260,845	Total Funds Provided	\$2,295,245
Envoy FUNDS USED		Envoy FUNDS PROVIDED	
TD Bank	\$650,000	Austin	\$1,050,000
IRS	\$24,000	VfG	\$1,100,000
Lease Base Rent	\$0	Equity	\$500,000
Lease Town Tax	\$174,187	IRS Note	\$300,000
Lease Town Water	\$0	Cash Flow	\$25,000
VfG Closing Cost	\$30,000	Subordinate Unsecured Note	\$350,000
Austin Closing Costs	\$30,000		
MDMC	\$25,000		
Vendor settlements	\$140,000		
Altman & Company	\$25,000		
Purchase Price	\$2,195,400		
TD LOC Paid	\$0		
Non-Landlord Cure claims	\$30,538		

TOTAL Envoy used	\$3,324,125	Total Envoy FUNDS PROVIDED	\$3,325,000
Envoy surplus (shortfall)	\$875		
Total FUNDING ALL ENTITIES			
Total Funds Needed	\$3,324,125		
Funds Provided			
Austin	\$1,050,000		
VfG	\$1,100,000		
Equity	\$500,000		
Cash Flow	\$25,000		
IRS Note	\$300,000		
Subordinated Unsecured Note	\$350,000		
Total PROVIDED ALL ENTITIES	\$3,325,000		

MARKETING IN ADVANCE OF THE AUCTION

Since the middle of 2014, on the passing of Kevin Melia, management has been seeking financial partners for a re-capitalization of Kleen and its affiliated entities. This involved meetings and initial diligence with many lenders and potential investors. The result of these efforts is the current proposed financing arrangements with Austin Financial and New Hampshire Community Loan Fund supporting the stalking horse bid. No other investors or lenders were interested in a transaction at an amount comparable to the stalking horse bid.

During this period, Altman and Company LLC (“Altman”) was engaged by Envoy to assist with certain financial advisory support, including negotiations with the current senior lender. Beginning in August 2016 Altman and Company LLC was tasked with determining if there was any parties interested in making a higher and better offer. Phone and/or e-mail contact was made with all of the significant regional commercial laundry operators that might be

interested in a strategic acquisition of the Kleen assets. In addition, Altman contacted a number of potential financial buyers and investment bankers with access to financial buyers to see if there was any interest in the Kleen assets. Over 20 bid packages, including a detailed memo, financial information, a form of non-disclosure agreement (“NDA”) and a competing bid document have been distributed. In that time no other parties have executed an NDA or requested additional detailed financial information. Altman also made potential interested parties aware of the possibility of a larger transaction, including non-Kleen assets, similar to the one proposed in the stalking horse bid.

In addition to the efforts detailed above, Altman communicated and made themselves available to the creditors committee and other unsecured creditors and requested contacts that might be interested in the transaction. Multiple recommendations were made and were provided with the applicable information.

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 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.

1.1. Class 1 shall be paid the sum of \$850,000 at Closing from the Purchase Price. The balance of the Class 1 Claim, to the extent not paid by the Debtor or its affiliates, will remain unpaid under this Plan. Class 1 shall not participate in the unsecured creditor class. Class 1 shall be bound to this Plan, only if at the Closing it is paid a total of \$1,500,000, plus its post-petition attorney's fees at the Closing Date from the payment under this plan (\$850,000) plus other moneys paid to it by the Affiliated Companies. This Plan is contingent on TD Bank receiving the total sum of \$1,500,000 plus post petition attorney's fees. To the extent unpaid from the Debtor, the balance of

the claim in Class 1 shall not participate in the distribution to Class 8 and shall receive no distribution under this Plan.

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 partially 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. Because the balance of the IRS Claim is junior to the claim of TD Bank, the portion of the IRS Claim in excess of approximately \$70,000 is unsecured. Of the unsecured claim held by the IRS a portion is a priority claim under 11 U.S.C. §507(a)(8). The portion of the IRS Claim that is both unsecured and a penalty is not a part of this class but is, rather, part of Class 8, the general unsecured class. This Class 3 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 for the Purchaser's benefit 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 or to classify those claims as general unsecured claims. 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: Plan Trust

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 Plan Trustee	\$114,233

From the initial cash anticipated, the Plan Trustee may reserve up to \$20,000.00 for her expenses. In addition, from the initial cash, the Plan Trustee will pay the claims of the Convenience Class which payments will amount to approximately \$2,292. The balance of the Cash paid to the Plan Trustee is to be paid to creditors in the initial dividend. Debtor thus expects that there will be \$91,941.00 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.

A subordinated unsecured note can be an instrument that has a high risk of default or non-payment. Because it is unsecured, a default does not immediately allow the note-holder to take possession of any assets. Instead the holder of an unsecured note is required to sue. The time to prosecute such a suit and the ability to force the sale of assets makes a lawsuit a sub-optimal method of recovery. Because it is subordinated it will be subject to limitations imposed by the senior lenders. Those limitations mean, in general, that if the obligor is in default under any provision of the senior lender's loan documents, then the obligor may not pay the subordinated note and the holder of the subordinated note may not sue for, demand or accept payment. Those limitations may also mean that even if the obligor is not in default under the Senior lender loan documents, but the obligor has not met other requirements imposed by the senior lenders, then the obligor may be prohibited from making payments to the subordinated note, and the holder of the subordinated note may be prohibited from demanding, accepting, enforcing or keeping payments made. In sum, the subordinated note will be paid only if the Purchaser is successful in the eyes of the senior lenders, and if the Purchaser is not successful, then there can be no assurance that the subordinated loan will be paid as scheduled.

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:

Payment to Convenience	\$2,292
Net to Class 8	\$91,941
Total Class 8 Claims	\$2,274,087
Dividend at close	4.04%
Note Payments	\$396,250
Total Payments	\$488,191

Dividend over 5 years	21.47%
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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.

The Debtor expects the amount of the claims in Class 8 to be approximately \$2,274,087.33. The Debtor gets to that number by starting with the amount of claims on Schedule F of its Bankruptcy papers (\$3,736,421.70) and subtracting affiliated company claims and claims of creditors that are paid in other ways under this Plan, and from that deducting the amount of the convenience class (\$91,675.77) and adding in the IRS Penalty claims (\$92,075.44).

After Closing, the Plan creates a trust and appoints a trustee to collect the amounts due under the unsecured subordinated note and 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.

The Plan Trustee will be Olga Gordon, Esq. Atty. Gordon is a member of the panel of Chapter 7 Trustees for the District of New Hampshire and the Debtor therefore expects that she

will be sufficiently experienced in the handling of Bankruptcy Estates to perform her functions under this Plan. Atty. Gordon is also a partner in the law firm of Murtha Cullina, LLP. Murtha Cullina, LLP, is counsel to the Official Committee of Unsecured Creditors.

The Plan Trust is protected against defalcation by the Plan Trustee by the requirement that the Plan Trustee be bonded in the same manner as would a Chapter 7 Trustee. The form and amount of the fiduciary bond must be satisfactory to the Oversight Committee. The Plan Trustee will only be personally liable if she fails to perform her duties in good faith, the standard of good faith articulated in the Plan is a subjective one. The Plan Trustee will be immune from liability if she acts honestly, whether or not she has acted commercially reasonable or negligently.

The Plan Trustee will be entitled to reasonable compensation based on her standard hourly rates. Her fees shall not be capped by the limits contained in 11 U.S.C. §326. She will also be entitled to hire her firm, Murtha Cullina, LLP, to perform legal services for her as Trustee. Her compensation will be subject to review and approval by an Oversight Committee. The Oversight Committee will consist of the Trustee of the Gosselin Family Trust, or his designee, and such other unsecured creditors as may be willing to serve. Members of the Oversight Committee will be entitled to reimbursement of their reasonable expenses, but not to fees for their time.

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

Subtotal: \$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 following exceptions: (a) of the Real Estate Lease of 27 Maple Street, White River Junction, Vermont, which has been rejected by order dated September 29, 2016; and (b) the contract for the purchase and supply of Liquefied Natural Gas, with UGI Energy Services, LLC, which Contract the Debtor has not yet determined whether to assume or reject which Contract.

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. The total amount of such checks 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.

The transactions contemplated by this Plan may have tax consequences to the Debtor's tax return for the 2016 year, but the Debtor does not believe that those consequences materially impede the feasibility of the Plan.

There are three categories of tax consequences that one might keep in mind. The first is cancellation of debt income. In general, when debt is cancelled or released the United States Internal Revenue Code recognizes income and there is a potential income tax. If the discharge "occurs in a at title 11 case" then the cancellation of debt income is not recognized but instead, tax attributes are reduced. 26 U.S.C. §108. There is little or no cancellation of debt arising from the transactions in this Plan because the plan is a liquidation and there is no discharge in a liquidating Chapter 11 plan. 11 U.S.C. 1141(d)(3).

The second tax consequence that must be considered is the gain from the sale of the assets. When a bankruptcy estate sells assets then (like any other taxpayer) it recognizes income (which may be taxable) equal to the difference between the purchase price and the basis in the assets sold. The purchase price is approximately \$2,195,400.00. That purchases accounts receivable which at August 31, 2016 were \$719,872 and cash (at August 31, 2016) in the amount of \$238,375. Because Kleen is uses accrual accounting, the basis in each of those assets is equal to their value and so those two classes of assets cover \$958,247 of the purchase price. The remaining depreciable assets are furniture fixtures, equipment and intangible assets. The depreciated basis of those assets according to the Monthly Operating Report for the month

ending August 31, 2016 is \$1,410,037. So the total basis of the assets to be sold is probably approximately \$2,368,284 ($\$958,247 + \$1,410,037 = \$2,368,284$). Since the remaining basis is in excess of the purchase price there is likely no gain and therefore no tax arising from the sale.

There are reasons why the foregoing is only an estimate. The first is that the 2015 tax return is not yet completed. Completion by the accountants may result in an adjustment to the remaining basis. The second is that the monthly operating report may report depreciation different from the depreciation reported on its tax returns.

That difference can occur when the company uses accelerated depreciation or a shorter useful life for tax purposes and a form of straight line depreciation or a longer useful life for accounting purposes. The Debtor's tax return for the year 2014 shows remaining basis in depreciable assets of \$1,934,803. In that year the debtor took a depreciation deduction in the amount of \$169,934. If, over the years 2015 and 2016 the debtor takes the same depreciation then the tax basis would drop by \$169,934 times 2 or \$339,868. So, without yet having seen the Debtor's 2015 and 2016 tax returns it seems reasonable to estimate the tax basis of the depreciable assets at \$1,934,803 minus \$339,868 or approximately \$1,594,935. The Debtor therefore believes that it is unlikely that the tax basis of the assets sold is sufficiently low as to generate a gain. With no anticipated taxable gain, the debtor anticipates no tax.

The third tax consequence that one might consider is recapture income under section 1245 of the Internal Revenue Code. Section 1245 basically says that the amount of the sale price for depreciated assets that is in excess of the tax basis but that is less than the original purchase price is taxed as ordinary income. The debtor believes that, because the purchase price is less than the tax basis, there will be no Section 1245 recapture income.

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 inter-company 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.

PLAN RELEASES AND EXCULPATION

The Plan provides that claims held by the debtor against "Released Parties" are released. The "Released Parties" are: the Official Committee of Unsecured Creditors, TD

Bank, N.A., Edward Hazard, Dennis Kim, Jonathan Benjamin, Sean Melia, Kleen LD, LLC, Kleen/Envoy Services, LLC, Sterling Linen, LLC, Turning Bridge, LLC, Kleen Healthcare, LLC, Freitas Equipment, LLC., and counsel to any of the forgoing. The Plan provides that those persons may not be sued by the Plan Trustee or any creditor on account of any claim held by the Debtor (including any claim arising under Chapter 5 of Title 11) against them. The Plan further provides that none of those persons may be sued under theories of alter-ego or substantive consolidation. The debtor believes that is appropriate because it is the work, effort and substantial monetary contribution of the insiders that yield any possible hope of the dividend in this case.

The releases of Edward Hazard, Dennis Kim, Jonathan Benjamin, Sean Melia, Kleen LD, LLC, Kleen/Envoy Services, LLC, Sterling Linen, LLC, Turning Bridge, LLC, Kleen Healthcare, LLC, Freitas Equipment, LLC (the “Insiders”) are justified by the fact that without the releases, there is no possibility of this Plan working. This Plan depends on both the payment of \$850,000 from the Debtor to TD Bank and the payment of \$650,000 to TD Bank from the Insiders. If the Insiders are not released, but instead are subject to substantial continuing litigation from the Bankruptcy Estate, there is no ability to make either payment. First, the \$850,000 payment to TD Bank from the Debtor will not be made because, at least under the stalking horse bid, that depends on the purchase by the Insiders of the business for \$2,195,400. Without the release the purchase cannot be made both because it is unlikely the Insiders will contribute the amount of new equity needed (\$500,000), and because the Insiders are not likely to undertake the new guarantees necessary (Of about \$2,100,000), and because even if they were willing to proceed, it is unlikely that the Senior Debt would lend the \$2,100,000, necessary to make the Plan work

with an uncertain liability to the Bankruptcy Estate on the horizon. No release means no purchase which means no payment.

Second, even if some other entity were to become the successful buyer in the auction, the Plan still depends on the Insiders paying TD Bank \$650,000, it still depends on the Insiders guaranteeing new debt, and it still depends on a clean balance sheet of the Insiders. Again, no release means no settlement with TD Bank which means no Plan. The Plan cannot work without the Insider Releases.

The Plan further exculpates any of the members of the Official Committee of Unsecured Creditors, the Debtor, or their professionals from any liability arising in connection with the plan process or the confirmation of the plan. The Debtor believes that is fair because once the parties have negotiated and made their deal the whole point of the confirmation process is to reach finality and start fresh.

The release and exculpation of TD Bank, N.A. is required, because TD Bank, N.A. is agreeing to settle its claims, which are in excess of \$3.2 million dollars, for approximately \$1.5 million dollars and is agreeing to waive its claim to a dividend as a general unsecured creditor. TD Bank, N.A. is receiving less than half of the face value of said claims. TD Bank, N.A. is not willing to settle its claims without receiving a release and exculpation as provided herein.

RISKS

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: October 3, 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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