

TROUBLED COMPANY REPORTER

Friday, July 30, 2004, Vol. 8, No. 158

MCCANN: Lee Buchwald Appointed as Chapter 11 Trustee

The U.S. Bankruptcy Court for the Southern District of New York approves the U.S. Trustee for Region 2's request to appoint Lee E. Buchwald as Chapter 11 Trustee in McCann, Inc.'s liquidation.

The U.S. Trustee argued, successfully, that McCann's case needs a Chapter 11 trustee due to "prepetition gross mismanagement, fraud and dishonesty."

Deirdre A. Martini reports that the Debtor and its management have engaged in gross mismanagement, which constitutes a crime of larceny under New York law.

Ms. Martini, together with the unofficial unsecured creditors committee, expresses no confidence in the current management's ability to maximize the liquidation value of the Company's assets.

Ms. Martini and the committee have discovered that:

- (i) The Debtor's management collected up to \$4,000,000 from the owner of certain construction projects weeks before ceasing operations and failed to pay those monies to the proper subcontractors;
- (ii) The Debtor's management may have falsified certain lien waivers and it is currently the subject of an investigation by the Manhattan District Attorney's office;
- (iii) About one year before the involuntary petition was filed, the Debtor entered into an agreement and paid approximately \$2,800,000 to satisfy the alleged debt of an affiliate.

The U.S. Trustee has consulted these core parties-in-interest regarding the appointment of Mr. Buchwald, and each consents to Mr. Buchwald's appointment:

- (a) Counsel for the Debtor
Cliff Katz, Esq.
Platzer, Swergold, Karlin, Levine, Goldberg & Jaslow,
LLP;
- (b) Counsel for the Petitioning Creditors
Scott Markowitz, Esq.
Totdman, Nachamie, Spizz & Johns, P.C.; and
- (c) Counsel for Hugh O'Kane Electric, holder of large claim
Ira Abel, Esq.
Cohen Tauber Spievack & Wagner LLP.

Currently, the Debtor has ceased all operations. The only Chapter 11 plan that's realistic will be a plan of liquidation. Mr. Buchwald will oversee the administration of the liquidation proceeding.

Headquartered in New York, New York, McCann, Inc., is a commercial

interior general contracting company. The Debtor's primary shareholder is Bruce Fahey who owns 90% of the Debtor's common stock. In March 2004, The Company abruptly ceased all active operations when one of its subcontractors complained about not getting paid. Currently, the Debtor and Mr. Fahey are the subject of an investigation by the Manhattan D.A.'s office with regard to forged lien waivers and violations of Article 3A of the New York Lien Law. On April 15, 2004, an involuntary Chapter 7 Petition was filed by ADCO Electrical Corporation T/A Scholes Electric & Communications, Hugh O'Kane Electric Co., Inc. and ADCO Electric Corp., against the Debtor (Bankr. S.D.N.Y. Case No. 04-12596), which was later converted to Chapter 11 of the Bankruptcy Code. The Petitioning Creditors claimed \$9,884,679 due. Clifford A. Katz, Esq., at Goldberg & Jaslow, LLP serves as the Debtor's counsel.

MCCANN INC: Involuntary Chapter 11 Case Summary

Alleged Debtors: McCann, Inc.
1212 Avenue of Americas
New York, New York

Involuntary Petition Date: June 25, 2004

Case Number: 04-12596

Chapter: 11

Court: Southern District of New York (Manhattan)

Judge: Stuart M. Bernstein

Petitioners' Counsel: Scott S. Markowitz, Esq.
Todtman, Nachamie, Spizz & Johns, P.C.
425 Park Avenue, 5th Floor
New York, NY 10022
Tel: 212-754-9400
Fax: 212-754-6262

Petitioners: ADCO Electrical Corporation T/A Scholes Electric &
Communications
1201 Centennial Avenue
Piscataway, NJ 08854

Hugh O'Kane Electric Co., Inc.
3 Penn Plaza
New York, New York 10004

ADCO Electrical Corp.
201 Edward Curry Avenue
Staten Island, NY 10314

Aggregate Amount of Claims: \$9,884,679