

Judge OKs McCann liquidation plan

by Rhonda L. Lipschutz Posted 05:18 EST, 29, Mar 2006

A Manhattan judge approved a liquidation plan on March 21 for **McCann Inc.** that will pay unsecured creditors about 3.3% on their claims.

Judge Stuart M. Bernstein of the U.S. Bankruptcy Court for the Southern District of New York in Manhattan gave trustee Lee E. Buchwald approval to send the plan to creditors for a vote.

Under the plan, the New York-based construction and contracting firm will distribute about \$2.4 million in cash.

Unsecured creditors are owed a total of \$47 million, according to the disclosure statement. The plan will pay them between \$1.5 million and \$1.6 million, which will result in a recovery of roughly 3.3%, court papers said.

Administrative, tax and other claims totaling \$844,000 will be paid in full.

Holders of McCann stock will be canceled and will recover nothing, documents said.

Those holders include Bruce Fahey, McCann's principal owner, who has a 90% stake in the company, and Brian McMahon, who owns 10%.

Fahey began working for the company around 1972. At that time, the company was owned by Donald McCann and Bill McMahon, Brian McMahon's father. In 1982, Fahey became a company shareholder and by the mid-1980s he became the principal shareholder, documents show.

McCann notched \$199 million in revenue in 2000, but its fiscal health then became erratic. In 2001, sales dropped to \$142 million, then recovered to \$151 million in 2002, before falling precipitously to \$75 million in 2003, court papers said.

Scandal also has hurt the company. Two years ago, Buchwald tried to recoup \$2 million in payments from Manhattan District Attorney Robert Morgenthau as part of a 1997 plea bargain. The payouts to the DA's office between July 1998 and March 2004 were tied to guilty pleas by Fahey and Brian McMahon on commercial bribing charges.

The trustee was able to settle the adversary proceeding. Morgenthau's office agreed to pay \$325,000. Fahey paid \$190,000, and McMahon paid \$50,000.

McCann was pushed into bankruptcy when three electrical subcontractors with \$9.88 million in trade claims filed an involuntary Chapter 7 petition against the company on April 15, 2004.

McCann then filed a voluntary Chapter 11 petition on June 25, 2004.

The subcontractors alleged that they weren't paid for their work on a number of projects, including **Morgan Stanley's** offices in Jersey City, N.J.

Buchwald, president of **Buchwald Capital Advisors LLC** in New York, was appointed Chapter 11 trustee on July 26, 2004.

Creditors' votes to accept or reject the plan are due by April 21. The confirmation hearing is scheduled for April 27.