

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:	)	Chapter 11
)	
HAMPSHIRE GROUP, LIMITED, <u>et al.</u> ¹	)	Case No.: 16-12634 (BLS)
)	
Debtors.	)	(Jointly Administered)
)	

DISCLOSURE STATEMENT FOR FIRST AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION PROPOSED BY THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF HAMPSHIRE GROUP, LTD., ET AL.

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Dated: Wilmington, Delaware
August 17, 2017

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¹ The Debtors are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Hampshire Group, Limited (7107), Hampshire Brands, Inc., f/k/a Hampshire Designs, Inc. (1174), and Hampshire International, LLC (5327).

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- A. Plan**
- B. Committee Liquidation Analysis**
- C. Liquidation Trust Agreement**

I.
INTRODUCTION

Hampshire Group, Limited, Hampshire Brands, Inc., and Hampshire International, LLC (collectively, the “Debtors”), the debtors and debtors-in-possession in the above-captioned cases (the “Chapter 11 Cases”) pending in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) and the Official Committee of Unsecured Creditors of Hampshire Group, Limited, *et al.* (the “Committee” or “Creditors’ Committee” and, collectively with the Debtors, the “Plan Proponents”), hereby submit this disclosure statement, dated as of August 17, 2017 (as amended, modified, or supplemented from time to time, including all exhibits hereto, the “Disclosure Statement”), pursuant to section 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “Bankruptcy Code”), with respect to the *First Amended Joint Chapter 11 Plan of Liquidation Proposed by the Debtors and the Official Committee of Unsecured Creditors of Hampshire Group, Ltd., et al.*, dated as of August 17, 2017 (as amended, modified, or supplemented from time to time, the “Plan”). This Disclosure Statement is to be used in connection with the solicitation by the Plan Proponents of votes on the Plan. A copy of the Plan is attached hereto as **Exhibit A**.

THE PLAN PROPONENTS HAVE OBTAINED APPROVAL OF THIS DISCLOSURE STATEMENT ON AN INTERIM BASIS FOR PURPOSES OF SOLICITING VOTES ON THE PLAN.

THE PLAN PROPONENTS WILL BE SEEKING APPROVAL OF THIS DISCLOSURE STATEMENT ON A FINAL BASIS AT THE SAME HEARING AT WHICH THE PLAN PROPONENTS WILL SEEK ENTRY OF AN ORDER OF THE BANKRUPTCY COURT CONFIRMING THE PLAN. ONLY HOLDERS OF ALLOWED CLAIMS IN CLASS 2 (GENERAL UNSECURED CLAIMS) ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. HOLDERS OF SECURED CLAIMS IN CLASS 1 ARE UNIMPAIRED UNDER THE PLAN AND, THEREFORE, ARE DEEMED TO ACCEPT THE PLAN AND ARE NOT ENTITLED TO VOTE ON THE PLAN. HOLDERS OF INTERESTS IN CLASS 3 ARE IMPAIRED AND SHALL NOT RECEIVE OR RETAIN ANY PROPERTY ON ACCOUNT OF SUCH INTERESTS UNDER THE PLAN AND, THEREFORE, ARE DEEMED TO REJECT THE PLAN AND ARE NOT ENTITLED TO VOTE ON THE PLAN.

THE PLAN PROPONENTS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF AND PROVIDES THE HIGHEST AND MOST EXPEDITIOUS RECOVERIES TO HOLDERS OF ALL CLAIMS AGAINST THE DEBTORS. THE PLAN PROPONENTS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT THE PLAN.

THE SOLICITATION PACKAGE ACCOMPANYING EACH OF THE BALLOTS CONTAINS APPLICABLE VOTING INSTRUCTIONS. **TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED, SIGNED, AND ACTUALLY RECEIVED BY COUNSEL TO THE COMMITTEE ON OR PRIOR TO 5:00 P.M. (PREVAILING EASTERN TIME), ON SEPTEMBER 20, 2017 (THE “VOTING DEADLINE”).**

All capitalized terms used in this Disclosure Statement and not defined herein shall have the meanings ascribed to such terms in the Plan. Unless otherwise stated, all references herein to “Exhibits” are references to exhibits to this Disclosure Statement.

II.
NOTICE TO HOLDERS OF CLAIMS

The purpose of this Disclosure Statement is to enable you, as a creditor whose Claim is impaired under the Plan, to make an informed decision in exercising your right to accept or reject the Plan.

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO VOTE TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN OR ANY OTHER APPLICABLE DOCUMENT, THE TERMS OF THE PLAN OR ANY SUCH APPLICABLE DOCUMENT SHALL GOVERN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE “BANKRUPTCY RULES”) AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH SUCH DOCUMENTS WERE PREPARED.

THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS UNAUDITED. BECAUSE OF THE DEBTORS’ FINANCIAL DIFFICULTIES AND THE COMPLEXITY OF THE DEBTORS’ FINANCIAL MATTERS, THE BOOKS AND RECORDS OF THE DEBTORS, UPON WHICH THIS DISCLOSURE STATEMENT IN PART IS BASED, MAY BE INCOMPLETE OR INACCURATE. THE PLAN PROPONENTS HAVE MADE REASONABLE EFFORTS TO FAIRLY PRESENT ALL SUCH INFORMATION.

THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH CREDITOR SHOULD CONSULT ITS OWN LEGAL COUNSEL, ACCOUNTANTS AND/OR ADVISORS AS TO ANY POTENTIAL LEGAL, TAX OR OTHER MATTERS CONCERNING SUCH CREDITOR.

THIS DISCLOSURE STATEMENT CONTAINS PROJECTIONS WITH RESPECT TO THE ORDERLY LIQUIDATION OF THE DEBTORS' ESTATES. THERE CAN BE NO ASSURANCE THAT ANY ASSUMPTIONS CONTAINED IN THIS DISCLOSURE STATEMENT ARE ACCURATE OR WILL BE SUCCESSFULLY CONCLUDED. PROJECTIONS, BY NATURE, ARE BASED UPON FUTURE EVENTS THAT CANNOT BE PREDICTED WITH ANY DEGREE OF CERTAINTY. CERTAIN RISKS (INCLUDING LITIGATION AND COLLECTION RISKS), UNCERTAINTIES, AND CONTINGENCIES BEYOND THE CONTROL OF EITHER PLAN PROPONENT MAY ARISE, THEREBY RESULTING IN AN ACTUAL OUTCOME THAT COULD BE MATERIALLY DIFFERENT (POSITIVE OR NEGATIVE) FROM THE PROJECTIONS. THE PLAN PROPONENTS MAKE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND AS TO THE ACTUAL OUTCOME OF ANY FUTURE LIQUIDATION ACTIVITIES, INCLUDING ANY LEVEL OF RECOVERIES FROM ANY FILED LITIGATION. EACH CREDITOR AND ITS RESPECTIVE COUNSEL AND/OR ADVISORS MUST CAREFULLY READ AND CONSIDER THE ASSUMPTIONS THAT ARE PART OF THE PROJECTIONS IN DETERMINING WHETHER TO VOTE FOR OR AGAINST THE PLAN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS AND DEBTORS IN POSSESSION IN THESE CHAPTER 11 CASES.

FOR THE AVOIDANCE OF DOUBT, NOTHING SET FORTH IN THE PLAN OR IN THIS DISCLOSURE STATEMENT SHALL CONSTITUTE A GUARANTEE, WAIVER, ADMISSION, OR CONCESSION OF ANY KIND BY EITHER PLAN PROPONENT OR BY ANY OTHER PERSON OR ENTITY ACTING IN ANY CAPACITY.

Each Holder of a Claim entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Plan Proponents (in their capacity as such) and certain of the professionals they have retained, no person has been authorized to use or promulgate any information with respect to this Disclosure Statement, the Plan, and/or the

solicitation of votes to accept or reject the Plan other than the information contained in this Disclosure Statement, and any information not contained in this Disclosure Statement may not be relied upon as having been authorized by the Plan Proponents with respect to solicitation of votes on the Plan. You should not rely on any information relating to this Disclosure Statement, the Plan, and/or the solicitation of votes to accept or reject the Plan other than the information contained in this Disclosure Statement and in the Exhibits hereto.

After carefully reviewing this Disclosure Statement, including the attached Exhibits, please indicate your acceptance or rejection of the Plan by voting either to “accept the Plan” or to “reject the Plan” on the enclosed ballot and return the completed ballot to the address set forth on the ballot, in the enclosed return envelope. All votes to accept or reject the Plan must be cast by using the appropriate ballot. Votes which are cast in any other manner will not be counted. **To be counted, your signed original ballot must be actually received by counsel to the Committee at the address listed on the ballot no later than the Voting Deadline. If you have questions regarding the voting procedures, please contact Steven W. Golden, Pachulski Stang Ziehl & Jones LLP, counsel to the Committee, at sgolden@pszjlaw.com or at (212) 561-7700.**

DO NOT RETURN ANY OTHER DOCUMENTS WITH YOUR BALLOT.

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against, or Interest in, the Debtors and their respective successors and assigns, whether or not the Claim or Interest of such holder is Impaired under the Plan and whether or not such holder has accepted the Plan.

THE PLAN PROPONENTS URGE ALL HOLDERS OF ALLOWED CLAIMS IN CLASS 2 (GENERAL UNSECURED CLAIMS) TO ACCEPT THE PLAN.

**III.
EXPLANATION OF CHAPTER 11**

A. Overview of Chapter 11

Chapter 11 is the principal chapter of the Bankruptcy Code pursuant to which a corporation or business entity, acting as the debtor in possession, may reorganize its business or liquidate in an orderly fashion for the benefit of its creditors and other parties in interest.

The commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor as of the date the petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a “debtor in possession” unless the bankruptcy court orders the appointment of a trustee. In the Debtors’ Chapter 11 Cases, the Debtors remain as debtors in possession. Additionally, pursuant to section 1102(a) of the Bankruptcy Code, the United States Trustee for Region 3 (the “U.S. Trustee”) appointed the Committee to represent the interests of all unsecured creditors in these Chapter 11 Cases.

The filing of a petition under the Bankruptcy Code triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all attempts by creditors or other third parties to collect on prepetition claims against a debtor or otherwise interfere with the debtor's property or business. Section 362(b) of the Bankruptcy Code provides, among other things, that the exercise of certain regulatory or policing powers by governmental authorities is not subject to the automatic stay. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the effective date of a confirmed chapter 11 plan.

B. Chapter 11 Plan

The formulation of a chapter 11 plan is a principal goal and purpose of a chapter 11 case. The chapter 11 plan sets forth, among other things, the means for satisfying claims against and interests in a debtor's estate. A chapter 11 plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of the debtor's assets. Upon confirmation of the chapter 11 plan, it becomes binding on the debtor and all of its creditors, equity holders and other parties, and all prior obligations owed by the debtor to any such parties are compromised and exchanged for the obligations specified in the chapter 11 plan. In these Chapter 11 Cases, the Plan includes provisions which the Plan Proponents believe provide a fair and equitable allocation of the Debtors' Assets that will be distributed to creditors through the Liquidation Trust created under the Plan.

After a chapter 11 plan has been filed, the holders of allowed impaired claims against a debtor are permitted to vote to accept or reject the plan. Section 1125 of the Bankruptcy Code requires that, before soliciting acceptances of the Plan, the Plan Proponents prepare and file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the Plan. **This Disclosure Statement is presented to Holders of Claims against the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the Plan Proponents' solicitation of votes on the Plan.**

C. Confirmation of a Chapter 11 Plan

If all classes of claims and/or interests, as applicable, that are entitled to vote accept a chapter 11 plan, the bankruptcy court may confirm the plan if the bankruptcy court independently determines that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. **The Plan Proponents believe the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code.**

Chapter 11 of the Bankruptcy Code does not require that each holder of a claim or interest in a particular class vote in favor of a chapter 11 plan for the bankruptcy court to determine that the class has accepted the plan. Rather, a class of claims will be deemed to have accepted a chapter 11 plan if the court determines that the plan has been accepted by creditors, other than any entity designated under section 1126(e) of the Bankruptcy Code, that hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class that have voted to accept or reject the plan. **In these Chapter 11 Cases, only the Holders of**

Allowed Claims in Class 2 (General Unsecured Claims) who timely submit a ballot by the Voting Deadline will be counted as either accepting or rejecting the Plan.

In addition, classes of claims or interests that are not “impaired” under a chapter 11 plan are conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore, classes that are to receive no distribution under the plan are conclusively deemed to have rejected the plan. Accordingly, acceptances of a chapter 11 plan generally will be solicited only from holders of claims or interests in an impaired class. **In these Chapter 11 Cases, Class 2 (General Unsecured Claims) is the only impaired Class under the Plan that is entitled to vote to accept or reject the Plan. Holders of Class 1 Secured Claims are unimpaired under the Plan and, therefore, are deemed to accept the Plan and are not entitled to vote. Holders of Class 3 Interests are impaired and shall not receive or retain any property on account of such Interests under the Plan and, therefore, are deemed to reject the Plan and are not entitled to vote.**

IV. OVERVIEW OF THE PLAN

The Plan provides for the treatment of Claims against and Interests in the Debtors, as well as the treatment of certain unclassified Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, and Priority Tax Claims.

A. Plan Objectives

The Plan contemplates the substantive consolidation of the Debtors’ Estates into a single Estate for all purposes associated with Confirmation and Consummation. The Plan further provides for the establishment on the Effective Date of the Liquidation Trust for the primary purpose of administering and liquidating the Trust Assets and for the secondary purposes of, *inter alia*, (a) analyzing and pursuing Causes of Action; (b) resolving all Administrative Expense Claims, Professional Fee Claims, and Claims; and (c) making all Distributions provided for under the terms of the Plan. The Liquidation Trust shall be under the direction and control of the Liquidation Trustee, as trustee of the Liquidation Trust, subject to the terms of the Plan and the Liquidation Trust Agreement. On the Effective Date, all Assets of the Debtors’ Estates, including, but not limited to, Causes of Action, any recoveries related to the issuance of the Bond and the related letter of credit draw, certain accounts receivable, and Cash, shall vest in the Liquidation Trust. The Plan contemplates the monetization of the Trust Assets and the distribution of the net proceeds thereof to Holders of Allowed Administrative Expense Claims, Allowed Priority Employee Claims, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Secured Claims, and Allowed General Unsecured Claims in order of their payment priority as set forth in the Plan, in full and final satisfaction of the Debtors’ obligations to such Holders of Allowed Administrative Expense Claims, Allowed Priority Employee Claims, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Secured Claims, and Allowed General Unsecured Claims.

B. Summary of Distributions Under the Plan and Committee Liquidation Analysis

The following is a summary of the Distributions projected to be made under the Plan. It is qualified in its entirety by reference to the full text of the Plan, which is attached to this Disclosure Statement as **Exhibit A**. In the event of any conflict between the summary set forth in this Disclosure Statement and the terms of the Plan, the terms of the Plan shall govern.

Class	Type	Proposed Treatment	Estimated Aggregate Allowed Amount	Estimated Percentage Recovery
Unclassified	Administrative Expense Claims (excludes Chapter 11 professional fee claims)	Allowed Administrative Expense Claims, if any, shall be paid in cash on or as soon as practicable after the Effective Date in accordance with the terms of the Plan.	Unknown (not expected to be material)	100%
Unclassified	Priority Employee Claims	Allowed Priority Employee Claims shall be paid in cash on or as soon as practicable after the Effective Date in accordance with the terms of the Plan.	\$67,000	100%
Unclassified	Professional Fee Claims	Allowed Professional Fee Claims shall be paid in cash over time as Trust Assets are liquidated in accordance with the terms of the Plan.	\$1.7 million to \$1.9 million	100%
Unclassified	Priority Tax Claims	Allowed Priority Tax Claims shall be paid in cash over time in accordance with section 1129(a)(9)(C) of the Bankruptcy Code and the terms of the Plan.	\$160,000 to \$200,000	100%
Class 1	Secured Claims	Allowed Secured Claims, if any, shall be treated as set forth in the Plan.	\$0 to \$29,000	100%
Class 2	General Unsecured Claims	Holders of Allowed General Unsecured Claims shall receive pro rata distributions from available proceeds as Trust Assets are liquidated, in accordance with the terms of the Plan.	\$15 million to \$30 million	0.3% to 17%
Class 3	Interests	On the Effective Date, all Interests in the Debtors shall be cancelled, and the Holders of Class 3 Interests shall not be entitled to, and shall not receive or retain, any property on account of such Interests under the Plan.	n/a	0%

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, and Priority Tax Claims, as described in Article V.A.1 through Article V.A.4 of the Plan, have not been classified in the Plan and, thus, are excluded from the Classes that follow. The following table summarizes the classification of the Classes of Claims and Interests under the Plan and whether you are entitled to vote on the Plan.

<u>CLASS</u>	<u>DESCRIPTION</u>	<u>IMPAIRED/ UNIMPAIRED</u>	<u>VOTING STATUS</u>
Class 1	Secured Claims	Unimpaired	Deemed to Accept
Class 2	General Unsecured Claims	Impaired	Voting
Class 3	Interests	Impaired	Deemed to Reject

Attached to this Disclosure Statement as **Exhibit B** is a liquidation analysis prepared by the professionals retained by the Committee (the “Committee Liquidation Analysis”) in support of confirmation of the Plan. As set forth in the Committee Liquidation Analysis, the Committee estimates that recoveries for Holders of Allowed Claims in Class 2 (General Unsecured Claims) could be between 0.3% and 17% under the Plan. The Committee also believes that Holders of Allowed Claims in Class 2 (General Unsecured Claims) would receive smaller distributions in a liquidation under chapter 7 of the Bankruptcy Code. The Committee Liquidation Analysis provides three alternative scenarios (low, middle, and high) under each of (i) the Plan and (ii) a liquidation under chapter 7 of the Bankruptcy Code, based on various factors in these Chapter 11 Cases, including, without limitation, the projected Allowed amounts of Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, Priority Tax Claims, Secured Claims, and General Unsecured Claims, estimated recoveries on assets that have not yet been liquidated, and estimated litigation recoveries, among others. Notably, the Committee estimates that, under the “Medium” estimated recovery, Holders of Allowed Claims in Class 2 (General Unsecured Claims) would recover approximately 7% under the Plan as opposed to receiving approximately 2% under the “Medium” estimated recovery in a liquidation under chapter 7 of the Bankruptcy Code. In addition, the Committee believes that distributions in a chapter 7 case would likely be delayed due to the time it will take a chapter 7 trustee to assess the Debtors’ assets, review and analyze claims, and evaluate and litigate claims against third parties. The Committee encourages Holders of Allowed Claims in Class 2 (General Unsecured Claims), who are entitled to vote on the Plan, to review the Committee Liquidation Analysis (including all footnotes thereto) in assessing whether to accept or reject the Plan.

Because any recoveries on Causes of Action that may be asserted by the Liquidation Trust on behalf of the Debtors, their Estates, and/or the Liquidation Trust and any recoveries on certain other assets remain uncertain as of the filing of this Disclosure Statement, the Debtors are unable at this time to estimate the potential Distributions that could be made under the Plan to Holders of Allowed Claims in Class 2 (General Unsecured Claims). Nevertheless, based upon the Debtors’ estimate of the value of their assets, together with the Debtors’ understanding of the chapter 11 plan process, as well as the expected additional costs and delays incident to a liquidation under chapter 7 as outlined in Section IX.C of this Disclosure Statement, entitled “Best Interests of Creditors Test,” the Debtors believe the Plan will provide a greater distribution to creditors than a liquidation under chapter 7.

V.
**QUESTIONS AND ANSWERS REGARDING THIS
DISCLOSURE STATEMENT AND THE PLAN**

Why are the Plan Proponents sending me this Disclosure Statement?

The Plan Proponents are seeking Bankruptcy Court approval of the Plan. Prior to soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the preparation, filing, and approval of a Disclosure Statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding whether to accept or reject the Plan. On August 17, 2017, the Bankruptcy Court entered an order, *inter alia*, approving the Disclosure Statement on an interim basis and authorizing the Plan Participants to solicit votes on the Plan. This Disclosure Statement is being sent to you in accordance with the Bankruptcy Court's order and the requirements of chapter 11 of the Bankruptcy Code.

What happens to my recovery if the Plan is not confirmed or does not go effective?

If the Plan is not confirmed and/or does not become effective in a timely manner, the Plan Proponents believe these Chapter 11 Cases would be converted to cases under chapter 7 of the Bankruptcy Code. The Plan Proponents believe that conversion to chapter 7 likely would, at a minimum, delay Distributions, may impact the value of certain of the Debtors' remaining Assets (such as accounts receivable), and likely would result in Holders of Allowed Claims in Class 2 (General Unsecured Claims) receiving smaller Distributions on account of their Allowed Claims. For a more detailed description of the consequences of conversion of these Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code, see Section IX.C of this Disclosure Statement, entitled "Best Interests of Creditors Test."

If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what do you mean when you refer to "Confirmation," "Effective Date" and "Consummation?"

"Confirmation" of the Plan refers to the approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution contemplated under the Plan. After Confirmation of the Plan, there are conditions that need to be satisfied or waived so that the Plan can be consummated and become effective. References to the "Effective Date" mean the date that all conditions to the Plan becoming effective have been satisfied or waived and the Plan has been substantially consummated. Distributions will only be made on the Effective Date or as soon as practicable thereafter, based on, among other things, the terms of the Plan, the amount of Distributable Cash, the aggregate amounts of Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, Priority Tax Claims, Secured Claims, and General Unsecured Claims outstanding against the Debtors, the amount of Cash necessary to fund the Plan Reserves, and the Liquidation Trustee's business judgment.

Where is the Cash required to fund the Plan coming from?

The Cash required to fund the Plan will come from, among other sources, (i) Cash held by the Debtors on the Effective Date; (ii) collection of the Debtors' remaining unpaid accounts receivable; (iii) any recoveries related to the issuance of the Bond and the related letter of credit draw; (iv) monetization of any other Trust Assets; and (v) the prosecution and/or settlement of Causes of Action.

How do I vote for or against the Plan?

This Disclosure Statement and a ballot, or ballots, to be used for voting on the Plan are being distributed to the Holders of Allowed Claims in Class 2 (General Unsecured Claims) who are entitled to vote on the Plan. If you are a Holder of one or more Claims in Class 2 (the "Voting Class"), you may vote to accept or reject the Plan by completing the ballot and returning the signed original ballot in the enclosed envelope on or prior to the Voting Deadline.

What is the deadline to vote on the Plan?

All ballots must be sent to counsel to the Committee, Pachulski Stang Ziehl & Jones LLP, 780 Third Avenue, 34th Floor, New York, New York 10017; Attention: Steven W. Golden, Esq. so as to be **actually received** on or before the Voting Deadline, which is **September 20, 2017 at 5:00 p.m. (prevailing Eastern Time)**.

Why is the Bankruptcy Court holding a confirmation hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan.

When is the confirmation hearing scheduled to occur?

The Bankruptcy Court has scheduled the confirmation hearing for **September 27, 2017 at 1:30 p.m.** (prevailing Eastern Time) before the Honorable Judge Brendan L. Shannon, United States Bankruptcy Judge, in the United States Bankruptcy Court, 824 North Market Street, 6th Floor, Wilmington, Delaware 19801 to consider (i) final approval of this Disclosure Statement as providing adequate information pursuant to section 1125 of the Bankruptcy Code; and (ii) confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code. The confirmation hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the confirmation hearing or any adjournment thereof, or by a notice or hearing agenda filed on the docket in these Chapter 11 Cases. Objections to confirmation of the Plan must be filed and served on the respective counsel for the Plan Proponents and counsel for the U.S. Trustee, by no later than **September 20, 2017 at 4:00 p.m. (prevailing Eastern Time)** (the "Confirmation Objection Deadline") in accordance with the notice of the confirmation hearing that accompanies this Disclosure Statement. Unless objections to Confirmation of the Plan are timely served and filed by no later than the

Confirmation Objection Deadline, such objections may not be considered by the Bankruptcy Court.

What is the purpose of the confirmation hearing?

At the confirmation hearing, the Bankruptcy Court will determine whether to confirm the Plan. Confirmation and consummation of a chapter 11 plan is a principal objective of a chapter 11 case. Confirmation of a chapter 11 plan by the Bankruptcy Court binds the debtor, any person acquiring property under the chapter 11 plan, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code.

What role does the Bankruptcy Court play after the confirmation hearing?

After the Plan has been confirmed, the Bankruptcy Court will retain exclusive jurisdiction over certain matters arising out of, or related to, the Chapter 11 Cases and the Plan, as described more fully in Article X.O of the Plan.

Do the Debtors and the Committee recommend voting in favor of the Plan?

Yes. For the reasons set forth in this Disclosure Statement, in the opinion of the Debtors and the Committee, the Plan is preferable to liquidation under chapter 7 of the Bankruptcy Code and is preferable to any other reasonably available alternative because the Debtors and the Committee believe the Plan provides the best opportunity for a larger distribution to the Holders of Allowed Claims in Class 2 (General Unsecured Claims) than would otherwise result from a liquidation under chapter 7 of the Bankruptcy Code or any other reasonably available alternative. **Accordingly, the Debtors and the Committee recommend that Holders of Allowed Claims in the Voting Class support Confirmation of the Plan and vote to accept the Plan.**

**VI.
HISTORY OF THE DEBTORS**

A. History, Operations, and Business

Prior to the winding down of their business operations, the Debtors were providers of fashion apparel across a broad range of product categories, channels of distribution, and price points. The Debtors specialized in, among other things, designing and marketing men's sportswear to department stores, chain stores, and mass market retailers under licensed brands, their own proprietary brands, and the private labels of customers. Brands manufactured and sold by the Debtors pursuant to license agreements have included Dockers® and James Campbell®. The Debtors' corporate headquarters were most recently located in Anderson, South Carolina, having previously been located in New York, New York.

Debtor, Hampshire Group, Limited ("HGL"), is a publicly held corporation organized under the laws of the State of Delaware. HGL is the sole shareholder of debtor and debtor in possession Hampshire Brands, Inc. ("HBI"), a Delaware corporation, and HGL is the sole managing member of debtor and debtor in possession Hampshire International, LLC, a Delaware

limited liability company. In addition, HGL, directly or indirectly, owns equity interests in certain domestic and foreign non-debtor affiliated entities, all of which are no longer active.

Approximately eighteen (18) months prior to the Petition Date, the Debtors' prepetition secured lenders declared the Debtors to be in default under the prepetition credit agreement. The Debtors and their prepetition secured lenders had agreed to amend and extend the prepetition credit agreement and entered into certain related forbearance agreements in connection therewith.

Over the approximately 15-month period prior to the Petition Date, the Debtors explored various options and took certain steps in an effort to gain access to additional capital and liquidity, stem losses, increase operating efficiencies, and increase cash flow. These steps included, without limitation (i) a stock sale in September 2015 of a former wholly-owned subsidiary, Rio Garment S.A.; (ii) efforts, albeit ultimately unsuccessful, to refinance their senior secured debt; (iii) unsuccessful efforts to raise additional capital; (iv) reduction of operating costs, including a significant reduction of employee headcount; and (v) termination of certain license arrangements.

Beginning in or about June 2016, in an effort to maximize value for the benefit of stakeholders, the Debtors commenced an orderly, out-of-court liquidation and wind-down of their business operations. Prior to the Petition Date, the Debtors' creditors and stockholders were informed of such efforts.

The Debtors commenced their Chapter 11 Cases because, on November 15, 2016, a large unsecured creditor (Onewoo Corporation) obtained a prejudgment order of attachment against Debtors, HGL and HBI, in litigation commenced by it in June 2016 against HGL, HBI, and certain officers of the Debtors in Case No. 1:16-CV-4623 (PKC) (AJP), captioned *Onewoo Corp., et al. v. Hampshire Brands, Inc., et al.*, in the United States District Court for the Southern District of New York (the "Onewoo Litigation").

B. The Debtors' Assets

The Debtors' Assets at this time primarily consist of Cash, the Debtors' remaining unpaid accounts receivable, any recoveries related to the issuance of the Bond and the related letter of credit draw, and Causes of Action.

VII.

THE DEBTORS' CHAPTER 11 CASES

A. Commencement of the Debtors' Chapter 11 Cases

On November 23, 2016, each of the Debtors voluntarily filed a case under chapter 11 of the Bankruptcy Code. The Chapter 11 Cases were commenced in the Bankruptcy Court, and were assigned to the Honorable Brendan Linehan Shannon, United States Bankruptcy Judge. On December 6, 2016, the Bankruptcy Court entered an order directing the joint administration of the Debtors' Chapter 11 Cases.

B. Appointment of the Official Committee of Unsecured Creditors

On December 7, 2016, the U.S. Trustee appointed the Committee, pursuant to section 1102 of the Bankruptcy Code, to represent the interests of all unsecured creditors in these Chapter 11 Cases. The current members of the Committee are: (i) I-Mar LLC; (ii) Triburg USA, Inc.; (iii) Aurora Investments Global Ltd.; (iv) Onewoo Corporation; and (v) BRE 114 West 41st Street LLC.

C. Retention of Professionals and an Officer

During the Chapter 11 Cases, the Bankruptcy Court approved the retention of: (i) Blank Rome LLP, as counsel to the Debtors; (ii) Pachulski Stang Ziehl & Jones LLP, as counsel to the Committee; and (iii) Gavin/Solmonese LLC, as financial advisor to the Committee. In addition, the Bankruptcy Court approved the retention of William Drozdowski as Chief Financial Officer of the Debtors.

D. Significant Business Events after the Petition Date

Section 363 of the Bankruptcy Code (i) authorizes a debtor in possession to use, sell, or lease property of the estate in the ordinary course of business without notice or a hearing (11 U.S.C. § 363(c)), and (ii) grants the debtor in possession the power, subject to approval of the Bankruptcy Court, to use, sell, or lease property of the estate outside of the ordinary course of business (11 U.S.C. § 363(b)).

Since the Petition Date, the Debtors have operated their business in the ordinary course as debtors in possession and have, among other things, liquidated their remaining inventory, collected accounts receivable, and complied with their duties and obligations as chapter 11 debtors in possession.

In addition, the Debtors conducted an expedited sale process for the assets related to the Debtors' James Campbell business (which consisted of inventory, intellectual property and other assets). As part of the sale process for the James Campbell assets, the Debtors, with the support of the Committee, (i) conducted an auction at which two bidders actively participated and bid, (ii) negotiated and executed an asset purchase agreement and other documents related to the sale of such assets and (iii) on January 13, 2017, obtained entry of an order of the Bankruptcy Court authorizing and approving the sale of the James Campbell assets to The Fashion Exchange, LLC or its designee, for a total purchase price of approximately \$900,000.

On or about March 31, 2017, the Debtors ceased business operations, closed their remaining offices, and terminated their remaining staff, with William Drozdowski continuing to serve as interim Chief Financial Officer of the Debtors pursuant to an order of the Bankruptcy Court entered on March 8, 2017. In April 2017, the Debtors completed the sale of their remaining inventory.

E. Filing of Schedules and Statements; Establishment of Claims Bar Date

In early January 2017, each of the Debtors filed its Schedules of Assets and Liabilities and Statement of Financial Affairs. The aggregate scheduled liabilities of each Debtors were approximately as follows:

Debtor	Secured²	Priority Unsecured	Unsecured
Hampshire Group, Ltd.	\$7,332,449.29	\$130,064.25	\$14,613,894.55
Hampshire Brands, Inc.	\$7,332,449.29	\$120,553.86	\$32,566.24
Hampshire International, LLC	\$7,332,449.29	\$0.00	Unliquidated

By order entered on January 30, 2017 (the “General Bar Date Order”), the Bankruptcy Court established March 6, 2017 (the “General Bar Date”) as the deadline for any person (other than a Governmental Unit) asserting a Claim against any Debtor that arose prior to the Petition Date to file a proof of claim. The General Bar Date Order also approved the form of notice served on, *inter alia*, parties known to the Debtors to hold or assert a prepetition claim against the Debtors. The following chart summarizes the proofs of claim that were filed against each Debtor as of the General Bar Date:

Debtor	# of Claims	Aggregate Amount³
Hampshire Group, Ltd.	28	\$28,746,685.30
Hampshire Brands, Inc.	11	\$3,251,803.27
Hampshire International, LLC	3	\$502,105.58

F. Pay Down of Salus

As of the Petition Date, the Debtors and certain non-debtor affiliates, as borrowers, owed approximately \$7,332,449.29 to their prepetition lenders, Salus Capital Partners, LLC and Salus CLO 2012-1, Ltd. (together, “Salus”), pursuant to that certain Credit Agreement dated as of September 26, 2013 (as amended, restated, supplemented, extended, and/or otherwise modified from time to time, the “Prepetition Credit Agreement”).

On December 6, 2016, the Bankruptcy Court entered an order authorizing the Debtors to use cash collateral of Salus on an interim basis.

On January 5, 2017, the Bankruptcy Court entered an order authorizing, on a final basis, the Debtors’ use of cash collateral through and including January 28, 2017. Pursuant to two stipulations entered into by the Debtors, the Committee, and Salus, the Debtors’ use of cash collateral was extended through and including March 31, 2017.

² While each Debtor scheduled a secured claim in the amount listed above, the Debtors’ aggregate secured debt as of the Petition Date was approximately \$7,332,449.29. The claim of Salus, as first priority secured creditor, was fully paid as of March 30, 2017.

³ Some creditors filed proofs of claim in identical amounts against multiple Debtors. In addition, certain of the filed claims included in the proofs of claim chart appearing above supersede a corresponding scheduled liability that was included in the preceding chart of scheduled liabilities.

On or about March 30, 2017, the Debtors paid off the remaining balance owed to Salus under the Prepetition Credit Agreement.

G. Hanover Customs Bond, Letter of Credit Draw, and Possible Recovery by Estates

Prior to the Petition Date, in or about July 2014, at the request of Debtor HBI, Hanover Insurance Company and/or certain of its affiliates (“Hanover”) issued a customs Bond for the benefit of the U.S. Customs and Border Protection (“CBP”). To secure obligations to Hanover in connection with the Bond, HBI, as applicant, and Salus Capital Partners, LLC, as co-applicant, applied to Sterling National Bank (“Sterling”) for an irrevocable standby letter of credit in the original amount of \$400,000, which subsequently was increased to an aggregate amount of \$500,000 (the “Letter of Credit”). The Letter of Credit was secured by cash that was borrowed from Salus and was deposited into a Salus account at Sterling. As noted above, the Debtors have satisfied their obligations to Salus, including repaying amounts borrowed to secure the Letter of Credit.

On or about February 14, 2017, Hanover submitted to Sterling a sight draw request for the entire amount of the Letter of Credit. Sterling paid to Hanover the draw on the Letter of Credit in the amount of \$500,000. On March 17, 2017, the Bankruptcy Court entered an order approving a stipulation among the Debtors, the Committee, Salus, and Sterling, *inter alia*, allowing Sterling to apply funds on deposit to reimburse Sterling for payment of the Letter of Credit draw and related fees and costs.

On April 25, 2017, HBI gave notice to CBP of its termination of the Bond, subject to the required ten (10) business days’ notice.

The Plan Proponents understand that Hanover currently is holding the \$500,000 from the Letter of Credit draw, pending a resolution of any claims that CBP may assert with respect to the Bond. The Liquidation Trustee, on behalf of the Liquidation Trust, will seek to enforce all rights and claims with respect to any recoveries related to the issuance of the Bond and the Letter of Credit draw.

H. Other Potential Sources of Recovery by the Estates

On May 19, 2017, the Bankruptcy Court entered an order authorizing and approving the Debtors’ entry into an agreement to engage Atwell, Curtis & Brooks, Ltd. to collect up to approximately \$120,000 of unpaid accounts receivable of the Debtors. Collection efforts remain ongoing.

In addition, under the Plan, the Liquidation Trustee is empowered to investigate, prosecute, and resolve claims and Causes of Action. While the investigation and analysis of potential Causes of Action remains ongoing, the Liquidation Trustee may investigate, among other things, the following: all Avoidance Actions, including, without limitation, preference actions and fraudulent transfer actions. As reflected in the Debtors’ Schedules of Assets and Liabilities and Statement of Financial Affairs, the Debtors made approximately \$5.3 million in payments during the ninety (90) day period prior to the filing of the bankruptcy cases. In addition, prior to the Petition Date, one or more of the Debtors engaged in the purchase and/or disposition of certain assets and/or ownership interests, including, without limitation,

transactions involving Rio, Gramicci, and termination of the New York City lease, among others. The Liquidation Trustee may also investigate any potential Causes of Action involving any of the Debtors' current or former Insiders; all claims for recoveries relating to the \$500,000 Customs Bond and the related letter of credit draw; and/or all claims against any Person regarding the pre-bankruptcy termination, modification or withdrawal of any license agreement or other contract between any of the Debtors and such Person. Each of the above, as well as other transactions and other potential Causes of Action, may be investigated by the Liquidation Trustee and, if appropriate, litigation may be commenced. At this juncture, it is difficult to estimate precisely the outcomes and magnitude of any possible recoveries on any potential Causes of Action.

VIII.

SUMMARY OF KEY PROVISIONS OF THE PLAN

As a result of the chapter 11 process and through the Plan, the Plan Proponents expect that creditors will obtain a greater recovery from the Estates than in a liquidation under chapter 7 of the Bankruptcy Code. A copy of the Plan is annexed hereto as **Exhibit A** and forms a part of this Disclosure Statement. The summary of the Plan set forth in this Disclosure Statement is qualified in its entirety by the more detailed provisions set forth in the Plan. In the event of any conflict between the summary set forth in this Disclosure Statement and the terms of the Plan, the terms of the Plan shall govern.

A. Classification and Treatment of Claims and Equity Interests

Except as otherwise provided in this Disclosure Statement or in the Plan, all requests for allowance of administrative expenses, all Claims against the Debtors, and all Equity Interests in the Debtors shall be classified as set forth below for all purposes, including voting, confirmation, and distributions under the Plan.

1. Unclassified Claims (Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, and Priority Tax Claims)

As provided by section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, and Priority Tax Claims are not classified under the Plan and instead are treated separately in accordance with section 1129(a)(9) of the Bankruptcy Code. Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, and Priority Tax Claims are not designated as classes of Claims for purposes of the Plan or for purposes of sections 1123, 1124, 1125, 1126, or 1129 of the Bankruptcy Code.

a. Administrative Expense Claims and Administrative Expense Claims Bar Dates

An Administrative Expense Claim (other than any fees payable either to the U.S. Trustee or the Clerk of the Bankruptcy Court pursuant to 28 U.S.C. § 1930, or any claim by a Governmental Unit for a tax or penalty described in Bankruptcy Code sections 503(b)(1)(B) and 503(b)(1)(C), as provided for in Bankruptcy Code section 503(b)(1)(D)) must be filed with the Bankruptcy Court so as to be received on or before the First Administrative Expense Claims Bar

Date or the Second Administrative Expense Claims Bar Date, as applicable, or such other date as may be agreed to by the Liquidation Trustee, or as otherwise may be directed by a Final Order of the Bankruptcy Court upon a motion filed by the affected claimant pursuant to Bankruptcy Rule 9006(b)(1) seeking allowance of a late-filed Administrative Expense Claim based upon excusable neglect (an “Excusable Neglect Order”).

i. First Administrative Expense Claims Bar Date

On May 8, 2017, the Bankruptcy Court entered an order (i) establishing **June 15, 2017, at 5:00 p.m. (Eastern Time)** as the deadline by which Persons were required to file a request seeking allowance of an Administrative Expense Claim (subject to certain exclusions) that arose between the Petition Date and April 30, 2017, and (ii) approving the form and manner of notice of the First Administrative Expense Claims Bar Date.

ii. Proposed Second Administrative Expense Claims Bar Date

The Plan provides that any Person who requests allowance of an Administrative Expense Claim arising between May 1, 2017 and the Effective Date, or who otherwise requests allowance of any other administrative expense pursuant to section 503 of the Bankruptcy Code (other than a Professional Fee Claim) and who is not subject to the First Administrative Expense Claims Bar Date, must file a request for allowance of such Administrative Expense Claim by no later than **5:00 p.m. (Eastern Time) on the date that is thirty (30) days after the Effective Date**, or the next business day thereafter. The Second Administrative Expense Claims Bar Date will be established in the Confirmation Order.

iii. Treatment of Timely Filed Administrative Expense Claims

Timely filed Administrative Expense Claims shall be treated as follows under the Plan:

Within 90 days after the Effective Date, the Liquidation Trustee will allow, settle, or object to all timely filed Administrative Expense Claims. Any defense, setoff, offset, or deduction to any timely filed Administrative Expense Claim shall be raised or asserted in connection with any objection filed with respect to such Administrative Expense Claim in accordance with Article V.A.1 of the Plan. The 90-day deadline described in this paragraph may be expanded pursuant to order of the Bankruptcy Court for good cause shown or by consent of the claimant and the Liquidation Trustee.

On or as soon as practicable after the Effective Date, after the Liquidation Trustee has funded (i) the initial \$250,000 of the Post-Effective Date Trust Expense Reserve and (ii) the 401(k) Plan Termination Reserve, the Liquidation Trustee will distribute, on a Pro Rata basis, the Distributable Cash by (a) making Pro Rata Distributions of Cash to each Holder of an Allowed Administrative Expense Claim and (b) funding a Plan Reserve in Cash for all Disputed Administrative Expense Claims the aggregate amount of which equals the sum of (y) the Pro Rata Distribution calculated based upon the undisputed amount, if any, of each Disputed Administrative Expense Claim, after taking into account any claims, rights, or defenses of the Debtors, their Estates, or the Liquidation Trust, and (z) the Liquidation Trustee’s good faith estimate of a sufficient amount to satisfy the disputed amount of each Disputed Administrative

Expense Claim. On not less than a quarterly basis, the Liquidation Trustee shall distribute the Distributable Cash (if any) in accordance with the preceding sentence until such time as (i) all Allowed Administrative Expense Claims have been paid in full in Cash, or as otherwise agreed to by the Holder of an Administrative Expense Claim and the Liquidation Trustee, or (ii) the Trust Assets have been exhausted.

For the avoidance of doubt, on or as soon as practicable after the Effective Date, the Liquidation Trustee shall, in the reasonable exercise of his or her business judgment, fund a Plan Reserve for Administrative Expense Claims in accordance with the terms of the Plan and, after such Plan Reserve for Administrative Expense Claims has been funded, make Distributions to Holders of Allowed Priority Employee Claims, in accordance with the terms of Article V.A.2 of the Plan, and make Distributions and/or fund Plan Reserves for Professional Fee Claims in accordance with the terms of Article V.A.3 of the Plan.

The Liquidation Trustee will use reasonable best efforts to, on or prior to December 31, 2017, (i) resolve all Disputed Administrative Expense Claims and (ii) make all Distributions to Holders of Allowed Administrative Expense Claims.

One (1) allowed administrative expense claim in the amount of \$3,024.00 was filed on or prior to the First Administrative Expense Claims Bar Date and that claim has since been resolved. Given that the Debtors ceased business operations prior to the First Administrative Expense Claims Bar Date, the Plan Proponents do not anticipate that any material Administrative Expense Claims will be filed on or prior to the Second Administrative Expense Claims Bar Date.

Any Holder of an Administrative Expense Claim that does not timely assert such Administrative Expense Claim in accordance with Article V.A.1 of the Plan, or in accordance with an Excusable Neglect Order, shall have its Administrative Expense Claim be deemed Disallowed under the Plan and be forever barred from asserting such Administrative Expense Claim against the Debtors, their Estates, the Liquidation Trust, or any of their Assets or property.

It is the Plan Proponents' position that, if a Holder of an Administrative Expense Claim does not timely object to treatment of its Claim under the Plan, such Holder shall be deemed to consent to treatment of its Administrative Expense Claim that is different from that set forth in 11 U.S.C. § 1129(a)(9).

b. Priority Employee Claims

Certain Priority Employee Claims for employee benefits, such as unpaid severance and unused vacation time, are listed on the Schedules. According to the Debtors' books and records, approximately eight (8) former employees may hold claims for unpaid prepetition severance and/or vacation in the aggregate amount of approximately \$67,015.02 that may be entitled to priority claim status pursuant to Bankruptcy Code section 507(a)(4). The Debtors are in the process of reconciling such Priority Employee Claims and reserve the right to amend the Schedules and/or to mark any claim as having been partially or fully satisfied, waived and/or extinguished, as applicable. Priority Employee Claims shall be treated as follows under the Plan:

On or as soon as practicable after the Effective Date, after the Liquidation Trustee has paid, resolved, or reserved for, as applicable, all Administrative Expense Claims in accordance with Article V.A.1 of the Plan, the Liquidation Trustee shall pay the Allowed amount of each Allowed Priority Employee Claim in accordance with the terms of the Plan and other orders of the Bankruptcy Court.

Nothing herein shall be deemed to prohibit the Plan Proponents and/or the Liquidation Trustee from investigating, objecting to the allowance of, and/or amending the Schedules with respect to any Priority Employee Claim. Nothing herein shall be construed as authorizing payment on account of any Priority Employee Claim in excess of the amount authorized for such claims under the Bankruptcy Code. The amount of any Allowed Priority Employee Claim in excess of the caps established for such claims under the Bankruptcy Code shall be treated as a General Unsecured Claim.

It is the Plan Proponents' position that, if a Holder of a Priority Employee Claim does not timely object to treatment of its Claim under the Plan, such Holder shall be deemed to consent to treatment of its Priority Employee Claim that is different from that set forth in 11 U.S.C. § 1129(a)(9).

c. Professional Fee Claims

Each Professional requesting compensation for services rendered and reimbursement for expenses incurred during the period from the Petition Date through the Effective Date must file and serve a properly noticed final fee application by no later than **forty-five (45) days after the Effective Date**. Any objection, defense, setoff, offset, or deduction to any such request for compensation or reimbursement of expenses must be raised in connection with the hearing on such final fee application. The Professional shall have an Allowed Professional Fee Claim in the amount of all compensation and reimbursement of expenses allowed pursuant to a Bankruptcy Court order granting such final fee application. Each Holder of an Allowed Professional Fee Claim shall be entitled to receive payment on account of its Allowed Professional Fee Claim as set forth in Article V.A.3 of the Plan.

After the Liquidation Trustee has paid, resolved, or reserved for, as applicable, all Priority Employee Claims in accordance with Article V.A.2 of the Plan, the Liquidation Trustee will distribute, on a Pro Rata basis, the Distributable Cash by (a) making Pro Rata Distributions of Cash to each Holder of an Allowed Professional Fee Claim and (b) funding a Plan Reserve in Cash for all Disputed Professional Fee Claims the aggregate amount of which equals the sum of (y) the Pro Rata Distribution calculated based upon the undisputed amount, if any, of each such Disputed Professional Fee Claim after taking into account any claims, rights, or defenses of the Debtors, their Estates, or the Liquidation Trust, and (z) the Liquidation Trustee's good faith estimate of a sufficient amount to satisfy the disputed amount of each Disputed Professional Fee Claim. On not less than a quarterly basis, the Liquidation Trustee shall distribute the Distributable Cash (if any) in accordance with the preceding sentence until such time as (i) all Allowed Professional Fee Claims have been paid in full in Cash, or as otherwise agreed to by the Holder of a Professional Fee Claim and the Liquidation Trustee, or (ii) the Trust Assets have been exhausted.

All Holders of Professional Fee Claims consent to the treatment of their Allowed Professional Fee Claims and to the timing of payments on such Allowed Professional Fee Claims as set forth herein.

d. Priority Tax Claims

Pursuant to the General Bar Date Order, any Governmental Unit asserting a claim arising prior to the Petition Date against a Debtor was required to a proof of claim by May 22, 2017, at 5:00 p.m. (Eastern Time).

A Priority Tax Claim must either (i) be listed on the Schedules or (ii) be filed with the Bankruptcy Court so as to be received on or before the Governmental Unit Claims Bar Date, or such other date as may be established by the Bankruptcy Court or agreed to by the Liquidation Trustee. Any Holder of a Priority Tax Claim for which a Claim was neither scheduled nor a Proof of Claim timely filed shall have a Disallowed Claim.

After the Liquidation Trustee has paid, resolved, or reserved for, as applicable, all Professional Fee Claims in accordance with Article V.A.3 of the Plan, the Liquidation Trustee will distribute, on a Pro Rata basis, the Distributable Cash by (a) making regular installment payments of Cash, in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, to each Holder of an Allowed Priority Tax Claim and (b) funding a Plan Reserve in Cash for all Disputed Priority Tax Claims the aggregate amount of which equals the sum of (y) the Pro Rata Distribution calculated based upon the undisputed amount, if any, of each such Disputed Priority Tax Claim after taking into account any claims, rights, or defenses of the Debtors, their Estates, or the Liquidation Trust, and (z) the Liquidation Trustee's good faith estimate of a sufficient amount to satisfy the disputed amount of each Disputed Priority Tax Claim. The Liquidation Trustee, in his or her discretion, will make additional regular installment payments of Cash to Holders of Allowed Priority Tax Claims until such time as (i) all Allowed Priority Tax Claims have been paid in full in Cash, or as otherwise agreed to by any Holder thereof and the Liquidation Trustee, or (ii) the Trust Assets have been exhausted.

It is the Plan Proponents' position that, if a Holder of a Priority Tax Claim does not timely object to treatment of its Claim under the Plan, such Holder shall be deemed to consent to treatment of its Priority Tax Claim that may be different from that set forth in 11 U.S.C. § 1129(a)(9)(C).

2. Classification and Treatment of Secured Claims (Class 1)

Classification: Class 1 consists of all Secured Claims.

Treatment: On the Effective Date, or as soon as reasonably practicable thereafter, each Holder of an Allowed Class 1 Claim will receive, at the election of the Liquidation Trustee, one of the following treatments in full satisfaction of its Allowed Class 1 Claim:

- (a) The Liquidation Trustee will convey to the Holder of the Allowed Class 1 Claim the collateral in which such Holder has a security interest;

- (b) The Liquidation Trustee will pay to the Holder of the Allowed Class 1 Claim, up to the amount of such Allowed Class 1 Claim, any net proceeds actually received from the sale or disposition of the collateral in which such Holder has a security interest;
- (c) Provided there is Distributable Cash on hand, the Liquidation Trustee will pay Cash to the Holder of the Allowed Class 1 Claim in the amount of such Allowed Class 1 Claim;
- (d) Such other distributions or treatment that are necessary to leave the rights of the Holder of the Allowed Class 1 Claim unimpaired or that are necessary to otherwise satisfy the requirements of Chapter 11 of the Bankruptcy Code; or
- (e) Such other and less favorable distributions or treatments as may be agreed upon by and between the Holder of the Allowed Class 1 Claim and the Liquidation Trustee.

The Liquidation Trustee may, in his or her discretion, select which of these treatments each Holder of an Allowed Class 1 Claim will receive. The Liquidation Trustee shall have until the later of (a) the Effective Date and (b) ninety (90) days after a Class 1 Claim has become an Allowed Class 1 Claim to elect which treatment to provide to such Holder of an Allowed Class 1 Claim.

3. Classification and Treatment of General Unsecured Claims (Class 2)

Classification: Class 2 consists of all General Unsecured Claims.

Treatment: After the Liquidation Trustee has paid, resolved, or reserved for, as applicable, all Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, Priority Tax Claims, and Secured Claims, each in accordance with Article V.A or Article V.B of the Plan, as applicable, the Liquidation Trustee will distribute, on a Pro Rata basis, the Distributable Cash by (a) commencing making Pro Rata Distributions of Cash to each Holder of an Allowed General Unsecured Claim, and (b) funding a Plan Reserve for all Disputed General Unsecured Claims the aggregate amount of which equals the sum of (y) the undisputed amount, if any, of each Disputed General Unsecured Claim after taking into account any claims, rights, or defenses of the Debtors, their Estates, or the Liquidation Trust, and (z) the Liquidation Trustee's good faith estimate of a sufficient amount to satisfy the disputed amount of each Disputed General Unsecured Claim. Thereafter, in accordance with the preceding sentence, the Liquidation Trustee, in his or her discretion, will make further periodic Pro Rata Distributions and/or fund a Plan Reserve for all Disputed General Unsecured Claims until such time as (i) all Allowed General Unsecured Claims have been paid in full in Cash, or as otherwise agreed to by the Holder of a General Unsecured Claim and the Liquidation Trustee, or (ii) the Trust Assets have been exhausted.

4. Classification and Treatment of Interests (Class 3)

Classification: Class 3 consists of all Interests in the Debtors.

Treatment: On the Effective Date, all Interests in the Debtors shall be cancelled, and the Holders of Class 3 Interests shall not be entitled to, and shall not receive or retain, any property on account of such Interests under the Plan.

B. Means for Implementation of the Plan

1. Substantive Consolidation

The Plan Proponents seek entry, pursuant to section 105 of the Bankruptcy Code, of a Bankruptcy Court order that, effective upon the Effective Date, substantively consolidates the Debtors' Estates into a single consolidated Estate and consolidates all of the debts of all of the Debtors, for all purposes associated with Confirmation and Consummation.

Generally, substantive consolidation of the estates of multiple debtors in a bankruptcy case effectively combines the assets and liabilities of the multiple debtors for certain purposes under a plan. The effect of substantive consolidation is the pooling of the assets of, and the claims against, the multiple debtors for the purposes of voting on the plan and satisfying liabilities from a common fund. *In re Augie/Restivo Baking Co.*, 860 F.2d 515, 518 (2d Cir. 1988).

There is no express statutory authority for substantive consolidation; rather, substantive consolidation exists as an equitable remedy. *In re Owens Corning*, 419 F.3d 195 (3d Cir. 2005). The Bankruptcy Court's ability to order substantive consolidation derives from its general equitable powers under section 105(a) of the Bankruptcy Code, which provides that the Bankruptcy Court may issue orders necessary to carry out the provisions of the Bankruptcy Code. *In re DRW Property Co.*, 54 B.R. 489, 494 (Bankr. N.D. Tex. 1985). Some courts have also found authority for substantive consolidation in section 1123(a)(5)(C) of the Bankruptcy Code. Section 1123(a)(5)(C) provides in part, "a plan shall provide adequate means for the plan's implementation, such as merger or consolidation of the debtor with one or more persons." 11 U.S.C. § 1123(a)(5)(C); *see, e.g., In re Stone & Webster, Inc.*, 286 B.R. 532, 541 (Bankr. D. Del. 2002) ("Courts have held that [Section 1123(a)(5)(C)] indicates Congress' intent that a chapter 11 debtor may merge or consolidate with other entities, including other debtors, as part of the reorganization process . . . [and that] substantive consolidation is expressly authorized by . . . § 1123(a)(5)(C)"). There are, however, no statutorily prescribed standards for court approval of substantive consolidation. Instead, courts apply certain judicially-developed standards to determine the appropriateness of substantive consolidation. Courts have held that substantive consolidation may be authorized, for example, (i) where creditors consent, (ii) where, prior to the petition date, the debtors "disregarded separateness so significantly their creditors relied on the breakdown of entity borders and treated them as one legal entity", or (iii) where, after the Petition Date, the Debtors' "assets and liabilities are so scrambled that separating them is prohibitive and hurts all creditors." *Owens Corning*, 419 F.3d at 212.

The Plan Proponents believe that the Plan satisfies the test articulated in *Owens Corning*. It appears that, prior to the Petition Date, the Debtor entities disregarded their separateness so significantly that certain of the Debtors' creditors treated the Debtors as one entity. Among other things, the Debtors generally recorded inventory and accounts receivable as assets of Debtor, HBI, while cash generated from sales of inventory and from collections of accounts receivable was centralized in Debtor, HGL, which used such cash to pay its own liabilities and the liabilities of the other two Debtor entities. There is also evidence that creditors appear to have treated the Debtors as one entity. For example, multiple claimants filed duplicative claims against more than one Debtor even though it does not appear such claimants assert that the liability is joint and several. Further, in at least two instances, parties who commenced prepetition litigation against the Debtors named more than one Debtor entity as a defendant out of an apparent lack of clarity as to which Debtor entity potentially may have been liable to the party commencing such litigation. The Plan Proponents have determined it would be difficult, time-consuming, and costly to attempt to allocate to each individual Debtor the assets and liabilities belonging to each such Debtor. The Plan Proponents believe that substantive consolidation of the Debtors as set forth in the Plan will avoid the costs and delay of allocating assets and liabilities on an entity-by-entity basis while eliminating duplicative claims, thereby potentially reducing the size of the claims pool and potentially increasing any pro rata distribution to holders of Allowed General Unsecured Claims. Accordingly, the Plan Proponents submit that substantive consolidation of the Debtors is warranted under the facts and circumstances of these Chapter 11 Cases.

Under the terms of the Plan, on and after the Effective Date, all Assets and liabilities of the Debtors shall be treated as though they were merged into the Estate of Hampshire Group, Ltd. for all purposes associated with Confirmation and Consummation, and all guarantees by any Debtor of the obligations of any other Debtor shall be eliminated so that any Claim and any guarantee thereof by any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor shall be treated as one collective obligation of the Debtors, subject to all rights, claims, defenses, and arguments available to the Debtors or the Liquidation Trust.

Substantive consolidation will not (i) alter the state of incorporation or state of formation of any Debtor for purposes of determining the applicable law for any of the Causes of Action, (ii) alter or impair the legal and equitable rights of the Liquidation Trustee to prosecute any of the Causes of Action, or (iii) otherwise impair, release, discharge, extinguish or affect any of the Causes of Action or issues raised as a part thereof.

Notwithstanding anything in the Plan or in the Confirmation Order to the contrary, the entry of the Confirmation Order ordering substantive consolidation of the Estates shall not have any effect upon the separate and distinct legal entities as they existed at the time of any prepetition transaction that is the subject of any litigation; *provided, however*, that the foregoing provision shall not serve to prejudice or compromise whatever rights, if any, the Debtors or the Liquidation Trustee, as applicable, may have to contend in any pending or future adversary proceeding or other lawsuit that the Debtors or the Liquidation Trustee, as applicable, may prosecute claims for fraudulent conveyance or fraudulent transfer arising from transfers made by one or more of the Debtors based on any theory or doctrine, including any federal, state, or common law alter-ego, veil-piercing, or any other theory or doctrine that would permit or require the disregard of corporate separateness or facts as they existed at the time of the transaction in

question. Moreover, substantive consolidation shall not affect the obligation of each Debtor or the Liquidation Trustee to pay quarterly fees to the Office of the U.S. Trustee pursuant to 28 U.S.C. § 1930 until the earlier of the time that a particular Case has been closed, dismissed, or converted.

Notwithstanding anything to the contrary herein, on the Effective Date, all Claims by a Debtor against any other Debtor will be extinguished without any distributions being made on account of such Claims.

2. The Liquidation Trust

a. Formation and Name of the Liquidation Trust

On the Effective Date, the Liquidation Trust, pursuant to and in accordance with the Liquidation Trust Agreement attached to this Disclosure Statement as **Exhibit C**, shall be established for the primary purpose of administering and liquidating the Trust assets and for the secondary purposes of, *inter alia*, (a) analyzing and pursuing Causes of Action; (b) resolving all Administrative Expense Claims, Professional Fee Claims, and Claims; and (c) making all Distributions provided for under the terms of the Plan. From and after the Effective Date, the Liquidation Trust shall be called the “Hampshire Liquidation Trust” for all purposes.

b. Federal Income Tax Treatment of the Liquidation Trust

For federal income tax purposes, it is intended that the Liquidation Trust be classified as a “grantor trust” for federal income tax purposes, pursuant to sections 671-677 of the Internal Revenue Code of 1986, as amended, and that the Liquidation Trust be owned by the Beneficiaries. Accordingly, for federal income tax purposes, it is intended that the Beneficiaries be treated as if they had received a distribution from the Debtors’ Estates of an undivided interest in each of the Trust Assets and then contributed such interest to the Liquidation Trust.

c. Funding the Liquidation Trust

On the Effective Date, all of the Assets of the substantively consolidated Estate, as well as the rights and powers of the Debtors, the consolidated Estate and the Creditors’ Committee, shall automatically vest in the Liquidation Trust. Specifically, and without limitation, the Liquidation Trust, through the Liquidation Trustee, shall have the right to prosecute all Causes of Action, receive all accounts receivable and the proceeds related thereto, and receive all recoveries related to the issuance of the Bond and the related Letter of Credit draw.

As soon as practicable after the Effective Date, but in no event later than ninety (90) days thereafter, (i) the Liquidation Trustee shall determine the fair market value of the Liquidation Trust Assets as of the Effective Date, based on a good faith determination, and (ii) the Liquidation Trustee shall establish appropriate means to apprise the Beneficiaries of such valuation. The valuation shall be used consistently by all parties, including, without limitation, the Debtors, the Liquidation Trust, and the Beneficiaries, for all federal income tax purposes.

d. Termination of Liquidation Trust

The duties, responsibilities and powers of the Liquidation Trustee shall terminate in accordance with the terms of the Plan and the Liquidation Trust Agreement after (a) all the Trust Assets have been fully administered, (b) all reasonably possible Distributions have been made in accordance with the terms of the Plan have been made, and (c) all Disputed Claims have been resolved.

Upon the termination of the Liquidation Trust, the Liquidation Trustee shall file with the Bankruptcy Court, on notice to Beneficiaries and the Post-Confirmation Service List, a report thereof, seeking an order discharging the Liquidation Trustee and a final decree closing any open Chapter 11 Cases. The Liquidation Trustee shall not unduly prolong the duration of the Liquidation Trust. As efficiently and expeditiously as possible, the Liquidation Trustee shall endeavor to resolve, settle or otherwise dispose of all Trust Assets, effect the distribution of the Trust Assets in accordance with the terms of the Plan, and terminate the Liquidation Trust as soon as practicable.

e. Vesting and Transfer of Assets to the Liquidation Trust

Pursuant to Bankruptcy Code section 1141(b), the Assets of the Estates shall vest in the Liquidation Trust; provided, however, that the Liquidation Trustee may abandon or otherwise not accept any Assets that the Liquidation Trustee believes, in good faith, have no meaningful value to the Liquidation Trust. Any Assets the Liquidation Trustee so abandons or otherwise does not accept shall not vest in the Liquidation Trust and shall revert in the Debtors; provided, however, that pursuant to an order of the Bankruptcy Court following the provision of reasonable notice to Beneficiaries by filing a notice in accordance with Bankruptcy Rule 6007(a) on the Court's docket for these Chapter 11 Cases, the Liquidation Trustee may abandon any Assets to any Person.

On the Effective Date, the Liquidation Trustee shall (i) take possession, custody, and control of all books, records, and files of the Debtors and their Estates; and (ii) provide for the retention and storage of such books, records, and files until such time as the Liquidation Trustee determines, in accordance with the Liquidation Trust Agreement, that retention of same is no longer necessary or required. Nothing herein shall be construed to deem the Liquidation Trustee to have possession, custody or control of the books, records, and files of the Debtors and their Estates not actually in the possession, custody or control of the Liquidation Trustee on the Effective Date.

As of the Effective Date, all Assets vested in the Liquidation Trust and all Assets dealt with in the Plan, shall be free and clear of all Claims, Liens, and Interests except as otherwise specifically provided in the Plan or in the Confirmation Order. The Liquidation Trustee shall make distributions in accordance with the Plan and the Liquidation Trust Agreement.

Nothing herein shall be construed to limit or expand the terms of section 522(c) of the Bankruptcy Code.

f. Appointment of the Liquidation Trustee

The Liquidation Trustee shall be selected by the Committee in consultation with the Debtors. The Committee, in consultation with the Debtors, and subject to entry of the Confirmation Order and the occurrence of the Effective Date, has selected Richard S. Lauter, Esq., a partner in the law firm of Lewis Brisbois Bisgaard & Smith LLP, to be the Liquidation Trustee. During the Chapter 11 Cases, Lewis Brisbois Bisgaard & Smith LLP has served as counsel to I-MAR LLC, one of the members of the Committee. Notwithstanding such prior representation, the Liquidation Trustee shall function as an independent, disinterested fiduciary for the Estates and creditors. The Debtors and Committee believe that Mr. Lauter is qualified to serve as Liquidation Trustee. The Liquidation Trustee may obtain a bond in an amount equal to the reasonable value of the Trust Assets as agreed upon by the Liquidation Trustee in consultation with the U.S. Trustee.

g. Powers and Authority of Liquidation Trustee

The Liquidation Trustee shall be the exclusive trustee of the Trust Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3). The Liquidation Trustee shall serve as the representative of the Estates in accordance with the provisions of the Bankruptcy Code. The powers and authority of the Liquidation Trustee shall include, without limitation other than as provided in the Plan or the Liquidation Trust Agreement, the power to:

(i) invest (to the extent permissible under current Internal Revenue Service guidelines) or withdraw funds of the Liquidation Trust, make distributions, incur obligations for reasonable and necessary expenses in liquidating and converting any remaining Assets to Cash, and pay taxes and other obligations owed by the Liquidation Trust or the Debtors from funds held by the Liquidation Trustee in accordance with the Plan;

(ii) perform all of the obligations and agreements of the Liquidation Trust and/or of the Liquidation Trustee provided for in the Plan and in the Liquidation Trust Agreement;

(iii) hold legal title to all rights of the Debtors and their Estates in or arising from the Trust Assets, including without limitation, the right to vote any claim or interest in a case under the Bankruptcy Code and receive any distribution therein;

(iv) protect and enforce the rights to the Trust Assets by any method deemed appropriate including, without limitation, by judicial proceedings or pursuant to any applicable bankruptcy, insolvency, moratorium or similar law and general principles of equity;

(v) perform the duties, exercise the powers, and assert the rights of a trustee under sections 704 and 1106 of the Bankruptcy Code, including, without limitation, investigating, commencing, prosecuting or settling Causes of Action (including, without limitation, Avoidance Actions), enforcing contracts, and asserting claims, defenses, offsets and privileges;

(vi) determine, satisfy, object to, compromise, or estimate on reasonable terms all claims or liabilities created, incurred, or assumed by the Liquidation Trust;

(vii) determine on reasonable terms the amount and timing of regular installment payments to Holders of Allowed Priority Tax Claims, consistent with section 1129(a)(9)(C) of the Bankruptcy Code and in accordance with the terms of the Plan;

(viii) pay all expenses and make all other payments relating to the Liquidation Trust;

(ix) establish, keep, and maintain the Post-Effective Date Trust Expense Reserve and the 401(k) Plan Termination Reserve, each in accordance with the terms of the Plan;

(x) establish, keep, and maintain Plan Reserves for the benefit of the Holders of Disputed Claims;

(xi) account separately for Plan Reserves in accordance with the terms of the Plan;

(xii) except as otherwise provided in the Plan, in the discretion of the Liquidation Trustee, setoff against any Claim (and the payments or other distributions to be made pursuant to the Plan with respect to such Claims) any Cause of Action against the Holder of such Claim, but neither the failure to so setoff any Cause of Action nor the allowance of any Claim shall constitute a waiver or release by the Liquidation Trust or Liquidation Trustee of any Cause of Action;

(xiii) market, negotiate, enter into, execute and perform on reasonable terms agreements for the sale or other disposition of the Trust Assets;

(xiv) prepare and deliver written statements or notices, quarterly or otherwise, required by law to be delivered to Beneficiaries;

(xv) prepare and file post-confirmation quarterly disbursement and status reports, with copies of such reports served on the Post-Confirmation Service List, and pay all quarterly fees to the U.S. Trustee which are required by applicable law;

(xvi) prepare, or have prepared, and file with the appropriate taxing authority all tax and information returns with respect to the Debtors and the Liquidation Trust (including, without limitation, United States federal, state, local, or foreign tax or information returns required to be filed by the Debtors and the Liquidation Trust) and pay taxes properly payable by the Debtors and the Liquidation Trust, if any, and cause all taxes payable by the Debtors and the Liquidation Trust, if any, to be paid exclusively out of the Trust Assets; provided, however, that, subject to section 503(b)(1)(D) of the Bankruptcy Code, nothing herein shall obligate the Liquidation Trustee to pay or make any Distribution on account of any tax that is not Allowed in these Chapter 11 Cases;

(xvii) maintain and preserve the originals of all instruments and documents pertaining to the Trust Assets to the extent such instruments and documents are in the possession or control of the Liquidation Trustee upon or after the Effective Date;

(xviii) take any of the foregoing actions, and execute any documents relating thereto, in the Liquidation Trustee's own name, on behalf of the Debtors or the Liquidation Trust (including but not limited to all settlement agreements);

(xix) exercise and perform the rights, powers and duties held by the Debtors or the Estates, including without limitation the authority under section 1123(b)(3) of the Bankruptcy Code, to provide for the prosecution, settlement, adjustment, retention and enforcement of claims and interests of the Estates, including but not limited to the commencement, prosecution and settlement of the Causes of Action and the authority to exercise all rights and powers under sections 506(c), 544–551, 1106, 1107 and 1108 of the Bankruptcy Code;

(xx) exercise all rights, privileges, power and authority that may be exercised by any officer, director, shareholder, or other party acting in the name of any Debtor or the Estates with like effect as if duly authorized, exercised and taken by action of such officers, directors, shareholders, or other party;

(xxi) administer, terminate and/or wind down any plan sponsored or administered by a Debtor prepetition for employee benefits, retirement benefits, or otherwise governed by the Employee Retirement Income Security Act of 1974 (as amended) and, in connection therewith, make any filings or reports as may be appropriate or required by federal, state or local law or regulations;

(xxii) engage independent contractors, employees, and professionals on reasonable terms to assist the Liquidation Trustee with respect to his or her responsibilities, including, but not limited to, any independent contractor, employee, or professionals formerly employed by the Debtors or the Creditors' Committee;

(xxiii) prosecute, compromise and/or settle on reasonable terms claims and Causes of Action and objections to Claims, including, without limitation, asserting counterclaims, setoff, or recoupment against Claims, on behalf of Debtors, their Estates, and/or the Liquidation Trust;

(xxiv) liquidate on reasonable terms any remaining Trust Assets and provide for the distributions therefrom in accordance with the provisions of the Plan with the full rights and powers of the Debtors and their Estates;

(xxv) manage the continued liquidation of the Trust Assets, and to otherwise administer the Liquidation Trust;

(xxvi) stand in the shoes of the Debtors and assert or waive attorney client privilege and other privileges between each and any of the Debtors and their professionals (whether such professionals represented any of the Debtors prior to, or after, the Petition Date) with respect to any matter affecting Trust Assets, all as permitted by and consistent with applicable law;

(xxvii) interpret the Plan in the Liquidation Trustee's reasonable discretion;

(xxviii) amend the Schedules in accordance with Bankruptcy Rule 1009; and

(xxix) exercise such other powers and authority as may be vested in the Liquidation Trustee by the Plan or any Final Order, or as may be necessary and proper to carry out the provisions of the Plan; provided, however, that such other powers and authority are not inconsistent with the Plan or applicable law.

The Liquidation Trustee, on behalf of the Liquidation Trust, shall have discretion to pursue, not pursue and/or settle all Causes of Action and objections to Claims or Administrative Expense Claims on reasonable terms as the Liquidation Trustee determines is in the best interests of the Liquidation Trust, and the Liquidation Trustee shall not have any liability whatsoever for the outcome of that decision, except upon entry of a Final Order determining that the Liquidation Trustee committed gross negligence, fraud, or intentional misconduct. Any settlement of either a Cause of Action or an objection to a Claim or an Administrative Expense Claim shall be subject to prior approval of the Bankruptcy Court; provided, that the Liquidation Trustee shall not be required to obtain prior Bankruptcy Court approval of (i) a settlement of any Cause of Action if the amount sought to be recovered by the Liquidation Trustee in the complaint or other initiating document is less than \$50,000, (ii) the allowance of any Disputed General Unsecured Claim filed or scheduled in an amount less than \$50,000, or (iii) the allowance of any Disputed Administrative Expense Claim, Priority Employee Claim, Priority Tax Claim, or Secured Claim filed or scheduled in an amount less than \$10,000. The Liquidation Trustee shall provide at least fourteen (14) days notice of any such proposed settlement to the Post-Confirmation Service List and to any known party whose rights may be affected by such proposed settlement. If no timely objection is interposed, such settlement shall be authorized and approved for all purposes and the Liquidation Trustee shall be authorized to submit a proposed form of order to the Bankruptcy Court approving such settlement. If a timely objection is interposed, the Liquidation Trustee shall request a hearing before the Bankruptcy Court, which hearing shall be scheduled for no earlier than seven (7) days after the objection deadline. Nothing contained in this paragraph shall be deemed to limit the Liquidation Trustee's right to file a motion pursuant to Local Rule 9006-1(e) seeking to shorten notice of any hearing date and/or objection deadline.

In connection with the administration of the Liquidation Trust, the Liquidation Trustee is authorized to perform all acts necessary and desirable to accomplish the purposes of the Plan. If the Liquidation Trustee cannot take any action, including without limitation the prosecution of any Causes of Action or the objection to any Claim, by reason of an actual or potential conflict of interest, the Liquidation Trustee may appoint an independent Person to take such action in the Liquidation Trustee's place and stead, including without limitation the retention of professionals, which may include professionals retained by the Liquidation Trustee.

The Liquidation Trustee shall respond, within a reasonable period of time, to all reasonable requests for information received from any Holder of a Claim, Administrative Expense Claim, or Professional Fee Claim.

h. Retention and Compensation of Professionals

The Liquidation Trustee may, without further order of the Bankruptcy Court, employ various professionals, including, but not limited to, counsel, consultants, and financial advisors, as needed to assist in fulfilling the Liquidation Trustee's obligations under the Plan, and on

whatever reasonable terms the Liquidation Trustee deems appropriate, including, without limitation, contingency fee arrangements. The Liquidation Trustee may employ professionals that were previously employed by the Creditors' Committee or the Debtors.

The Liquidation Trustee shall, subject to further order of the Bankruptcy Court, upon written request, provide copies of all invoices for fees and expenses incurred by a professional rendering services to the Liquidation Trustee or the Liquidation Trust, to the Holders of Professional Fee Claims, the members of the Committee (notwithstanding the dissolution of the Committee on the Effective Date) and to any Beneficiary until such time as the Allowed amount of the claim of such requesting party has been paid in full, otherwise been resolved, or been disallowed.

i. Compensation of Liquidation Trustee

In addition to reimbursement for actual out-of-pocket expenses incurred by the Liquidation Trustee, the Liquidation Trustee shall be entitled to receive reasonable compensation for services rendered on behalf of the Liquidation Trust at the rate of \$500 per hour billed in increments of one-tenth (1/10th) of an hour.

The Liquidation Trustee shall, subject to further order of the Bankruptcy Court, upon written request, provide copies of all invoices for fees and expenses incurred by the Liquidation Trustee to any Holders of Professional Fee Claims, the members of the Committee (notwithstanding the dissolution of the Committee on the Effective Date), and to any Beneficiary until such time as the Allowed amount of the claim of such requesting party has been paid in full, otherwise been resolved, or been disallowed.

j. Resignation of Liquidation Trustee

The Liquidation Trustee may resign at any time. The Liquidation Trustee shall file such written resignation with the Bankruptcy Court and shall serve such written resignation on the Post-Confirmation Service List. Any party in interest may request a hearing before the Bankruptcy Court regarding the Liquidation Trustee's resignation. If no such hearing is requested, the resignation shall take effect thirty (30) days after the filing of the notice of resignation with the Bankruptcy Court. The resigning Liquidation Trustee shall, by the earliest date possible, deliver to the Liquidation Trustee's successor all of the Trust Assets that were in the possession of the resigning Liquidation Trustee along with a complete record and inventory of all such Trust Assets.

k. Removal of Liquidation Trustee

The Bankruptcy Court may remove a Liquidation Trustee for good cause shown on a motion submitted by a Beneficiary of the Liquidation Trust or the U.S. Trustee following notice to parties in interest, including without limitation, other Beneficiaries, the Post-Confirmation Service List, and the Liquidation Trustee. The removal will take effect upon the date the Bankruptcy Court specifies. Any removed Liquidation Trustee shall, by the earliest date possible, deliver to the Liquidation Trustee's successor all of the Trust Assets that were in the

possession of the removed Liquidation Trustee along with a complete record and inventory of all such Trust Assets.

I. Successor Liquidation Trustee

Any vacancy in the office of Liquidation Trustee shall be filled by the nomination of a majority of the participating members of the Committee (notwithstanding the dissolution of the Committee on the Effective Date), subject to the approval of the Bankruptcy Court, after at least fourteen (14) days' notice of such nomination shall have been provided to Beneficiaries and the Post-Confirmation Service List, with an opportunity to object and be heard in connection therewith. If at least three (3) members of the Committee do not participate in the nomination of a successor Liquidation Trustee within twenty (20) days after the Liquidation Trustee files a written notice of resignation or otherwise becomes unable to serve, the Bankruptcy Court shall designate a successor after a hearing on notice to Beneficiaries and the Post-Confirmation Service List.

Any successor Liquidation Trustee's acceptance of appointment as a successor Liquidation Trustee shall be in writing and shall be filed with the Bankruptcy Court, with a copy served on Beneficiaries and the Post-Confirmation Service List. The acceptance shall become effective when filed with the Bankruptcy Court. The Liquidation Trustee shall thereupon be considered a Liquidation Trustee of the Liquidation Trust without the necessity of any conveyance or instrument. Each successor Liquidation Trustee shall have all of the rights, powers, duties, authority, and privileges as if named as the initial Liquidation Trustee hereunder. Each successor Liquidation Trustee shall be exempt from any liability related to the acts or omissions of any prior Liquidation Trustee.

m. Records

The Liquidation Trustee shall maintain good and sufficient books and records relating to the Trust Assets, Cash, Distributable Cash, Plan Reserves, the management thereof, all post-Confirmation transactions undertaken by the Liquidation Trustee, all expenses incurred by or on behalf of the Liquidation Trustee after the Effective Date, and all distributions contemplated or effectuated under the Plan. Subject to further order of the Court, such records shall be maintained and preserved by the Liquidation Trustee until the earlier to occur of (i) entry of the final decree closing the Chapter 11 Cases and (ii) termination of the Liquidation Trust.

n. Liability of the Liquidation Trustee

The Liquidation Trustee shall not be personally liable for any claim asserted against the Liquidation Trust or the Liquidation Trustee, except as set forth below. The Liquidation Trustee shall not be liable for any error of judgment made in good faith, or with respect to any action taken or omitted to be taken in good faith, unless the Liquidation Trustee was grossly negligent. Notwithstanding anything to the contrary set forth herein or in the Liquidation Trust Agreement, no provision of the Plan or the Liquidation Trust Agreement shall be construed to relieve the Liquidation Trustee from liability for gross negligence, fraud or willful misconduct.

o. Indemnification

From and after the Effective Date, the Liquidation Trustee and the independent contractors, employees and/or professionals employed by the Liquidation Trust (collectively, the “Indemnified Parties” and each an “Indemnified Party”) shall be, and hereby are, indemnified by the Liquidation Trust, to the fullest extent permitted under applicable law, from and against any and all claims, debts, dues, accounts, actions, suits, causes of action, bonds, covenants, judgments, damages, attorneys’ fees and defense costs, and other assertions of liability arising out of any such Indemnified Parties’ good faith exercise of what such Indemnified Party reasonably understands to be its powers or the discharge of what such Indemnified Party reasonably understands to be its duties conferred by the Plan, the Liquidation Trust Agreement, or by any order of the Bankruptcy Court entered pursuant to, or in furtherance of, the Plan, applicable law, or otherwise (except only for actions or omissions to act to the extent determined by a Final Order of a court of competent jurisdiction to be due to such Indemnified Party’s own respective fraud, gross negligence or willful misconduct), including but not limited to, acts or omissions concerning pursuing or not pursuing any Causes of Action or objections to Claims, on and after the Effective Date. The foregoing indemnification shall also extend to matters directly or indirectly, in connection with, arising out of, based on, or in any way related to (i) the Plan; (ii) the services to be rendered pursuant to the Plan; (iii) any document or information, whether verbal or written, referred to herein or supplied to the Liquidation Trustee; or (iv) proceedings by or on behalf of any claimant or Creditor. Subject to the terms of the Plan and the Liquidation Trust Agreement, the Liquidation Trust shall, on demand, advance or pay promptly, in either case from the Post-Effective Date Trust Expense Reserve, on behalf of each Indemnified Party, reasonable attorneys’ fees and other expenses and disbursements which such Indemnified Party would be entitled to receive pursuant to the foregoing indemnification obligation; provided, however, that any Indemnified Party receiving any such advance shall execute a written undertaking to repay such advance amounts if a court of competent jurisdiction ultimately determines that such Indemnified Party is not entitled to indemnification hereunder due to the gross negligence, fraud, or willful misconduct of such Indemnified Party. Any person entitled to indemnification hereunder shall have the right to employ such person’s own separate counsel in any such action, payable solely from the Post-Effective Date Trust Expense Reserve, subject to the terms and conditions of the Plan.

An Indemnified Party seeking indemnification (including any advancement) from the Liquidation Trust shall file with the Bankruptcy Court a motion for indemnification or advancement, on notice to the U.S. Trustee, the Post-Confirmation Service List, and any known party whose rights may be affected by such motion. Absent an order of the Bankruptcy Court, no Trust Assets shall be used to advance or otherwise pay any sums to or for the benefit of any Indemnified Party in connection with an indemnification.

The Liquidation Trustee is authorized, but not required, to obtain and purchase (solely from funds in the Post-Effective Date Trust Expense Reserve) insurance coverage with respect to the responsibilities, liabilities, and obligations of the Indemnified Parties under the Plan.

3. The Source of Distributions

The sources of all distributions and payments under the Plan are the Trust Assets (or proceeds of any Trust Assets), including without limitation Cash and Distributable Cash, proceeds of all Causes of Action, all rights and claims with respect to any recoveries related to the issuance of the Bond and the Letter of Credit draw, and proceeds of or recoveries from any other remaining property of the Debtors and their Estates.

4. Provision for Treatment of Disputed Administrative Expense Claims and Disputed Claims

Unless otherwise ordered by the Bankruptcy Court, from and after the Effective Date, the Liquidation Trustee shall have the exclusive right to (i) amend the Schedules and (ii) object to the allowance of Administrative Expense Claims or Claims that have been filed with the Bankruptcy Court. All objections may be litigated to Final Order; provided, however, that the Liquidation Trustee may compromise and settle any Administrative Expense Claim, Professional Fee Claim, or Claim without the approval of the Bankruptcy Court unless such approval is otherwise required by the terms of the Plan. At such time as a Disputed Administrative Expense Claim, Disputed Professional Fee Claim, or Disputed Claim becomes Allowed, as applicable, either by entry of a Final Order or a settlement reached with the Liquidation Trustee, the Holder thereof will receive, as soon as practicable thereafter, the distributions to which such Holder is then entitled under the Plan.

5. Abandonment of Property

If and to the extent the Liquidation Trustee determines to abandon any Trust Assets, then the Liquidation Trustee may abandon such assets in accordance with the Plan or any further order of the Court on no less than fourteen (14) days' written notice to Beneficiaries and the Post-Confirmation Service List.

6. Distribution of Property Under the Plan

a. Manner of Cash Payments

Cash payments to domestic Holders of Allowed Claims will be denominated in U.S. dollars and will be made by checks drawn on a domestic bank selected by the Liquidation Trustee or, at the Liquidation Trustee's option, by wire transfer from a domestic bank. Cash payments to foreign Holders of Allowed Claims may be paid, at the Liquidation Trustee's option, either in the same manner as payments to domestic entities or in any funds and by any means that are necessary or customary in the particular foreign jurisdiction.

b. Setoff and Recoupment

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, THE LIQUIDATION TRUSTEE, ON BEHALF OF THE LIQUIDATION TRUST, MAY SETOFF, RECOUP, OR WITHHOLD AGAINST DISTRIBUTIONS ON ACCOUNT OF ANY CLAIM OR ANY ADMINISTRATIVE EXPENSE CLAIM, ANY CLAIMS THAT A

DEBTOR, THE ESTATES, OR THE LIQUIDATION TRUST MAY HAVE AGAINST THE HOLDER OF SUCH CLAIM OR ADMINISTRATIVE EXPENSE CLAIM. THE LIQUIDATION TRUST AND THE LIQUIDATION TRUSTEE WILL NOT BE DEEMED TO WAIVE OR RELEASE ANY CLAIM AGAINST THE HOLDER OF SUCH CLAIM OR ADMINISTRATIVE EXPENSE CLAIM BY FAILING TO EFFECT SUCH A SETOFF OR RECOUPMENT; BY ALLOWING ANY CLAIM OR ADMINISTRATIVE EXPENSE CLAIM, AS APPLICABLE, AGAINST THE DEBTORS OR THE LIQUIDATION TRUST; OR BY MAKING A DISTRIBUTION ON ACCOUNT OF SUCH CLAIM OR ADMINISTRATIVE EXPENSE CLAIM.

c. No *De Minimis* Distributions

Notwithstanding anything to the contrary in the Plan, no Cash payment of less than \$50 will be made by the Liquidation Trustee to any Holder of an Allowed Claim. No consideration will be provided in lieu of the *de minimis* distributions that are not made under the terms of the Plan.

If the amount of any Distribution to be made pursuant to the Plan on account of an Allowed Claim would be less than \$50, the Liquidation Trustee will not pay such Distribution and will hold such Distribution for the benefit of the Holder of such Allowed Claim. When and if the aggregate amount of Distributions on account of such Allowed Claim totals at least \$50, the Liquidation Trustee will distribute such Distributions to the Holder of such Allowed Claim in accordance with the terms of the Plan.

If, at the time a final Distribution is to be made under the Plan, the aggregate amount of Distributions held by the Liquidation Trustee for the benefit of a Holder of an Allowed Claim total less than \$50, then (i) such Distributions shall not be paid to such Holder and such Distributions shall vest in the Liquidation Trust and be distributed to other Holders of Allowed Claims in accordance with the terms of the Plan, and (ii) the Holder of such Allowed Claim will be forever barred from receiving such Distribution or asserting any claim against the Liquidation Trust, the Trust Assets, or the Liquidation Trustee on account of such Allowed Claim.

d. No Distributions with Respect to Disputed Claims

Notwithstanding any other Plan provision, Distributions will be made on account of a Disputed Claim only after, and only to the extent that, the Disputed Claim becomes an Allowed Claim or is deemed to be an Allowed Claim for Distribution purposes.

e. Undeliverable or Unclaimed Distributions

Distributions to Beneficiaries holding Allowed Claims will initially be made by U.S. mail as follows:

- i. Distributions will be sent to the address, if any, (i) set forth on a filed Proof of Claim, as amended by any written notice of address change filed on the Docket for these Chapter 11 Cases no later than ten (10) Business Days prior to the date of any Distribution, or (ii) such other address as the

Beneficiary provides to the Liquidation Trustee in writing (including via email) at least thirty (30) days prior to the date of such Distribution; or

- ii. If no such address is available, distributions will be sent to the address set forth on the Schedules.

If no address is available as set forth above, the Distribution will be deemed to be undeliverable. If a Distribution is returned to the Liquidation Trustee as an undeliverable Distribution, or is deemed to be an undeliverable Distribution, the Liquidation Trustee shall make no further Distribution to the entity holding the Allowed Claim on which the Distribution is being made unless and until the Liquidation Trustee is timely notified in writing of that entity's current address.

If, at the time a final Distribution is to be made under the Plan, the Liquidation Trustee is holding an undeliverable Distribution for any Allowed Claim for which the Liquidation Trustee has not received written notice of the current address of the entity holding such Allowed Claim, then (i) such Distribution shall vest in the Liquidation Trust and be distributed to other Holders of Allowed Claims in accordance with the terms of the Plan and (ii) the entity holding such Allowed Claim will be forever barred from receiving such undeliverable Distribution or asserting any claim against the Liquidation Trust, the Trust Assets, or the Liquidation Trustee. Nothing contained in the Plan shall be deemed to require the Liquidation Trustee to attempt to locate any entity holding an Allowed Claim whose Distribution is undeliverable.

If an instrument delivered as a Distribution to a Beneficiary is not negotiated within one hundred and eighty (180) days after such instrument was sent to the Beneficiary, then the instrument shall be null and void and payment thereon shall be stopped, the Beneficiary shall be deemed to have waived any right to receive such Distribution on account of its Allowed Claim, and the applicable funds shall be used otherwise by the Liquidation Trustee in accordance with the terms of the Plan.

C. Litigation

1. Preservation of Causes of Action

The Liquidation Trustee shall, for all purposes, retain, and may exclusively enforce, any and all claims, rights, or Causes of Action (including, without limitation, Avoidance Actions), whether arising before or after the Petition Date, in any court or other tribunal, including, without limitation, an adversary proceeding filed in these Chapter 11 Cases. The Liquidation Trustee shall have the exclusive right, authority, and discretion to institute, prosecute, abandon, settle, or compromise on any reasonable terms any and all claims, rights and Causes of Action, and shall not be required to seek prior approval from the Bankruptcy Court to do so, except as otherwise provided in the Plan, and shall have the full rights and powers to commence and pursue any such Cause of Action (including, without limitation, any Avoidance Action), on or after the Effective Date.

Specifically, and without limitation, the following Causes of Action shall vest in the Liquidation Trust: (i) all Avoidance Actions; (ii) all Causes of Action against any of the Debtors'

current or former Insiders; (iii) all Causes of Action against Rio; (iv) all claims for recoveries relating to the issuance of the Bond and the related letter of credit draw; and (v) all claims against any Person regarding the termination, modification or withdrawal of any license agreement between any of the Debtors and such Person. Causes of Action vested in the Liquidation Trust include, without limitation, any and all known and/or unknown Causes of Action, against any Person, including without limitation (a) the Persons identified in this paragraph and any Person identified on the Debtors' Schedules of Assets and Liabilities and Statements of Financial Affairs, including such Persons identified as holding a Claim against the Debtors, as having received a transfer of any property from the Debtors, and/or (b) any Person who filed a Proof of Claim in these Chapter 11 Cases.

Because all such Causes of Action are subject to the uncertainties and risks of potential litigation, the Debtors do not, at this time, seek to estimate the potential Distributions under the Plan to Holders of Allowed Claims in Class 2 (General Unsecured Claims).

The Liquidation Trustee shall have authority to exercise and perform the rights, powers and duties of the Estates, including without limitation the authority under Bankruptcy Code section 1123(b)(3) to provide for the settlement, adjustment, retention and enforcement of claims and interests of the Estates or the Liquidation Trust, including, but not limited to all Causes of Action (including, without limitation, Avoidance Actions).

Unless a claim or Cause of Action is expressly waived, relinquished, released, compromised, or settled in the Plan or in any Final Order, all claims and Cause of Action are expressly reserved for later adjudication (including without limitation, claims and Causes of Action which the Liquidation Trustee, the Debtors or the Creditors' Committee may presently be unaware, or which may arise or exist by reason of additional facts or circumstances unknown at this time, or facts or circumstances which may change or be different from those now believed to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall apply to such claims or Causes of Action upon, or after, the Confirmation or Consummation of the Plan based on this Disclosure Statement, the Plan, or the Confirmation Order, except where such claims or Causes of Action have been released in the Plan or other Final Order.

Any Person to whom the Debtors have incurred an obligation (whether on account of the provision of goods, services or otherwise), or who has received goods or services from the Debtors or a transfer of money or property of the Debtors, or who has transacted business with the Debtors, or leased equipment or property from the Debtors, should assume that such obligation, transfer, or transaction may be reviewed by the Liquidation Trustee on behalf of the Liquidation Trust, subsequent to the Effective Date and may, if appropriate, be the subject of a filed action or other proceeding after the Effective Date, regardless of whether (i) such Person or entity has filed a Proof of Claim against the Debtors in these Chapter 11 Cases; (ii) such Person's or entity's Proof of Claim has been objected to; (iii) such Person's or entity's Claim was included in the Schedules; or (iv) such Person's or entity's scheduled Claims have been objected to or have been identified as disputed, contingent, or unliquidated.

THE LIQUIDATION TRUSTEE WILL MAKE THE DECISION OF WHETHER OR NOT TO PURSUE ANY CAUSES OF ACTION AND TO SETTLE OR NOT SETTLE CAUSES OF ACTION. THIS DECISION WILL BE BASED UPON THE LIQUIDATION TRUSTEE'S REVIEW OF THE MERITS OF THE VARIOUS CAUSES OF ACTION AS WELL AS THE COSTS REQUIRED TO PROSECUTE SUCH CAUSES OF ACTION IN LIGHT OF THE LIMITED RESOURCES AVAILABLE FOR DISTRIBUTION TO CREDITORS. THE LIQUIDATION TRUSTEE (I) MAY SEEK TO RETAIN COUNSEL ON ANY REASONABLE TERMS, INCLUDING ON A CONTINGENCY BASIS, TO PROSECUTE SOME OR ALL CAUSES OF ACTION, (II) SEEK TO FINANCE ANY COSTS RELATING TO THE PROSECUTION OF SUCH LITIGATION, OR (III) DECIDE NOT TO PURSUE SUCH CAUSES OF ACTION AT ALL. THE LIQUIDATION TRUSTEE AND HIS OR HER FIRMS, PARTNERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, PROFESSIONALS, SUCCESSORS AND ASSIGNS SHALL HAVE NO LIABILITY ARISING OUT OF THE GOOD FAITH DETERMINATIONS OF THE LIQUIDATION TRUSTEE OF WHETHER OR NOT TO PURSUE PROSECUTION OF AND/OR THE SETTLEMENT OF ANY CAUSES OF ACTION PURSUANT TO THE TERMS OF THE PLAN.

IN REVIEWING THIS DISCLOSURE STATEMENT AND THE PLAN, AND IN DETERMINING WHETHER TO VOTE IN FAVOR OF OR AGAINST THE PLAN AND WHETHER TO OBJECT TO APPROVAL OF THE DISCLOSURE STATEMENT AND/OR CONFIRMATION OF THE PLAN, HOLDERS OF CLAIMS AND INTERESTS (INCLUDING PARTIES THAT MAY HAVE RECEIVED PAYMENTS FROM THE DEBTORS WITHIN NINETY (90) DAYS PRIOR TO THE PETITION DATE AS REFLECTED ON THE DEBTORS' STATEMENTS OF FINANCIAL AFFAIRS) SHOULD CONSIDER THAT A CAUSE OF ACTION MAY EXIST AGAINST THEM, THAT THE PLAN PRESERVES ALL CAUSES OF ACTION, AND THAT THE PLAN AUTHORIZES THE LIQUIDATION TRUST TO PROSECUTE CAUSES OF ACTION.

The Plan preserves all claims and Causes of Action against any and all third parties, including, but not limited to, Insiders, all creditors and interest holders, and others. Nothing contained in this Disclosure Statement or in the Plan shall be construed as an acknowledgement or concession regarding the existence or validity of any claim or Cause of Action.

D. Exculpation and Injunction

1. Term of Bankruptcy Injunction or Stay

Except as otherwise expressly provided in the Plan or the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and which are in effect on the Confirmation Date, shall remain in full force and effect until the Effective Date.

2. Exculpation for Estate Fiduciaries

Upon the occurrence of the Effective Date, none of the Debtors, the Debtors' officers and directors who provided service from and after the Petition Date, the Debtors'

managers, employees, members, agents, and any Professionals employed by the Debtors pursuant to an order of the Bankruptcy Court (each acting in such capacity after the Petition Date), the Creditors' Committee, its members, and its Professionals employed pursuant to an order of the Bankruptcy Court, shall have or incur any liability to any Person for any action taken or omitted to be taken during the period from the Petition Date through and including the Effective Date in connection with or related to or arising out of, the filing of the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, implementation, confirmation, or consummation of the Plan, this Disclosure Statement, any motion, order, release, settlement, transaction, or other agreement or document created or entered into or approved by the Bankruptcy Court, or any other Postpetition action taken or omitted to be taken in connection with the Plan or any other matter or proceeding in the Chapter 11 Cases, and all claims or causes of action based upon or arising out of any such actions or omissions are forever enjoined, barred, waived and released; provided, however, that nothing contained in the Plan shall affect the liability of any Person arising from any act, omission, transaction, agreement, event or other occurrence constituting willful misconduct, gross negligence, fraud or criminal conduct; provided, further, that nothing in Article IX.B of the Plan shall be deemed to prohibit any objection to any Administrative Expense Claim or Professional Fee Claim in accordance with the terms of the Plan, orders of the Bankruptcy Court, and/or the Bankruptcy Code.

3. Injunction

The Plan provides, and the Confirmation Order shall provide, among other things, that any Person (other than the Debtors, the Creditors' Committee, the Debtors' Estates or the Liquidation Trustee) who has held, holds, or may hold a claim against, interest in, or right with respect to the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets, or any claim against or interest in the Debtors, the Debtors' Estates or the Liquidation Trust for which the Debtors' Estates or the Liquidation Trust are or may be liable is, with respect to any such claim, interest, or right, permanently enjoined from and after the Effective Date from taking any of the following actions (other than actions taken in the Bankruptcy Court or in any of the Chapter 11 Cases to enforce any rights or obligations under the Plan or to defend challenges to the validity or amount of a Disputed Claim), absent further order of the Bankruptcy Court: (i) asserting, commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting any of the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets, on account of any claim for which the Debtors or Liquidation Trustee are directly or indirectly liable, including without limitation, by way of contribution, indemnity or otherwise; (ii) enforcing, levying, attaching (including, without limitation, any prejudgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against any of the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien of any kind against the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets; (iv) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan; (v) prosecuting, commencing, continuing or otherwise asserting any right, claim or cause of

action released pursuant to the Plan or that is otherwise inconsistent with the provisions of the Plan against the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets; and (vi) acting to obtain possession of the Trust Assets or to exercise control over the Trust Assets or any rights or interests of the Debtors, their Estates, the Liquidation Trust, or the Liquidation Trustee with respect to the Assets or the Trust Assets. If the Liquidation Trustee, the Trust Assets or the Debtors Estates are injured by any willful violation of such injunction, the Liquidation Trustee shall be entitled to seek actual damages, including costs and attorneys' fees, and, in appropriate circumstances, punitive damages, from the willful violator(s). Notwithstanding the foregoing, holders of Disputed Claims are not enjoined from and shall retain all rights to defend or prosecute such Disputed Claims in the Bankruptcy Court, including, without limitation, the right to assert affirmative defenses, setoff, or recoupment, if applicable. Nothing herein shall impair or delay any rights of any Holder of a Claim against the Debtors, their Estates, the Assets, the Liquidation Trust, or the Trust Assets, to pursue any action against any third party (including, without limitation, Insiders) who may be directly liable to such Holder.

Nothing contained in Article IX.C of the Plan shall be construed to in any way enjoin, prevent, or limit the Liquidation Trustee's rights, power, and authority under the Plan and the Liquidation Trust Agreement.

4. Preservation of Insurance

The provisions of the Plan and the Confirmation Order shall not diminish or impair the enforceability of any insurance policies that may cover claims against any Debtor or any other Person or prevent any Person from seeking or enforcing coverage with respect to any claim under any applicable insurance policies of the Debtors. The Liquidation Trustee shall be authorized, in his or her sole discretion, to pay from the Post-Effective Date Trust Expense Reserve any fees, expenses, or premiums necessary to maintain such insurance coverage.

5. Binding Effect

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim, Administrative Expense Claim, or Professional Fee Claim against, or Interest in, the Debtors and their respective successors and assigns, whether or not the Claim, Administrative Expense Claim, Professional Fee Claim, or Interest of such holder is Impaired under the Plan and whether or not such holder has accepted the Plan.

E. Other Plan Provisions

1. The Effective Date

The Plan will not be consummated or become binding unless and until the Effective Date occurs. The Effective Date will be the first Business Day after the following conditions have been satisfied:

- (a) The Confirmation Order, in a form reasonably acceptable to the Debtors and to the Creditors' Committee, shall have been entered by the Bankruptcy Court;
- (b) The Confirmation Order is not stayed;
- (c) The Liquidation Trustee and Plan Proponents shall have signed the Liquidation Trust Agreement; and
- (d) No material adverse effect has occurred in respect of the Assets.

Each of the above conditions precedent may be waived in whole or in part by the Plan Proponents without further notice or order of the Bankruptcy Court.

On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

Subject to further order of the Court, if the Effective Date does not occur within ninety (90) days after entry of a Final Order confirming the Plan, the Plan Proponents reserve the right, in their sole and absolute discretion, to determine jointly that the Plan shall have become null and void. A joint notice shall be filed with the Court within three (3) Business Days after the occurrence of the Effective Date or any event that renders the Plan null and void.

2. Dissolution of the Board of Directors, Dismissal of Officers and Directors, and Termination of Creditors' Committee

Upon the Effective Date, the existing board of directors of any Debtor shall be deemed dissolved, and any remaining director, officer, employee, or independent contractor of any Debtor shall be dismissed, and each of the Debtors' directors, officers, employees, independent contractors, members, designated representatives, agents, and Professionals employed pursuant to a Bankruptcy Court order shall, subject to those matters set forth below, be released and discharged from any further authority, duties, responsibilities and obligations relating to, arising from, or in connection with the Debtors or the Chapter 11 Cases.

Each of the matters provided for under the Plan involving any corporate action to be taken by the Debtors shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized and approved without any requirement of further action by the Debtors, the Debtors' shareholders or the respective Debtor's board of directors or managers. Without limiting the foregoing, including, without limitation, Article X.B. of the Plan, the Liquidation Trustee is hereby authorized in his sole discretion, to dissolve or otherwise terminate on or after the Effective Date (i) a Debtor's existence, by filing a certificate of dissolution and a copy of the Confirmation Order with the secretary of state of their respective state of incorporation or state of formation, (ii) the existence of wholly-owned non-Debtor affiliates or subsidiaries, or (iii) any remaining health, welfare or benefit plans. As of the Effective Date, neither the Debtors nor the Liquidation Trustee shall be required to file any document, or take any other action, to withdraw any Debtor's business operation from any state in which it previously conducted business operations. The Confirmation Order shall contain language addressed to the appropriate Governmental Units to such effect.

From and after the Effective Date, the Debtors and their counsel are authorized, but not directed, to act on behalf of the Estates solely with respect to (i) all the applications filed pursuant to section 330 of the Bankruptcy Code seeking payment of fees and expenses incurred by any Professional, (ii) any post-confirmation modifications to, or motions seeking the enforcement of, the provisions of the Plan or the Confirmation Order, and (iii) providing such information, books and records as may be reasonably requested by the Liquidation Trustee on behalf of the Liquidation Trust. The Debtors, their employees, officers, directors and their respective counsel shall not be entitled to any compensation from the Trust Assets for any actions taken pursuant to this paragraph, except for reasonable out-of-pocket expenses (but not professional fees).

Upon the Effective Date, the Creditors' Committee shall cease to exist and its members, designated representatives, agents, and Professionals employed pursuant to a Bankruptcy Court order shall, subject to those matters set forth below, be released and discharged from any further authority, duties, responsibilities and obligations relating to, arising from, or in connection with the Creditors' Committee or the Chapter 11 Cases. The Creditors' Committee shall continue to exist after such date solely with respect to (i) all the applications filed pursuant to section 330 of the Bankruptcy Code seeking payment of fees and expenses incurred by any Professional, (ii) any post-confirmation modifications to, or motions seeking the enforcement of, the provisions of the Plan or the Confirmation Order, and (iii) providing such information, books and records as may be reasonably requested by the Liquidation Trustee on behalf of the Liquidation Trust. The Creditors' Committee and its Professionals shall not be entitled to any compensation from the Trust Assets for any actions taken pursuant to this paragraph, except for reasonable out-of-pocket expenses (but not professional fees).

The Debtors, the Creditors' Committee and the Liquidation Trustee shall be authorized to execute, deliver, file, or record such documents, contracts, instruments, releases and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and provisions of the Plan.

3. Executory Contracts and Unexpired Leases

a. Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, all agreements executed by the Debtors before the Effective Date, other than agreements that were previously either assumed and assigned or rejected by a Final Order, to the extent that these agreements constitute executory contracts or unexpired leases under Bankruptcy Code section 365, shall be rejected. The Confirmation Order shall constitute a Final Order under Bankruptcy Code section 365 approving such rejection.

b. Bar Date for Rejection Damage Claims

Any Rejection Damage Claims arising from rejection under the Plan of an executory contract or unexpired lease must be filed with the Bankruptcy Court and served on the Liquidation Trustee and his or her counsel within thirty (30) days after the Effective Date. Any Rejection Damage Claims that are not timely filed and served will be forever barred and unenforceable against the Debtors, the Estates, the Liquidation Trust, and the Liquidation

Trustee, and their property, and the entities holding these Claims will be barred from receiving any Distributions under the Plan on account of their Rejection Damage Claims. The Liquidation Trustee shall have the right to object to any such Rejection Damage Claims; provided, however, that any such objections must be served and filed not later than one hundred twenty (120) days after the Effective Date, absent further order of the Bankruptcy Court.

4. Entry of a Final Decree

Promptly following the completion of all Distributions contemplated by the Plan and the full administration of all Trust Assets, the Liquidation Trustee will file a motion with the Bankruptcy Court seeking entry of a final decree closing these Chapter 11 Cases.

5. U.S. Trustee Fees and Quarterly Reports

From and after the Effective Date, pursuant to section 1129(a)(12) of the Bankruptcy Code, any outstanding quarterly fees due and owing to the U.S. Trustee under 28 U.S.C. § 1930(a)(6) and any applicable interest pursuant to 31 U.S.C. § 3717 shall be paid by the Liquidation Trustee from the Post-Effective Date Trust Expense Reserve. After the Effective Date, the Liquidation Trustee shall (i) file post-confirmation quarterly disbursement reports and quarterly status reports of funds on hand, distributions made since the previous report, a brief description of any pending litigation, with copies of all such reports served on the Post-Confirmation Service List and a listing of any claim objections or settlements the Liquidation Trustee has entered into since the previous report, and (ii) pay from the Post-Effective Date Trust Expense Reserve all quarterly fees to the U.S. Trustee which are required by applicable law. The Liquidation Trustee shall include in the Post-Effective Date Trust Expense Reserve reasonably sufficient monies to cover the quarterly fees of the U.S. Trustee incurred, or to be incurred, after the Effective Date.

6. Post-Effective Date Effect of Evidences of Claims

Commencing on the Effective Date, notes and other evidences of Allowed Claims will represent only the right to receive the Distributions contemplated under the Plan.

7. [Reserved]

8. Cancellation of Interests

On the Effective Date, all Interests in Hampshire Group, Limited, Hampshire Brands, Inc. and Hampshire International, LLC will be cancelled, annulled, and extinguished, and any issued and outstanding shares of common stock, preferred stock, stock options, warrants, membership interests, or other evidence of Interests (excluding those held by a Debtor) will be deemed cancelled and of no further force or effect without any further action by the Debtors or any other entity. Persons holding Interests will retain no rights and receive no consideration or Distribution under the Plan on account of their Interests, and entities holding any evidence of Interests (excluding those held by a Debtor) will have no rights arising from or relating to such evidence of their Interests or their cancellation.

9. Nondischarge of the Debtors' Debts

a. Nondischarge of the Debtors

In accordance with Bankruptcy Code section 1141(d)(3), the Confirmation Order will not discharge Claims as against the Debtors.

b. Prohibition from Taking Certain Actions

Notwithstanding Article X.I.1 of the Plan, no Person or entity holding a Claim may receive any payment from, or seek recourse against, any Assets that are to be distributed under the Plan other than Assets required to be distributed to that Person or entity under the Plan. As of the Confirmation Date, all Persons and entities are precluded from asserting against any property that is to be distributed under the Plan any Claims, rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date except as expressly provided in the Plan or the Confirmation Order.

10. No Recourse

No Person entitled to receive a payment or Distribution under the Plan will have any recourse against the Liquidation Trust, the Liquidation Trustee, the Trust Assets, the Debtors or their Estates in connection with such Person's Administrative Expense Claim, Professional Fee Claim, or Claim, other than the right to receive Distributions in accordance with the terms of the Plan.

11. No Admissions

Notwithstanding anything to the contrary contained in the Plan, if the Plan is not confirmed, is revoked or otherwise the Effective Date does not occur, the Plan will be null and void, and nothing contained in the Plan or this Disclosure Statement will: (1) be deemed an admission by any of the Plan Proponents with respect to any matter discussed in the Plan, including liability on any Claim, Administrative Expense Claim, or Professional Fee Claim, or the propriety of any classification or treatment of same contained in the Plan; (2) constitute a waiver, acknowledgement, or release of any claims, Interests, or Causes of Action of the Debtors, their Estates, and/or the Liquidation Trust; or (3) prejudice in any manner the rights of the Plan Proponents or any other Person in any further proceedings.

12. Revocation of the Plan

The Plan Proponents reserve the right to withdraw the Plan before the Confirmation Date.

13. Severability of Plan Provisions

If, before confirmation, the Bankruptcy Court holds that any Plan term or provision is invalid, void, or unenforceable, the Bankruptcy Court may alter or interpret that term or provision so that it is valid and enforceable to the maximum extent possible consistent with the original purpose of that term or provision. That term or provision will then be applicable as altered or interpreted, except if such term or provision is inconsistent with the intent of any of the

Plan Proponents, in which case the Plan may be unilaterally withdrawn by such Plan Proponent. Notwithstanding any such holding, alteration, or interpretation, and unless the Plan has been withdrawn, the Plan's remaining terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination providing that each Plan term and provision, as it may have been altered or interpreted in accordance with Article X.M of the Plan, is valid and enforceable under its terms.

14. Governing Law

The rights and obligations arising under the Plan and any agreements, contracts, documents, or instruments executed in connection with the Plan will be governed by, and construed and enforced in accordance with, Delaware law without giving effect to Delaware's conflicts of law principles, unless a rule of law or procedure is supplied by: (1) federal law (including the Bankruptcy Code and the Bankruptcy Rules); or (2) an enforceable, express choice-of-law provision in any document provided for, or executed under or in connection with, the Plan terms.

15. Retention of Jurisdiction

Under the terms of the Plan, the Bankruptcy Court will retain and have exclusive jurisdiction:

(1) to hear and determine objections to Claims, Administrative Expense Claims, and Professional Fee Claims;

(2) to hear and determine any dispute arising under the Plan or the Liquidation Trust Agreement, including the implementation and execution of any necessary documents thereunder, and any requests to amend, modify, or correct the Plan or the Liquidation Trust Agreement;

(3) to grant extensions of any deadlines set forth in the Confirmation Order or the Plan as may be appropriate;

(4) to hear and determine any matter regarding the existence, nature, scope, and enforceability of any exculpation, stay, release, or injunction provided for under the Plan;

(5) to hear and determine all motions, adversary proceedings, applications, and contested or litigated matters that may be pending on the Effective Date or that are instituted by the Liquidation Trustee or the Liquidation Trust after the Effective Date, including without limitation all Causes of Action (including, without limitation, Avoidance Actions);

(6) to hear and determine motions for or objections to the assumption or rejection of executory contracts or unexpired leases pending on the Confirmation Date, and the allowance of claims resulting from the assumption or rejection of any executory contract or lease;

(7) to ensure that distributions to Holders of Allowed Administrative Expense Claims, Allowed Professional Fee Claims, and Allowed Claims are accomplished as provided herein;

(8) to resolve disputes as to the ownership of any Claim, Administrative Expense Claim, or Professional Fee Claim;

(9) to hear and determine any disputes relating to or in connection with the retention, employment, compensation, liability, indemnification, resignation, removal, or nomination of the Liquidation Trustee;

(10) to hear and determine any disputes relating to or in connection with the employment, compensation, liability, indemnification, resignation, or termination of any independent contractor, employee, or professional employed by the Liquidation Trustee or the Liquidation Trust;

(11) to enter and implement such orders as may be appropriate if the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(12) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(13) to consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order;

(14) to hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 330, 331 and 503(b) of the Bankruptcy Code;

(15) to hear and determine any issue for which the Plan requires a Final Order of the Court;

(16) to hear and determine matters concerning state, local, or federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(17) to hear and determine all Causes of Action preserved under the Plan, including, without limitation, all Causes of Action under sections 541, 542, 544, 547, 548, 549, 550, 551, 553, and 1123(b)(3) of the Bankruptcy Code; and

(18) to enter a final decree closing one or more of the Chapter 11 Cases.

If the Bankruptcy Court abstains from exercising jurisdiction, or is without jurisdiction, over any matter, Article X.O of the Plan shall not effect, control, prohibit, or limit the exercise of jurisdiction by any other court that has jurisdiction over that matter. The principal objective of the Plan is to maximize the recovery to the Beneficiaries, and the retention of jurisdiction by the Bankruptcy Court shall be interpreted in a manner to accomplish that objective.

16. Successors and Assigns

Unless otherwise specified in the Plan, the rights, benefits, and obligations of any entity referred to in the Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor, or assign of that entity.

17. Saturday, Sunday, or Legal Holiday

If any payment or act under the Plan is required to be made or performed on a day that is not a Business Day, then the payment or act may be completed on the next succeeding day that is a Business Day, in which event the payment or act will be deemed to have been completed on the required day.

IX.

CONFIRMATION AND CONSUMMATION PROCEDURES

A. Confirmation Standard under Section 1129 of the Bankruptcy Code

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the conditions to confirmation under section 1129 of the Bankruptcy Code are satisfied.

Such conditions include, but are not limited to, the following⁴:

- a. The Plan complies with the applicable provisions of the Bankruptcy Code.
- b. The Plan Proponents have complied with the applicable provisions of the Bankruptcy Code.
- c. The Plan has been proposed in good faith and not by any means forbidden by law.
- d. Any payment made or promised by the Debtors or by an entity issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court; and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
- e. The Plan Proponents, at or prior to the confirmation hearing, will satisfy the requirements of section 1129(a)(5) of the Bankruptcy Code by (i) identifying the proposed Liquidation Trustee and (ii) disclosing the name of any insider, if any, who will be employed or retained by the Liquidation Trustee after the Effective Date, together with the nature of any compensation for such insider.

⁴ The Plan Proponents submit that Bankruptcy Code sections 1129(a)(6), (13), (14), (15), and (16) either do not apply to the Debtors or are not implicated by the Plan as proposed.

f. With respect to each impaired class of Claims or Interests, each holder of an impaired Claim or impaired Interest either has accepted the Plan or will receive or retain under the Plan, on account of the Claims or Interests held by such entity, property of a value, as of the applicable consummation date under the Plan, that is not less than the amount that such entity would receive or retain if the Debtors' Assets were liquidated on such date under chapter 7 of the Bankruptcy Code.

g. Article V of the Plan provides for the treatment of allowed administrative expense claims and allowed priority claims in accordance with the terms of the Plan.

h. At least one impaired class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such class.

i. As discussed in Section IX.D of this Disclosure Statement, the Plan is feasible and is not likely to require further reorganization or restructuring.

j. All fees payable under 28 U.S.C. § 1930 have been paid, or the Plan provides for the payment of all such fees on, or promptly after, the Effective Date.

The Plan Proponents believe that the Plan will satisfy the statutory requirements of chapter 11 of the Bankruptcy Code, that the Plan Proponents have complied and will have complied with all of the provisions of the Bankruptcy Code, and that the Plan is being proposed and will be submitted to the Bankruptcy Court in good faith.

Because the law regarding confirmation of a chapter 11 plan is complex, persons or entities concerned with confirmation of the Plan should consult with their own counsel and/or advisors.

B. Acceptance

Under the terms of the Plan, Class 2 (General Unsecured Claims) is the only Class entitled to vote on the Plan. Class 2 will have accepted the Plan if the Plan is accepted by creditors, other than an entity designated under section 1126(e) of the Bankruptcy Code, holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in Class 2 that have voted to accept or reject the Plan.

If Class 2 fails to accept the Plan, and the Plan Proponents therefore cannot confirm the Plan in accordance with Bankruptcy Code section 1129(a)(10), the Plan Proponents reserve the right to modify the Plan in accordance with Bankruptcy Code section 1127(a), to withdraw the Plan before the Confirmation Date, or to seek other relief from the Bankruptcy Court.

C. Best Interests of Creditors Test

Under the Bankruptcy Code, confirmation of the Plan requires that each creditor or equity interest holder in an impaired class either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value that such creditor

or equity interest holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code (the “Best Interests of Creditors Test”).

After consideration of the likely effects a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors, the Plan Proponents have determined that confirmation of the Plan will provide each holder of an Allowed Claim in Class 2 (General Unsecured Claims) with at least as much of a Distribution as such holder would receive pursuant to a chapter 7 liquidation.

The Plan Proponents believe that liquidation under chapter 7 would result in no greater distributions than those provided for in the Plan. Indeed, the Plan Proponents believe the aggregate value realized from the Assets in a chapter 7 liquidation likely will be less than the value realized under the Plan due to, among other things, the need to liquidate assets quickly in chapter 7, which can result in a lower, “forced liquidation” value for such Assets. Any distribution in a chapter 7 liquidation likely would be delayed by the added time and expense required for a chapter 7 trustee and his or her professionals and advisors to assess the Debtors’ assets, review and analyze claims and scheduled liabilities, and evaluate potential Causes of Action. Further, any distribution in a chapter 7 liquidation could be diminished by the additional layer of chapter 7 administrative expenses. The expenses of administering the chapter 7 cases include the chapter 7 trustee’s commission, professional fees of the attorneys, accountants and/or other professionals and advisors that the chapter 7 trustee may need to retain, and other expenses of administering the chapter 7 estates. By statute, these chapter 7 administrative expenses are entitled to payment prior to payment of chapter 11 administrative expenses and priority claims. Furthermore, conversion of these Chapter 11 Cases to chapter 7 could delay payments of Distributions to Holders of Allowed Administrative Expense Claims, Allowed Priority Employee Claims and others, which Distributions are to begin on or as soon as practicable after the Effective Date under the Plan.

After considering the effects that a chapter 7 liquidation could have on the proceeds that ultimately may be available for distribution to creditors, including: (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a chapter 7 trustee and his or her professionals and advisors; (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the “forced sale” environment in which such a liquidation would likely occur; and (iii) the potential delay and impact on distributions to creditors as compared to distributions under the Plan, the Plan Proponents have determined that confirmation of the Plan likely will provide each holder of a Claim or Interest with not less than (and most likely more than) it would receive pursuant to liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

Based upon the Debtors’ estimate of the value of their assets, together with the Debtors’ understanding of the chapter 11 plan process, as well as the expected additional costs and delays incident to a liquidation under chapter 7 as outlined above, the Debtors believe the Plan will provide a greater distribution to creditors than would be achieved in a liquidation under chapter 7 and, therefore, is in the best interest of creditors.

Similarly, the Committee believes that creditors will receive a greater recovery under the Plan than in a chapter 7 liquidation. Attached hereto as **Exhibit B** is the Committee Liquidation

Analysis, which sets forth the Committee's estimate of the present value of Distributions from the proceeds of the hypothetical liquidation of the Assets of the Debtors (after subtracting the amounts attributable to the administrative expenses of the Chapter 11 Cases) as compared with the present value of the consideration offered to such Classes under the Plan. As set forth in the Committee Liquidation Analysis, the Committee believes the Plan is in the best interest of creditors as it is projected to result in greater recoveries for creditors than would be achieved in a chapter 7 liquidation.

D. Feasibility

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. The Plan provides, among other things, that Distributions will be made only to the extent of available Distributable Cash. The Plan also establishes and provides for the funding of certain Plan Reserves for Disputed Claims and to pay, *inter alia*, Trust Expenses, including, without limitation, professional fees of the Liquidation Trust, operating expenses of the Liquidation Trust, and quarterly fees payable to the U.S. Trustee, among other things. Accordingly, the Plan Proponents believe the Plan is feasible.

**X.
ALTERNATIVES TO CONFIRMATION AND
CONSUMMATION OF THE PLAN**

The Plan Proponents have evaluated various alternatives to the Plan as presently drafted and have concluded that the Plan is the best alternative for maximizing the potential recoveries for creditors.

As discussed above in Section IX.C of this Disclosure Statement, if the Plan is not confirmed and does not become effective in a timely fashion, the Chapter 11 Cases would be converted to cases under chapter 7 of the Bankruptcy Code, in which event a trustee would be elected or appointed to liquidate the Assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. For the reasons set forth more fully above, the Plan Proponents have concluded that liquidation under chapter 7 (i) could result in smaller distributions being made to creditors than those provided for under the Plan and (ii) probably would result in potentially significant delays in making distributions to creditors, in particular, distributions that are to begin on or soon after the Effective Date of the Plan. Accordingly, the Plan Proponents have determined that confirmation of the Plan will provide the best alternative for each Holder of an Allowed Claim to receive a greater recovery than such Holder would receive in a chapter 7 liquidation.

An analysis prepared by the Committee of the potential impact of a chapter 7 liquidation on Distributions is set out in the Committee Liquidation Analysis, attached hereto as **Exhibit B**.

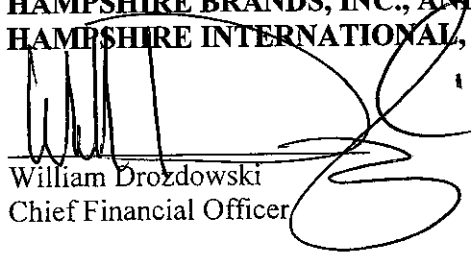
**XI.
CONCLUSION**

The Plan Proponents believe that the Plan is in the best interest of all holders of claims against the Debtors' Estates and urge all Holders of Allowed Claims in Class 2 (General Unsecured Claims) to vote to accept the Plan and to evidence such acceptance by returning their

ballot(s) by the Ballot Deadline in accordance with the instructions accompanying such ballot(s) and this Disclosure Statement.

Dated: August 17, 2017

**HAMPSHIRE GROUP, LIMITED,
HAMPSHIRE BRANDS, INC., AND
HAMPSHIRE INTERNATIONAL, LLC**


William Drozdowski
Chief Financial Officer

**OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF HAMPSHIRE GROUP,
LTD. ET AL.**

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Its Co-Chairperson

Robert Lash for Onewoo Corporation
Its Co-Chairperson

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ballot(s) by the Ballot Deadline in accordance with the instructions accompanying such ballot(s) and this Disclosure Statement.

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Dated: August 17, 2017

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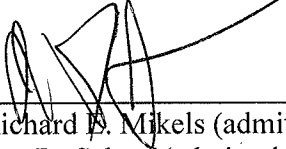
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EXHIBIT A

Plan

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:	)	Chapter 11
)	
HAMPSHIRE GROUP, LIMITED,	)	Case No.: 16-12634 (BLS)
)	
Debtor.)	
)	
In re:	)	Chapter 11
)	
HAMPSHIRE BRANDS, INC.,	)	Case No.: 16-12635 (BLS)
)	
Debtor.)	
)	
In re:	)	Chapter 11
)	
HAMPSHIRE INTERNATIONAL, LLC,	)	Case No.: 16-12636 (BLS)
)	
Debtor.	)	(Jointly Administered)
)	

**FIRST AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION
PROPOSED BY THE DEBTORS AND THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF HAMPSHIRE GROUP, LTD., ET AL.**

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Dated: Wilmington, Delaware
August 17, 2017

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Hampshire Group, Limited, Hampshire Brands, Inc., and Hampshire International, LLC, (collectively, the “Debtors”) and the Official Committee of Unsecured Creditors of Hampshire Group Ltd., *et al.* (the “Committee”) hereby jointly propose the following chapter 11 plan of liquidation for the Debtors (the “Plan”)¹ pursuant to section 1121(a) of the Bankruptcy Code. The Debtors and the Committee are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code.

Reference is made to the Disclosure Statement filed with respect to the Plan for a discussion of the Debtors’ history, businesses, assets, Chapter 11 Cases, risk factors, summary and analysis of the Plan, and certain other related matters.

Subject to the provisions of section 1127 of the Bankruptcy Code and the restrictions on modification of the Plan set forth herein, the Debtors and the Committee reserve the right to amend, alter or modify the Plan one or more times before its substantial consummation.

¹ Capitalized terms not defined in this introductory section are as defined in Article I herein.

I.
DEFINITIONS

The following terms (which appear in the Plan as capitalized terms), when used in the Plan, have the meanings set forth below:

“401(k) Plan” means the Hampshire Group, LTD & Subsidiaries 401(k) Retirement Savings Plan.

“401(k) Plan Termination Reserve” means a Plan Reserve in an amount up to, but not to exceed, \$30,000, established on the Effective Date (i) which shall be used only for payment of actual expenses of the Debtors or the Liquidation Trust necessary to complete the termination of the 401(k) Plan, but only to the extent such expenses cannot be charged to and paid from the assets of the 401(k) Plan, and (ii) to the extent any portion of the 401(k) Plan Termination Reserve shall not be necessary for or used to pay expenses in accordance with subparagraph (i) of this definition, such portion of the 401(k) Plan Termination Reserve shall be Distributable Cash. For the avoidance of doubt, no portion of the 401(k) Plan Termination Reserve shall be used to pay any Trust Expenses other than any actual expenses of the Debtors or the Liquidation Trust necessary to complete the termination of the 401(k) Plan. The 401(k) Plan Termination Reserve may be increased pursuant to court order, upon a motion on notice to Beneficiaries and the Post-Confirmation Service List, for good cause shown, including, without limitation, unanticipated services needed to complete termination of the 401(k) Plan.

“Administrative Expense Claim” means any claim for payment of an administrative expense of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary expenses of preserving the Debtors’ Estates or any actual and necessary expenses of operating the business of the Debtors, but use of such term in the Plan shall exclude Professional Fee Claims.

“Allowed” means a Claim, Administrative Expense Claim, Professional Fee Claim, or Interest or portion thereof (i) for which proof thereof was filed, as applicable, on or before the Claims Bar Date or the Governmental Unit Claims Bar Date, or within the applicable period of limitation fixed by the Bankruptcy Court in accordance with Bankruptcy Rule 3003(c)(3), and as to which no objection to the allowance thereof, or action to equitably subordinate or otherwise limit recovery with respect thereto, shall have been interposed within the applicable limitations period fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or a Final Order, (ii) for which no proof thereof was filed, to the extent that such Claim has been listed by the Debtors in the Schedules as liquidated in amount and not disputed or contingent, and as to which the Schedules have not been amended with respect to the listing of such Claim, (iii) which arises from the recovery of property under section 550 or section 553 of the Bankruptcy Code, (iv) which is allowed under the Plan, (v) which is allowed as set forth in any contract, instrument, or agreement entered into or assumed by the Debtors in connection with the Plan, or (vi) which is allowed by a Final Order; provided, however, that Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an order of the Bankruptcy Court shall not be considered “Allowed” hereunder. Unless otherwise specified herein or by order of the Bankruptcy Court, “Allowed Administrative Expense Claim”, “Allowed Professional Fee

Claim” or “Allowed Claim” shall not, for any purpose under the Plan, include interest on such Administrative Expense Claim, Professional Fee Claim, or Claim from and after the Petition Date. For the avoidance of doubt, to the extent that either the current Holder of a Claim or the original claimant is or becomes subject to an Avoidance Action, such Claim shall not be Allowed until such Avoidance Action has been finally resolved.

“Allowed Class ‘’ Claim”** means an Allowed Claim in the particular class described.

“Assets” means (i) all real or personal property of the Debtors (including as debtors in possession) of any nature, including, without limitation, any Cash, real property, leases, subleases, licenses, goods, materials, supplies, furniture, fixtures, equipment, works in process, accounts receivable, tax refunds, chattel paper, deposit accounts, reserves, deposits, contractual rights, intellectual property rights, claims, Causes of Action (including Avoidance Actions), and any other general intangibles of any nature whatsoever, including, without limitation, “property of the estate” pursuant to section 541 of the Bankruptcy Code; and (ii) proceeds, products, rents and profits of all of the foregoing.

“Avoidance Action” means any claim, Cause of Action, or right against any Person under any of the following: Bankruptcy Code sections 542, 543, 544, 547, 548, 549, 550, 551, 552, and 553; all fraudulent conveyance and fraudulent transfer laws; all non-bankruptcy laws vesting in creditors rights to avoid, rescind, or recover on account of transfers, including but not limited to, claims relating to illegal dividends or distributions; all preference laws; the Uniform Fraudulent Transfer Act (as it may have been codified in any particular jurisdiction); the Uniform Fraudulent Conveyance Act (as it may have been codified in any particular jurisdiction); and all similar federal and state laws and statutes.

“Ballot” means a ballot for accepting or rejecting the Plan.

“Bankruptcy Code” means Title 11 of the United States Code, 11 U.S.C. §§ 101-1532.

“Bankruptcy Court” or **“Court”** means the United States Bankruptcy Court for the District of Delaware, or such other court having jurisdiction over the Chapter 11 Cases or any matter or proceeding within, or over any appeal of an order entered in the Chapter 11 Cases.

“Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure, as amended from time to time, promulgated by the United States Supreme Court pursuant to 28 U.S.C. § 2075.

“Beneficiaries” means the beneficiaries of the Liquidation Trust, including Holders of Allowed Administrative Expense Claims, Allowed Professional Fee Claims, Allowed Priority Employee Claims, Allowed Priority Tax Claims and the Holders of Allowed Claims in Classes 1 and 2 entitled to receive distributions under the Plan.

“Business Day” means any day other than a Saturday, Sunday or a legal holiday (as defined in Bankruptcy Rule 9006(a)) or day on which banks are required or authorized by law to be closed in the City of Wilmington, Delaware.

“Bond” means one or more customs bonds that were issued by Hanover Insurance Company and/or its affiliates on behalf of the Debtors.

“Cash” means legal tender of the United States of America and Cash equivalents, including, but not limited to, bank deposits, checks or other similar items.

“Causes of Action” means all claims, demands, rights, actions, causes of action and suits by or on behalf of the Debtors, their Estates, and/or the Liquidation Trust, whether pursuant to section 541 of the Bankruptcy Code or otherwise, of any kind or character whatsoever, known or unknown, suspected or unsuspected, matured or unmatured, whether arising prior to, on or after the Petition Date, in contract or in tort, at law or in equity or under any other theory of law, including but not limited to (1) rights of setoff, counterclaim or recoupment, and claims for breach of contract or for breaches of duties imposed by law; (2) the right to object to claims or interests; (3) claims pursuant to section 362 of the Bankruptcy Code; (4) claims for fraud, negligence, breach of fiduciary duty, corporate waste, unlawful dividends, mistake, duress, or usury; (5) all Avoidance Actions; (6) claims for tax refunds; (7) claims for recoveries relating to the issuance of the Bond and the related letter of credit draw; (8) any other claims which may be asserted against third parties; and (9) any Insider Claims.

“Chapter 11 Cases” or “Cases” means the cases under chapter 11 of the Bankruptcy Code pending in the United States Bankruptcy Court for the District of Delaware and bearing case numbers 16-12634 (BLS), 16-12635 (BLS), and 16-12636 (BLS).

“Claim” means a claim as that term is defined in Bankruptcy Code section 101(5) and includes Priority Employee Claims, Priority Tax Claims, Secured Claims, and General Unsecured Claims.

“Claims Bar Date” means March 6, 2017, at 5:00 p.m. (prevailing Eastern Time), the deadline set by the Court’s Order entered on January 30, 2017, found at docket number 147, for filing proofs of Claim against the Estates that arose prior to the Petition Date (other than Claims of Governmental Units and Rejection Damage Claims, each as defined below).

“Class” means a group of Claims or Interests as classified in Article V of the Plan.

“Confirmation” means the entry of a Bankruptcy Court order confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

“Confirmation Date” means the date on which the Bankruptcy Court enters the Confirmation Order on its docket.

“Confirmation Hearing” means the hearing held to consider Confirmation of the Plan.

“Confirmation Order” means the Bankruptcy Court order confirming the Plan under Bankruptcy Code section 1129.

“Consummation” means the occurrence of the Effective Date.

“Creditor” has the meaning ascribed to the term in section 101(10) of the Bankruptcy Code.

“Creditors’ Committee” or **“Committee”** means the Official Committee of Unsecured Creditors appointed by the U.S. Trustee in the jointly-administered Chapter 11 Cases of Hampshire Group, Ltd., Hampshire Brands, Inc., and Hampshire International, LLC.

“Debtors” means, collectively, Hampshire Group, Ltd., Hampshire Brands, Inc., and Hampshire International, LLC. The term **“Debtors”** includes the Debtors as debtors in possession.

“Disallowed” means (i) a Claim, an Administrative Expense Claim, a Professional Fee Claim, or any portion thereof, that has been disallowed by a Final Order; (ii) a Claim that has been listed in the Schedules at zero or as contingent, disputed, or unliquidated and as to which no Proof of Claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, a Final Order, or other applicable law; or (iii) a Claim that has not been listed in the Schedules and as to which no Proof of Claim has been timely filed, as applicable, on or before the Claims Bar Date or the Governmental Unit Claims Bar Date, or within the applicable period of limitation fixed by the Bankruptcy Court in accordance with Bankruptcy Rule 3003(c)(3), or which has not been deemed timely filed by the Bankruptcy Court pursuant to the Bankruptcy Code, a Final Order, or other applicable law.

“Disclosure Statement” means the filed and operative Disclosure Statement relating to the Plan, as it may be amended, modified, or supplemented from time to time, including all exhibits thereto.

“Disputed” means a Claim, Administrative Expense Claim, Professional Fee Claim, or an Interest:

- (a) as to which a Proof of Claim is filed or is deemed filed under Bankruptcy Rule 3003(b)(1), a motion or application for allowance or payment has been filed with the Bankruptcy Court, or a proof of Interest was filed or deemed filed under Bankruptcy Rule 3003(b)(2); and
- (b) as to which an objection: (1) has been timely filed; and (2) has neither been overruled nor been denied by a Final Order and has not been withdrawn.

“Distributable Cash” means the sum of (i) any Cash transferred to or received by the Liquidation Trust upon or promptly after the occurrence of the Effective Date that is in excess of \$250,000, plus (ii) subject to the funding of the Quarterly Trust Expense Reserve Funding, not less than seventy percent (70%) of all other Cash received or possessed by the Liquidation Trust after the Effective Date. For the avoidance of any doubt, **“Distributable Cash”** shall be available for and used only to fund Distributions in accordance with Article V of the Plan.

“Distribution” means any transfer of Cash or other property or instruments under the Plan to a Holder of an Allowed Claim, an Allowed Administrative Expense Claim, or an Allowed Professional Fee Claim.

“Effective Date” has the meaning set forth in Article X.A of the Plan.

“Estates” means the bankruptcy estates created in the Chapter 11 Cases under Bankruptcy Code section 541 and any other applicable law.

“Final Order” means an order or judgment of a court of competent jurisdiction entered on such court’s official docket:

- (a) that has not been reversed, rescinded, stayed, modified, or amended;
- (b) that is in full force and effect; and
- (c) with respect to which: (1) the time to appeal or to seek review, remand, rehearing, or a *writ of certiorari* has expired and as to which no timely filed appeal or petition for review, rehearing, remand, or *writ of certiorari* is pending; or (2) any such appeal or petition has been dismissed or resolved by the highest court to which the order or judgment was appealed or from which review, rehearing, remand, or a *writ of certiorari* was sought.

“First Administrative Expense Claims Bar Date” means June 15, 2017 at 5:00 p.m. (prevailing Eastern Time), the deadline set by the Court’s Order entered on May 8, 2017, found at docket number 245, by which Persons must file a request seeking allowance of an Administrative Expense Claim (subject to certain exclusions) that arose between the Petition Date and April 30, 2017.

“General Unsecured Claim” means a Claim that is not a Priority Employee Claim, a Priority Tax Claim, or a Secured Claim. For the avoidance of doubt, the term “General Unsecured Claim” excludes an Administrative Expense Claim, a Professional Fee Claim, or an Interest.

“Governmental Unit” has the meaning set forth in section 101(27) of the Bankruptcy Code.

“Governmental Unit Claims Bar Date” means May 22, 2017, at 5:00 p.m. (prevailing Eastern Time), the deadline set by the Bankruptcy Court’s Order entered on January 30, 2017, found at docket number 147, for Governmental Units to file proofs of Claim against the Estates that arose prior to the Petition Date.

“Holder” means the holder of a Claim against the Debtors or the holder of an Interest in the Debtors.

“Indemnified Party” or **“Indemnified Parties”** has the meaning set forth in Article VII.B.15 of the Plan.

“Insider” means an insider of any Debtor as that term is defined in Bankruptcy Code section 101(31).

“Insider Claims” means any claim that may be asserted against an Insider by or on behalf of any or all of the Debtors, the Debtors’ Estates, or the Liquidation Trust.

“Interest” means the interest, as that term is defined in Bankruptcy Code section 101(17), of any Person who holds an equity security in the Debtors no matter how held, including, but not limited to, issued and outstanding shares of common stock, preferred stock, stock options, warrants, membership interests, or other evidence of interests in securities of the Debtors.

“Lien” means any charge against or interest in property to secure payment or performance of a Claim, debt or obligation.

“Liquidation Trustee” means the Liquidation Trustee, or any successor Liquidation Trustee, who is appointed as trustee of the Liquidation Trust pursuant to the terms of the Plan. The Liquidation Trustee’s specific responsibilities are set forth in Article VII.B of the Plan and in the Liquidation Trust Agreement annexed to the Disclosure Statement as Exhibit C.

“Liquidation Trust” means the Liquidation Trust described in Article VII of the Plan that will (i) succeed to all of the Assets and (ii) be responsible for paying Allowed Administrative Expense Claims, Allowed Professional Fee Claims, and Allowed Claims against the Debtors, in accordance with the terms of the Plan.

“Liquidation Trust Agreement” means the agreement annexed as Exhibit C to the Disclosure Statement establishing and delineating the terms and provisions of the Liquidation Trust.

“Local Rules” means the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Delaware, as now in effect or hereafter amended and applicable to the Chapter 11 Cases.

“Person” has the meaning set forth in section 101(41) of the Bankruptcy Code.

“Petition Date” means November 23, 2016.

“Plan” means the *Joint Chapter 11 Plan of Liquidation Proposed by the Debtors and the Official Committee of Unsecured Creditors of Hampshire Group, Ltd., et al.*, as it may be amended, modified, or supplemented from time to time by unanimous consent of the Plan Proponents or modified and/or confirmed by Final Order of the Bankruptcy Court.

“Plan Proponents” means the Debtors and the Creditors’ Committee.

“Plan Reserves” means (a) the Post-Effective Date Trust Expense Reserve, (b) the 401(k) Plan Termination Reserve, and (c) any reserves established and funded by the Liquidation Trustee in accordance with the terms of Article V of the Plan for unpaid and/or Disputed (i) Administrative Expense Claims, (ii) Priority Employee Claims, (iii) Professional Fee Claims, (iv) Priority Tax Claims, and (v) General Unsecured Claims, provided that no reserve described in (c)(i) through (c)(v) of this definition shall be established or funded unless and until all necessary reserves for each (c)(i) through (c)(v) group or Class senior in payment have been established and fully funded in accordance with the terms of the Plan.

“Post-Confirmation Service List” means the (a) U.S. Trustee; (b) counsel for the Debtors; (c) Holders of unpaid Administrative Expense Claims, Professional Fee Claims, Priority Employee Claims, and Priority Tax Claims, until such time as any such claim either becomes Disallowed or such claim is paid in full or otherwise satisfied by agreement of the claimholder; (d) any other party in interest in the Chapter 11 Cases that specifically requests in writing that the Liquidation Trustee add such party’s name to the list; and (e) with respect to a filed motion, all parties whose rights are known to be affected by such motion.

“Post-Effective Date Trust Expense Reserve” means a reserve funded from the Trust Assets in the amount of up to, but not to exceed, the sum of (i) the first \$250,000 of Cash transferred to or received by the Liquidation Trust upon or promptly after the occurrence of the Effective Date, plus (ii) the Quarterly Trust Expense Reserve Funding, plus (iii) after the Effective Date, on a quarterly basis, commencing on December 1, 2017 and continuing with the quarters that commence on (w) February 1, 2018, (x) May 1, 2018, (y) August 1, 2018, and (z) December 1, 2018, Cash in an amount up to, but not to exceed, thirty percent (30%) of any Cash received by the Liquidation Trust; provided, however, that notwithstanding anything to the contrary contained in the Plan, not less than seventy percent (70%) of any Cash received or possessed by the Liquidation Trust other than the Cash described in subsections (i) and (ii) above shall be available for and used solely to fund Distributions in accordance with the terms of Article V of the Plan. The Post-Effective Date Trust Expense Reserve shall be established on the Effective Date (or as soon as reasonably practicable thereafter) to pay all Trust Expenses including, without limitation, professional fees of the Liquidation Trust, operating expenses of the Liquidation Trust, quarterly fees payable to the U.S. Trustee, and premiums to purchase a trustee bond or for insurance coverage, as necessary, after the Effective Date. On or prior to February 1, 2019, the Liquidation Trustee shall consult with the Holders of unpaid Professional Fee Claims, Priority Tax Claims, and/or General Unsecured Claims, as applicable, regarding the further funding of the Post-Effective Date Trust Expense Reserve. Any Beneficiary or other party in interest may file a motion on notice with the Bankruptcy Court seeking relief with respect to the Post-Effective Date Trust Expense Reserve. For the avoidance of doubt, any Cash remaining in the Post-Effective Date Trust Expense Reserve at the termination of the Liquidation Trust shall become Distributable Cash and shall be paid to Holders of Allowed Administrative Expense Claims, Allowed Professional Fee Claims, and Allowed Claims (including, but not limited to, Allowed Priority Employee Claims and Allowed Priority Tax Claims), as applicable, in accordance with the terms of this Plan.

“Postpetition” means any time after the Petition Date.

“Priority Employee Claims” means a Claim against the Estates entitled to priority under Bankruptcy Code section 507(a)(4).

“Priority Tax Claim” means a Claim against the Estates entitled to priority under Bankruptcy Code section 507(a)(8).

“Proof of Claim” means a proof of Claim or Interest filed against any Debtor in the Chapter 11 Cases.

“Pro Rata” means proportionately so that the ratio of (a) the amount of consideration distributed on account of an Allowed Claim to (b) the amount of the Allowed Claim is the same as the ratio of (x) the amount of consideration available for distribution on account of all Allowed Claims in the Class in which that Allowed Claim is included to (y) the amount of all Allowed Claims in that Class.

“Professionals” means the professionals (attorneys, accountants, appraisers, financial advisors, etc.) employed by the Debtors or the Creditors’ Committee at the expense of the Estates pursuant to sections 327, 328, 363, 1103, or 1104 of the Bankruptcy Code, specifically (i) Blank Rome LLP, employed as counsel to the Debtors, (ii) Pachulski Stang Ziehl & Jones LLP, employed as counsel to the Creditors’ Committee, and (iii) Gavin/Solmonese LLC, employed as financial advisor to the Creditors’ Committee.

“Professional Fee Claim” means a claim under Bankruptcy Code sections 326, 327, 328, 330, 331, 503(b), 1103, or 1104 for compensation for services rendered or reimbursement for expenses incurred by any of the Professionals.

“Quarterly Trust Expense Reserve Funding” means after the Effective Date, on a quarterly basis, beginning with the quarter that commences on December 1, 2017 and continuing until the quarter that ends on February 28, 2019, Cash in an amount up to, but not to exceed, \$125,000 to be used solely in accordance with the terms of the Post-Effective Date Trust Expense Reserve and in accordance with the terms of the Plan.

“Rejection Damage Claim” means a Claim for future rent, other obligations, or damages arising under an unexpired real property or personal property lease or executory contract that the Debtors have rejected pursuant to a Bankruptcy Court order, pursuant to the terms of the Bankruptcy Code, or pursuant to the terms of the Plan.

“Rio” means Rio Garment S.A. and its current and former parents, subsidiaries, affiliates, employees, officers, directors, managers, agents, representatives, trustees and estates.

“Schedules” means the Schedules of Assets and Liabilities and Statement of Financial Affairs of each of the Debtors filed pursuant to section 521 of the Bankruptcy Code, the Official Bankruptcy Forms and the Bankruptcy Rules, including any supplements or amendments thereto.

“Second Administrative Expense Claims Bar Date” means the date that is thirty (30) calendar days after the Effective Date, or the first business day thereafter, and by which any

Person requesting (i) allowance of an Administrative Expense Claim arising between May 1, 2017 and the Effective Date, or (ii) allowance of any other administrative expense pursuant to section 503 of the Bankruptcy Code (other than a Professional Fee Claim or an administrative expense that is subject to the First Administrative Expense Claims Bar Date) must file a request for allowance of such claim; provided, that such Second Administrative Expense Claims Bar Date shall not apply to (y) any fees payable either to the U.S. Trustee or the Clerk of the Bankruptcy Court pursuant to 28 U.S.C. § 1930, or (z) any claim by a Governmental Unit for a tax or penalty described in Bankruptcy Code sections 503(b)(1)(B) and 503(b)(1)(C), as provided for in Bankruptcy Code section 503(b)(1)(D).

“Secured Claim” means, pursuant to section 506 of the Bankruptcy Code, that portion of a Claim that is secured by a lien against property in which an Estate has an interest or that is subject to setoff under Bankruptcy Code section 553. A Claim is a Secured Claim only to the extent of the value of the claimholder’s interest in the collateral securing the Claim or to the extent of the amount subject to setoff, whichever is applicable, and as determined under Bankruptcy Code section 506(a).

“Solicitation Procedures Order” means an order of the Bankruptcy Court that, among other things, (i) approves certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, and (ii) approves on an interim basis the adequacy of the Disclosure Statement.

“Trust Assets” means all Assets vested in the Liquidation Trust pursuant to Article VII of the Plan, including without limitation all Assets.

“Trust Expenses” means the expenses incurred by the Liquidation Trust following the Effective Date (including the fees and costs of attorneys and other professionals) for the purpose of, without limitation, (i) prosecuting or otherwise attempting to collect or realize upon the Causes of Action; (ii) selling or collecting upon any of the Trust Assets; (iii) resolving Disputed Claims, Disputed Administrative Expense Claims, and Disputed Professional Fee Claims and effectuating Distributions in accordance with the terms of the Plan; and (iv) implementing the Plan and closing the Chapter 11 Cases, including, but not limited to payment of post-Effective Date taxes, quarterly fees payable to the U.S. Trustee, and wind-down expenses (such as document storage). Trust Expenses shall also include compensation and reimbursement of reasonable expenses of independent contractors, employees and professionals employed by the Liquidation Trust or otherwise incurred in the administration of the Liquidation Trust.

“U.S. Trustee” means the Office of the United States Trustee for Region 3.

II.

RULES OF INTERPRETATION

1. The rules of construction in Bankruptcy Code section 102 apply to the Plan to the extent not inconsistent with any other provision in this Article II.

2. Except as otherwise provided in the Plan, Bankruptcy Rule 9006(a) and Local Rules 9006-1 and 9006-2 apply when computing any time period under the Plan.

3. A term used in the Plan and not defined in the Plan has the meaning attributed to that term, if any, in the Bankruptcy Code, the Bankruptcy Rules, or the Local Rules, as applicable.

4. The definition given to any term or provision in the Plan supersedes and controls any different meaning that may be given to that term or provision in the Disclosure Statement or the Liquidation Trust Agreement.

5. Whenever it is appropriate from the context, each term, whether stated in the singular or the plural, includes both the singular and the plural.

6. Any reference to a document or instrument being in a particular form or on particular terms means that the document or instrument will be substantially in that form or on those terms. No material change to such form or terms may be made after the Confirmation Date without the consent of any party materially affected.

7. Any reference to an existing document means the document as it has been, or may be, amended or supplemented.

8. Unless otherwise indicated, the phrase “under the Plan” and the words “herein” and “hereto” and similar words or phrases refer to the Plan in its entirety rather than to only a particular article, section, or paragraph of the Plan.

9. Unless otherwise specified, all references to articles, sections, clauses or exhibits are references to the Plan’s articles, sections, clauses or exhibits.

10. Section captions and headings are used only as convenient references and do not affect the meaning of the Plan.

III. PLAN OBJECTIVES

The Plan contemplates the substantive consolidation of the Debtors’ Estates into a single Estate for all purposes associated with Confirmation and Consummation. The Plan further provides for the establishment on the Effective Date of the Liquidation Trust for the primary purpose of administering and liquidating the Trust Assets and for the secondary purposes of, *inter alia*, (a) analyzing and pursuing Causes of Action, (b) resolving all Administrative Expense Claims, Professional Fee Claims, and Claims, and (c) making all Distributions provided for under the terms of the Plan. The Liquidation Trust shall be under the direction and control of the Liquidation Trustee, as trustee of the Liquidation Trust. On the Effective Date, all of the Estates’ Assets, which are principally Cash, Accounts Receivable, any recoveries related to the issuance of the Bond and the related letter of credit draw, and the Causes of Action, shall vest in the Liquidation Trust. The Plan contemplates monetization of these Assets and the distribution of the net proceeds thereof to Holders of Allowed Administrative Expense Claims, Allowed Professional Fee Claims, and Allowed Claims in order of their payment priority as prescribed by the Plan in satisfaction of the Debtors’ obligations hereunder.

IV.
METHOD OF CLASSIFICATION OF CLAIMS
AND INTERESTS; GENERAL PROVISIONS

A. General Rules of Classification

The Plan divides Holders of Administrative Expense Claims, Professional Fee Claims, Claims, and Interests into different groups and Classes based on their legal rights and interests, and provides for the satisfaction from the Trust Assets of Administrative Expense Claims, Professional Fee Claims, and Claims. Article V describes the categories of Administrative Expense Claims, Professional Fee Claims, Priority Employee Claims, and Priority Tax Claims, all of which are not classified. Article V also classifies Claims and Interests, for all purposes, including voting, confirmation, and distributions under the Plan. A Claim or Interest is classified in a particular Class only to the extent the Claim or Interest falls within the Class description. To the extent part of the Claim or Interest falls within a different Class description, the Claim or Interest is classified in that different Class. A Claim or Interest is in a particular Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

Pursuant to Article VII.A, the Plan provides for the substantive consolidation of the Estates into a single Estate for all purposes associated with Confirmation and Consummation. As a result of the substantive consolidation of the Estates, each Class of Claims and Interests will be treated as against a single consolidated Estate without regard to the separate identification of the Debtors, and all Claims filed against more than one Debtor either on account of joint and several liability or on account of the same debt shall be deemed a single Claim against the consolidated Estates.

B. Holders of Claims Entitled to Vote

Each Holder of an Allowed Class 2 General Unsecured Claim, and each Holder of a Class 2 General Unsecured Claim that has been temporarily allowed for voting purposes by order under Bankruptcy Rule 3018(a), shall be entitled to vote separately to accept or reject the Plan as provided by the Solicitation Procedures Order. Any Unimpaired Class of Claims shall be deemed to have accepted the Plan.

C. Administrative Expense Claims, Professional Fee Claims, Priority Employee Claims, and Priority Tax Claims

Administrative Expense Claims, Professional Fee Claims, Priority Employee Claims, and Priority Tax Claims have not been classified and are excluded from the Classes set forth in Article V of the Plan in accordance with section 1123(a)(1) of the Bankruptcy Code.

V.

TREATMENT OF CLAIMS AND INTERESTS

The following table summarizes the classification and treatment of the Classes of Claims and Interests under the Plan.

<u>CLASS</u>	<u>DESCRIPTION</u>	<u>IMPAIRED/ UNIMPAIRED</u>	<u>VOTING STATUS</u>
Class 1	Secured Claims	Unimpaired	Deemed to Accept
Class 2	General Unsecured Claims	Impaired	Voting
Class 3	Interests	Impaired	Deemed to Reject

The treatment in the Plan is in full and complete satisfaction of all of the legal, contractual, and equitable rights that each Holder of an Allowed Claim or an Allowed Interest may have in or against the Debtors or their property. This treatment supersedes and replaces any agreements or rights those Holders have in or against the Debtors or their property. All Distributions under the Plan will be tendered to the entity holding the Allowed Claim. **EXCEPT AS SPECIFICALLY SET FORTH IN THE PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY ADMINISTRATIVE EXPENSE CLAIM, PROFESSIONAL FEE CLAIM, OR CLAIM THAT IS NOT ALLOWED.**

A. Allowance and Treatment of Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, and Priority Tax Claims

1. Administrative Expense Claims

An Administrative Expense Claim (other than any fees payable either to the U.S. Trustee or the Clerk of the Bankruptcy Court pursuant to 28 U.S.C. § 1930, or any claim by a Governmental Unit for a tax or penalty described in Bankruptcy Code sections 503(b)(1)(B) and 503(b)(1)(C), as provided for in Bankruptcy Code section 503(b)(1)(D)) must be filed with the Bankruptcy Court so as to be received on or before the First Administrative Expense Claims Bar Date or the Second Administrative Expense Claims Bar Date, as applicable, or such other date as may be agreed to by the Liquidation Trustee, or as otherwise may be directed by a Final Order of the Bankruptcy Court upon a motion filed by the affected claimant pursuant to Bankruptcy Rule 9006(b)(1) seeking allowance of a late-filed Administrative Expense Claim based upon excusable neglect (an “Excusable Neglect Order”). Timely filed Administrative Expense Claims shall be treated as follows:

Within 90 days after the Effective Date, the Liquidation Trustee will allow, settle, or object to all timely filed Administrative Expense Claims. Any defense, setoff, offset, or deduction to any timely filed Administrative Expense Claim shall be raised or asserted in connection with any objection filed with respect to such Administrative Expense Claim in accordance with this Article V.A.1. The 90-day deadline described in this paragraph may be

expanded pursuant to order of the Bankruptcy Court for good cause shown or by consent of the claimant and the Liquidation Trustee.

On or as soon as practicable after the Effective Date, after the Liquidation Trustee has funded (i) the initial \$250,000 of the Post-Effective Date Trust Expense Reserve and (ii) the 401(k) Plan Termination Reserve, the Liquidation Trustee will distribute, on a Pro Rata basis, the Distributable Cash by (a) making Pro Rata Distributions of Cash to each Holder of an Allowed Administrative Expense Claim and (b) funding a Plan Reserve in Cash for all Disputed Administrative Expense Claims the aggregate amount of which equals the sum of (y) the Pro Rata Distribution calculated based upon the undisputed amount, if any, of each Disputed Administrative Expense Claim, after taking into account any claims, rights, or defenses of the Debtors, their Estates, or the Liquidation Trust, and (z) the Liquidation Trustee's good faith estimate of a sufficient amount to satisfy the disputed amount of each Disputed Administrative Expense Claim. On not less than a quarterly basis, the Liquidation Trustee shall distribute the Distributable Cash (if any) in accordance with the preceding sentence until such time as (i) all Allowed Administrative Expense Claims have been paid in full in Cash, or as otherwise agreed to by the Holder of an Administrative Expense Claim and the Liquidation Trustee, or (ii) the Trust Assets have been exhausted.

For the avoidance of doubt, on or as soon as practicable after the Effective Date, the Liquidation Trustee shall, in the reasonable exercise of his or her business judgment, fund a Plan Reserve for Administrative Expense Claims in accordance with the terms of the Plan and, after such Plan Reserve for Administrative Expense Claims has been funded, make Distributions to Holders of Allowed Priority Employee Claims, in accordance with the terms of Article V.A.2 of the Plan, and make Distributions and/or fund Plan Reserves for Professional Fee Claims in accordance with the terms of Article V.A.3 of the Plan.

The Liquidation Trustee will use reasonable best efforts to, on or prior to December 31, 2017, (i) resolve all Disputed Administrative Expense Claims and (ii) make all Distributions to Holders of Allowed Administrative Expense Claims.

Any Holder of an Administrative Expense Claim that does not timely assert such Administrative Expense Claim in accordance with this Article V.A.1, or in accordance with an Excusable Neglect Order, shall have its Administrative Expense Claim be deemed Disallowed under the Plan and be forever barred from asserting such Administrative Expense Claim against the Debtors, their Estates, the Liquidation Trust, or any of their Assets or property.

2. Priority Employee Claims

Certain Priority Employee Claims for employee benefits, such as unpaid severance and unused vacation time, are listed on the Schedules. The Debtors are in the process of reconciling such Priority Employee Claims and reserve the right to amend the Schedules and/or to mark any claim as having been partially or fully satisfied, waived and/or extinguished, as applicable. Priority Employee Claims shall be treated as follows:

On or as soon as practicable after the Effective Date, after the Liquidation Trustee has paid, resolved, or reserved for, as applicable, all Administrative Expense Claims in accordance

with Article V.A.1 of the Plan, the Liquidation Trustee shall pay the Allowed amount of each Allowed Priority Employee Claim in accordance with the terms of the Plan and other orders of the Bankruptcy Court.

Nothing herein shall be deemed to prohibit the Plan Proponents and/or the Liquidation Trustee from investigating, objecting to the allowance of, and/or amending the Schedules with respect to any Priority Employee Claim. Nothing herein shall be construed as authorizing payment on account of any Priority Employee Claim in excess of the amount authorized for such claims under the Bankruptcy Code. The amount of any Allowed Priority Employee Claim in excess of the caps established for such claims under the Bankruptcy Code shall be treated as a General Unsecured Claim.

3. Professional Fee Claims

Each Professional requesting compensation for services rendered and reimbursement for expenses incurred during the period from the Petition Date through the Effective Date must file and serve a properly noticed final fee application by no later than forty-five (45) days after the Effective Date. Any objection, defense, setoff, offset, or deduction to any such request for compensation or reimbursement of expenses must be raised in connection with the hearing on such final fee application. The Professional shall have an Allowed Professional Fee Claim in the amount of all compensation and reimbursement of expenses allowed pursuant to a Bankruptcy Court order granting such final fee application. Each Holder of an Allowed Professional Fee Claim shall be entitled to receive payment on account of its Allowed Professional Fee Claim as set forth in this Article V.A.3.

After the Liquidation Trustee has paid, resolved, or reserved for, as applicable, all Priority Employee Claims in accordance with Article V.A.2 of the Plan, the Liquidation Trustee will distribute, on a Pro Rata basis, the Distributable Cash by (a) making Pro Rata Distributions of Cash to each Holder of an Allowed Professional Fee Claim and (b) funding a Plan Reserve in Cash for all Disputed Professional Fee Claims the aggregate amount of which equals the sum of (y) the Pro Rata Distribution calculated based upon the undisputed amount, if any, of each such Disputed Professional Fee Claim after taking into account any claims, rights, or defenses of the Debtors, their Estates, or the Liquidation Trust, and (z) the Liquidation Trustee's good faith estimate of a sufficient amount to satisfy the disputed amount of each Disputed Professional Fee Claim. On not less than a quarterly basis, the Liquidation Trustee shall distribute the Distributable Cash (if any) in accordance with the preceding sentence until such time as (i) all Allowed Professional Fee Claims have been paid in full in Cash, or as otherwise agreed to by the Holder of a Professional Fee Claim and the Liquidation Trustee, or (ii) the Trust Assets have been exhausted.

All Holders of Professional Fee Claims consent to the treatment of their Allowed Professional Fee Claims and to the timing of payments on such Allowed Professional Fee Claims as set forth herein.

4. Priority Tax Claims

A Priority Tax Claim must either (i) be listed on the Schedules or (ii) be filed with the Bankruptcy Court so as to be received on or before the Governmental Unit Claims Bar Date, or such other date as may be established by the Bankruptcy Court or agreed to by the Liquidation Trustee. Any Holder of a Priority Tax Claim for which a Claim was neither scheduled nor a Proof of Claim timely filed shall have a Disallowed Claim.

After the Liquidation Trustee has paid, resolved, or reserved for, as applicable, all Professional Fee Claims in accordance with Article V.A.3 of the Plan, the Liquidation Trustee will distribute, on a Pro Rata basis, the Distributable Cash by (a) making regular installment payments of Cash, in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, to each Holder of an Allowed Priority Tax Claim and (b) funding a Plan Reserve in Cash for all Disputed Priority Tax Claims the aggregate amount of which equals the sum of (y) the Pro Rata Distribution calculated based upon the undisputed amount, if any, of each such Disputed Priority Tax Claim after taking into account any claims, rights, or defenses of the Debtors, their Estates, or the Liquidation Trust, and (z) the Liquidation Trustee's good faith estimate of a sufficient amount to satisfy the disputed amount of each Disputed Priority Tax Claim. The Liquidation Trustee, in his or her discretion, will make additional regular installment payments of Cash to Holders of Allowed Priority Tax Claims until such time as (i) all Allowed Priority Tax Claims have been paid in full in Cash, or as otherwise agreed to by any Holder thereof and the Liquidation Trustee, or (ii) the Trust Assets have been exhausted.

B. Classification and Treatment of Secured Claims (Class 1)

Classification: Class 1 consists of all Secured Claims.

Treatment: On the Effective Date, or as soon as reasonably practicable thereafter, each Holder of an Allowed Class 1 Claim will receive, at the election of the Liquidation Trustee, one of the following treatments in full satisfaction of its Allowed Class 1 Claim:

- (a) The Liquidation Trustee will convey to the Holder of the Allowed Class 1 Claim the collateral in which such Holder has a security interest;
- (b) The Liquidation Trustee will pay to the Holder of the Allowed Class 1 Claim, up to the amount of such Allowed Class 1 Claim, any net proceeds actually received from the sale or disposition of the collateral in which such Holder has a security interest;
- (c) Provided there is Distributable Cash on hand, the Liquidation Trustee will pay Cash to the Holder of the Allowed Class 1 Claim in the amount of such Allowed Class 1 Claim;
- (d) Such other distributions or treatment that are necessary to leave the rights of the Holder of the Allowed Class 1 Claim unimpaired or that are necessary to otherwise satisfy the requirements of Chapter 11 of the Bankruptcy Code; or
- (e) Such other and less favorable distributions or treatments as may be agreed upon by and between the Holder of the Allowed Class 1 Claim and the Liquidation Trustee.

The Liquidation Trustee may, in his or her discretion, select which of these treatments each Holder of an Allowed Class 1 Claim will receive. The Liquidation Trustee shall have until the later of (a) the Effective Date and (b) ninety (90) days after a Class 1 Claim has become an Allowed Class 1 Claim to elect which treatment to provide to such Holder of an Allowed Class 1 Claim.

C. Classification and Treatment of General Unsecured Claims (Class 2)

Classification: Class 2 consists of all General Unsecured Claims.

Treatment: After the Liquidation Trustee has paid, resolved, or reserved for, as applicable, all Administrative Expense Claims, Priority Employee Claims, Professional Fee Claims, Priority Tax Claims, and Secured Claims, each in accordance with Article V.A or Article V.B of the Plan, as applicable, the Liquidation Trustee will distribute, on a Pro Rata basis, the Distributable Cash by (a) commencing making Pro Rata Distributions of Cash to each Holder of an Allowed General Unsecured Claim, and (b) funding a Plan Reserve for all Disputed General Unsecured Claims the aggregate amount of which equals the sum of (y) the undisputed amount, if any, of each Disputed General Unsecured Claim after taking into account any claims, rights, or defenses of the Debtors, their Estates, or the Liquidation Trust, and (z) the Liquidation Trustee's good faith estimate of a sufficient amount to satisfy the disputed amount of each Disputed General Unsecured Claim. Thereafter, in accordance with the preceding sentence, the Liquidation Trustee, in his or her discretion, will make further periodic Pro Rata Distributions and/or fund a Plan Reserve for all Disputed General Unsecured Claims until such time as (i) all Allowed General Unsecured Claims have been paid in full in Cash, or as otherwise agreed to by the Holder of a General Unsecured Claim and the Liquidation Trustee, or (ii) the Trust Assets have been exhausted.

D. Classification and Treatment of Interests (Class 3)

Classification: Class 3 consists of all Interests in the Debtors.

Treatment: On the Effective Date, all Interests in the Debtors shall be cancelled, and the Holders of Class 3 Interests shall not be entitled to, and shall not receive or retain, any property on account of such Interests under the Plan.

VI.

ACCEPTANCE OR REJECTION OF PLAN

A. Holders of Administrative Expense Claims, Professional Fee Claims, Priority Employee Claims and Priority Tax Claims

Holders of Administrative Expense Claims, Professional Fee Claims, Priority Employee Claims and Priority Tax Claims who do not object to confirmation of the Plan shall be deemed to have consented to treatment, as set forth in the Plan, that is or may be different from that set forth in 11 U.S.C. § 1129(a)(9).

B. Class 1 Secured Claims

Class 1 is an unimpaired Class. Holders of Class 1 Secured Claims are deemed to accept the Plan and are not entitled to vote.

C. Class 2 General Unsecured Claims

Each Holder of a Class 2 General Unsecured Claim that is not a Disallowed Claim and is not subject to a pending claim objection as of the deadline to submit Ballots shall be entitled to vote to accept or reject the Plan. Class 2 shall have accepted the Plan if the Plan is accepted by creditors, other than any entity designated under section 1126(e) of the Bankruptcy Code, that hold at least two-thirds (2/3) in amount and more than one-half in number of the Allowed Claims in Class 2 held by creditors, other than an entity designated under section 1126(e) of the Bankruptcy Code, that have accepted or rejected the Plan.

D. Class 3 Interests

Holders of Class 3 Interests are deemed to reject the Plan and are not entitled to vote.

**VII.
MEANS FOR IMPLEMENTATION OF THE PLAN**

A. Substantive Consolidation

The Plan Proponents seek entry, pursuant to section 105 of the Bankruptcy Code, of a Bankruptcy Court order that, effective upon the Effective Date, substantively consolidates the Debtors' Estates into a single consolidated Estate and consolidates all of the debts of all of the Debtors, for all purposes associated with Confirmation and Consummation. *See* Disclosure Statement at Section VIII.B.1.

On and after the Effective Date, all Assets and liabilities of the Debtors shall be treated as though they were merged into the Estate of Hampshire Group, Ltd. for all purposes associated with Confirmation and Consummation, and all guarantees by any Debtor of the obligations of any other Debtor shall be eliminated so that any Claim and any guarantee thereof by any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor shall be treated as one collective obligation of the Debtors, subject to all rights, claims, defenses, and arguments available to the Debtors or the Liquidation Trust.

Substantive consolidation will not (i) alter the state of incorporation or state of formation of any Debtor for purposes of determining the applicable law for any of the Causes of Action, (ii) alter or impair the legal and equitable rights of the Liquidation Trustee to prosecute any of the Causes of Action, or (iii) otherwise impair, release, discharge, extinguish or affect any of the Causes of Action or issues raised as a part thereof.

Notwithstanding anything in the Plan or in the Confirmation Order to the contrary, the entry of the Confirmation Order ordering substantive consolidation of the Estates shall not have any effect upon the separate and distinct legal entities as they existed at the time of any prepetition transaction that is the subject of any litigation; *provided, however*, that the foregoing

provision shall not serve to prejudice or compromise whatever rights, if any, the Debtors or the Liquidation Trustee, as applicable, may have to contend in any pending or future adversary proceeding or other lawsuit that the Debtors or the Liquidation Trustee, as applicable, may prosecute claims for fraudulent conveyance or fraudulent transfer arising from transfers made by one or more of the Debtors based on any theory or doctrine, including any federal, state, or common law alter-ego, veil-piercing, or any other theory or doctrine that would permit or require the disregard of corporate separateness or facts as they existed at the time of the transaction in question. Moreover, substantive consolidation shall not affect the obligation of each Debtor or the Liquidation Trustee to pay quarterly fees to the Office of the U.S. Trustee pursuant to 28 U.S.C. § 1930 until the earlier of the time that a particular Case has been closed, dismissed, or converted.

Notwithstanding anything to the contrary herein, on the Effective Date, all Claims by a Debtor against any other Debtor will be extinguished without any distributions being made on account of such Claims.

B. The Liquidation Trust

1. Formation and Name of the Liquidation Trust

On the Effective Date, the Liquidation Trust, pursuant to and in accordance with the Liquidation Trust Agreement attached to the Disclosure Statement as Exhibit C, shall be established for the primary purpose of administering and liquidating the Trust Assets and for the secondary purposes of, *inter alia*, (a) analyzing and pursuing Causes of Action, (b) resolving all Administrative Expense Claims, Professional Fee Claims, and Claims, and (c) making all Distributions provided for under the terms of the Plan. From and after the Effective Date, the Liquidation Trust shall be called the “Hampshire Liquidation Trust” for all purposes.

2. Federal Income Tax Treatment of the Liquidation Trust

For federal income tax purposes, it is intended that the Liquidation Trust be classified as a “grantor trust” for federal income tax purposes, pursuant to sections 671-677 of the Internal Revenue Code of 1986, as amended, and that the Liquidation Trust be owned by the Beneficiaries. Accordingly, for federal income tax purposes, it is intended that the Beneficiaries be treated as if they had received a distribution from the Debtors’ Estates of an undivided interest in each of the Trust Assets and then contributed such interest to the Liquidation Trust.

3. Funding the Liquidation Trust

On the Effective Date, all of the Assets of the substantively consolidated Estate, as well as the rights and powers of the Debtors, the consolidated Estate and the Creditors’ Committee, shall automatically vest in the Liquidation Trust. Specifically, and without limitation, the Liquidation Trust, through the Liquidation Trustee, shall have the right to prosecute all Causes of Action, receive all accounts receivable and the proceeds related thereto, and receive all recoveries related to the issuance of the Bond and the related letter of credit draw.

As soon as practicable after the Effective Date, but in no event later than ninety (90) days thereafter, (i) the Liquidation Trustee shall determine the fair market value of the Liquidation Trust Assets as of the Effective Date, based on a good faith determination, and (ii) the

Liquidation Trustee shall establish appropriate means to apprise the Beneficiaries of such valuation. The valuation shall be used consistently by all parties, including, without limitation, the Debtors, the Liquidation Trust, and the Beneficiaries, for all federal income tax purposes.

4. Termination of Liquidation Trust

The duties, responsibilities and powers of the Liquidation Trustee shall terminate in accordance with the terms of the Plan and the Liquidation Trust Agreement after (a) all the Trust Assets have been fully administered, (b) all reasonably possible Distributions have been made in accordance with the terms of the Plan have been made, and (c) all Disputed Claims have been resolved.

Upon the termination of the Liquidation Trust, the Liquidation Trustee shall file with the Bankruptcy Court, on notice to Beneficiaries and the Post-Confirmation Service List, a report thereof, seeking an order discharging the Liquidation Trustee and a final decree closing any open Chapter 11 Cases. The Liquidation Trustee shall not unduly prolong the duration of the Liquidation Trust. As efficiently and expeditiously as possible, the Liquidation Trustee shall endeavor to resolve, settle or otherwise dispose of all Trust Assets, effect the distribution of the Trust Assets in accordance with the terms of the Plan, and terminate the Liquidation Trust as soon as practicable.

5. Vesting and Transfer of Assets to the Liquidation Trust

Pursuant to Bankruptcy Code section 1141(b), the Assets of the Estates shall vest in the Liquidation Trust; provided, however, that the Liquidation Trustee may abandon or otherwise not accept any Assets that the Liquidation Trustee believes, in good faith, have no meaningful value to the Liquidation Trust. Any Assets the Liquidation Trustee so abandons or otherwise does not accept shall not vest in the Liquidation Trust and shall revert in the Debtors; provided, however, that pursuant to an order of the Bankruptcy Court following the provision of reasonable notice to Beneficiaries by filing a notice in accordance with Bankruptcy Rule 6007(a) on the Court's docket for these Chapter 11 Cases, the Liquidation Trustee may abandon any Assets to any Person.

On the Effective Date, the Liquidation Trustee shall (i) take possession, custody, and control of all books, records, and files of the Debtors and their Estates; and (ii) provide for the retention and storage of such books, records, and files until such time as the Liquidation Trustee determines, in accordance with the Liquidation Trust Agreement, that retention of same is no longer necessary or required. Nothing herein shall be construed to deem the Liquidation Trustee to have possession, custody or control of the books, records, and files of the Debtors and their Estates not actually in the possession, custody or control of the Liquidation Trustee on the Effective Date.

As of the Effective Date, all Assets vested in the Liquidation Trust and all Assets dealt with in the Plan, shall be free and clear of all Claims, Liens, and Interests except as otherwise specifically provided in the Plan or in the Confirmation Order. The Liquidation Trustee shall make distributions in accordance with the Plan and the Liquidation Trust Agreement.

Nothing herein shall be construed to limit or expand the terms of section 522(c) of the Bankruptcy Code.

6. Appointment of the Liquidation Trustee

The Liquidation Trustee shall be selected by the Committee in consultation with the Debtors. The Committee, in consultation with the Debtors, and subject to entry of the Confirmation Order and the occurrence of the Effective Date, has selected Richard S. Lauter, Esq., a partner in the law firm of Lewis Brisbois Bisgaard & Smith LLP, to be the Liquidation Trustee. During the Chapter 11 Cases, Lewis Brisbois Bisgaard & Smith LLP has served as counsel to I-MAR LLC, one of the members of the Committee. Notwithstanding such prior representation, the Liquidation Trustee shall function as an independent, disinterested fiduciary for the Estates and creditors. The Debtors and Committee believe that Mr. Lauter is qualified to serve as Liquidation Trustee. The Liquidation Trustee may obtain a bond in an amount equal to the reasonable value of the Trust Assets as agreed upon by the Liquidation Trustee in consultation with the U.S. Trustee.

7. Powers and Authority of Liquidation Trustee

The Liquidation Trustee shall be the exclusive trustee of the Trust Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3). The Liquidation Trustee shall serve as the representative of the Estates in accordance with the provisions of the Bankruptcy Code. The powers and authority of the Liquidation Trustee shall include, without limitation other than as provided in the Plan or the Liquidation Trust Agreement, the power to:

(i) invest (to the extent permissible under current Internal Revenue Service guidelines) or withdraw funds of the Liquidation Trust, make distributions, incur obligations for reasonable and necessary expenses in liquidating and converting any remaining Assets to Cash, and pay taxes and other obligations owed by the Liquidation Trust or the Debtors from funds held by the Liquidation Trustee in accordance with the Plan;

(ii) perform all of the obligations and agreements of the Liquidation Trust and/or of the Liquidation Trustee provided for in the Plan and in the Liquidation Trust Agreement;

(iii) hold legal title to all rights of the Debtors and their Estates in or arising from the Trust Assets, including without limitation, the right to vote any claim or interest in a case under the Bankruptcy Code and receive any distribution therein;

(iv) protect and enforce the rights to the Trust Assets by any method deemed appropriate including, without limitation, by judicial proceedings or pursuant to any applicable bankruptcy, insolvency, moratorium or similar law and general principles of equity;

(v) perform the duties, exercise the powers, and assert the rights of a trustee under sections 704 and 1106 of the Bankruptcy Code, including, without limitation, investigating, commencing, prosecuting or settling Causes of Action (including, without limitation, Avoidance Actions), enforcing contracts, and asserting claims, defenses, offsets and privileges;

(vi) determine, satisfy, object to, compromise or estimate on reasonable terms all claims or liabilities created, incurred, or assumed by the Liquidation Trust;

(vii) determine on reasonable terms the amount and timing of regular installment payments to Holders of Allowed Priority Tax Claims, consistent with section 1129(a)(9)(C) of the Bankruptcy Code and in accordance with the terms of the Plan;

(viii) pay all expenses and make all other payments relating to the Liquidation Trust;

(ix) establish, keep, and maintain the Post-Effective Date Trust Expense Reserve and the 401(k) Plan Termination Reserve, each in accordance with the terms of the Plan;

(x) establish, keep, and maintain Plan Reserves for the benefit of the Holders of Disputed Claims;

(xi) account separately for Plan Reserves in accordance with the terms of the Plan;

(xii) except as otherwise provided in the Plan, in the discretion of the Liquidation Trustee, setoff against any Claim (and the payments or other distributions to be made pursuant to the Plan with respect to such Claims) any Cause of Action against the Holder of such Claim, but neither the failure to so setoff any Cause of Action nor the allowance of any Claim shall constitute a waiver or release by the Liquidation Trust or Liquidation Trustee of any Cause of Action;

(xiii) market, negotiate, enter into, execute and perform on reasonable terms agreements for the sale or other disposition of the Trust Assets;

(xiv) prepare and deliver written statements or notices, quarterly or otherwise, required by law to be delivered to Beneficiaries;

(xv) prepare and file post-confirmation quarterly disbursement and status reports, with copies of such reports served on the Post-Confirmation Service List, and pay all quarterly fees to the U.S. Trustee which are required by applicable law;

(xvi) prepare, or have prepared, and file with the appropriate taxing authority all tax and information returns with respect to the Debtors and the Liquidation Trust (including, without limitation, United States federal, state, local, or foreign tax or information returns required to be filed by the Debtors and the Liquidation Trust) and pay taxes properly payable by the Debtors and the Liquidation Trust, if any, and cause all taxes payable by the Debtors and the Liquidation Trust, if any, to be paid exclusively out of the Trust Assets; provided, however, that, subject to section 503(b)(1)(D) of the Bankruptcy Code, nothing herein shall obligate the Liquidation Trustee to pay or make any Distribution on account of any tax that is not Allowed in these Chapter 11 Cases;

(xvii) maintain and preserve the originals of all instruments and documents pertaining to the Trust Assets to the extent such instruments and documents are in the possession or control of the Liquidation Trustee upon or after the Effective Date;

(xviii) take any of the foregoing actions, and execute any documents relating thereto, in the Liquidation Trustee's own name, on behalf of the Debtors or the Liquidation Trust (including but not limited to all settlement agreements);

(xix) exercise and perform the rights, powers and duties held by the Debtors or the Estates, including without limitation the authority under section 1123(b)(3) of the Bankruptcy Code, to provide for the prosecution, settlement, adjustment, retention and enforcement of claims and interests of the Estates, including but not limited to the commencement, prosecution and settlement of the Causes of Action and the authority to exercise all rights and powers under sections 506(c), 544-551, 1106, 1107 and 1108 of the Bankruptcy Code;

(xx) exercise all rights, privileges, power and authority that may be exercised by any officer, director, shareholder, or other party acting in the name of any Debtor or the Estates with like effect as if duly authorized, exercised and taken by action of such officers, directors, shareholders, or other party;

(xxi) administer, terminate and/or wind down any plan sponsored or administered by a Debtor prepetition for employee benefits, retirement benefits, or otherwise governed by the Employee Retirement Income Security Act of 1974 (as amended) and, in connection therewith, make any filings or reports as may be appropriate or required by federal, state or local law or regulations;

(xxii) engage independent contractors, employees, and professionals on reasonable terms to assist the Liquidation Trustee with respect to his or her responsibilities, including, but not limited to, any independent contractor, employee, or professionals formerly employed by the Debtors or the Creditors' Committee;

(xxiii) prosecute, compromise and/or settle on reasonable terms claims and Causes of Action and objections to Claims, including, without limitation, asserting counterclaims, setoff, or recoupment against Claims, on behalf of Debtors, their Estates, and/or the Liquidation Trust;

(xxiv) liquidate on reasonable terms any remaining Trust Assets and provide for the distributions therefrom in accordance with the provisions of the Plan with the full rights and powers of the Debtors and their Estates;

(xxv) manage the continued liquidation of the Trust Assets, and to otherwise administer the Liquidation Trust;

(xxvi) stand in the shoes of the Debtors and assert or waive attorney client privilege and other privileges between each and any of the Debtors and their professionals (whether such professionals represented any of the Debtors prior to, or after, the Petition Date) with respect to any matter affecting Trust Assets, all as permitted by and consistent with applicable law;

(xxvii) interpret the Plan in the Liquidation Trustee's reasonable discretion;

(xxviii) amend the Schedules in accordance with Bankruptcy Rule 1009; and

(xxix) exercise such other powers and authority as may be vested in the Liquidation Trustee by the Plan or any Final Order, or as may be necessary and proper to carry out the provisions of the Plan; provided, however, that such other powers and authority are not inconsistent with the Plan or applicable law.

The Liquidation Trustee, on behalf of the Liquidation Trust, shall have discretion to pursue, not pursue and/or settle all Causes of Action and objections to Claims or Administrative Expense Claims on reasonable terms as the Liquidation Trustee determines is in the best interests of the Liquidation Trust, and the Liquidation Trustee shall not have any liability whatsoever for the outcome of that decision, except upon entry of a Final Order determining that the Liquidation Trustee committed gross negligence, fraud, or intentional misconduct. Any settlement of either a Cause of Action or an objection to a Claim or an Administrative Expense Claim shall be subject to prior approval of the Bankruptcy Court; provided, that the Liquidation Trustee shall not be required to obtain prior Bankruptcy Court approval of (i) a settlement of any Cause of Action if the amount sought to be recovered by the Liquidation Trustee in the complaint or other initiating document is less than \$50,000, (ii) the allowance of any Disputed General Unsecured Claim filed or scheduled in an amount less than \$50,000, or (iii) the allowance of any Disputed Administrative Expense Claim, Priority Employee Claim, Priority Tax Claim, or Secured Claim filed or scheduled in an amount less than \$10,000. The Liquidation Trustee shall provide at least fourteen (14) days notice of any such proposed settlement to the Post-Confirmation Service List and to any known party whose rights may be affected by such proposed settlement. If no timely objection is interposed, such settlement shall be authorized and approved for all purposes and the Liquidation Trustee shall be authorized to submit a proposed form of order to the Bankruptcy Court approving such settlement. If a timely objection is interposed, the Liquidation Trustee shall request a hearing before the Bankruptcy Court, which hearing shall be scheduled for no earlier than seven (7) days after the objection deadline. Nothing contained in this paragraph shall be deemed to limit the Liquidation Trustee's right to file a motion pursuant to Local Rule 9006-1(e) seeking to shorten notice of any hearing date and/or objection deadline.

In connection with the administration of the Liquidation Trust, the Liquidation Trustee is authorized to perform all acts necessary and desirable to accomplish the purposes of the Plan. If the Liquidation Trustee cannot take any action, including without limitation the prosecution of any Causes of Action or the objection to any Claim, by reason of an actual or potential conflict of interest, the Liquidation Trustee may appoint an independent Person to take such action in the Liquidation Trustee's place and stead, including without limitation the retention of professionals, which may include professionals retained by the Liquidation Trustee.

The Liquidation Trustee shall respond, within a reasonable period of time, to all reasonable requests for information received from any Holder of a Claim, Administrative Expense Claim, or Professional Fee Claim.

8. Retention and Compensation of Professionals

The Liquidation Trustee may, without further order of the Bankruptcy Court, employ various professionals, including, but not limited to, counsel, consultants, and financial advisors, as needed to assist in fulfilling the Liquidation Trustee's obligations under the Plan, and on whatever reasonable terms the Liquidation Trustee deems appropriate, including, without limitation, contingency fee arrangements. The Liquidation Trustee may employ professionals that were previously employed by the Creditors' Committee or the Debtors.

The Liquidation Trustee shall, subject to further order of the Bankruptcy Court, upon written request, provide copies of all invoices for fees and expenses incurred by a professional rendering services to the Liquidation Trustee or the Liquidation Trust, to the Holders of Professional Fee Claims, the members of the Committee (notwithstanding the dissolution of the Committee on the Effective Date), and to any Beneficiary until such time as the Allowed amount of the claim of such requesting party has been paid in full, otherwise been resolved, or been disallowed.

9. Compensation of Liquidation Trustee

In addition to reimbursement for actual out-of-pocket expenses incurred by the Liquidation Trustee, the Liquidation Trustee shall be entitled to receive reasonable compensation for services rendered on behalf of the Liquidation Trust on terms consistent with the Liquidation Trust Agreement.

The Liquidation Trustee shall, subject to further order of the Bankruptcy Court, upon written request, provide copies of all invoices for fees and expenses incurred by the Liquidation Trustee to any Holders of Professional Fee Claims, the members of the Committee (notwithstanding the dissolution of the Committee on the Effective Date) and to any Beneficiary until such time as the Allowed amount of the claim of such requesting party has been paid in full, otherwise been resolved, or been disallowed.

10. Resignation of Liquidation Trustee

The Liquidation Trustee may resign at any time. The Liquidation Trustee shall file such written resignation with the Bankruptcy Court and shall serve such written resignation on the Post-Confirmation Service List. Any party in interest may request a hearing before the Bankruptcy Court regarding the Liquidation Trustee's resignation. If no such hearing is requested, the resignation shall take effect thirty (30) days after the filing of the notice of resignation with the Bankruptcy Court. The resigning Liquidation Trustee shall, by the earliest date possible, deliver to the Liquidation Trustee's successor all of the Trust Assets that were in the possession of the resigning Liquidation Trustee along with a complete record and inventory of all such Trust Assets.

11. Removal of Liquidation Trustee

The Bankruptcy Court may remove a Liquidation Trustee for good cause shown on a motion submitted by a Beneficiary of the Liquidation Trust or the U.S. Trustee following notice to parties in interest, including without limitation, other Beneficiaries, the Post-Confirmation Service List, and the Liquidation Trustee. The removal will take effect upon the date the

Bankruptcy Court specifies. Any removed Liquidation Trustee shall, by the earliest date possible, deliver to the Liquidation Trustee's successor all of the Trust Assets that were in the possession of the removed Liquidation Trustee along with a complete record and inventory of all such Trust Assets.

12. Successor Liquidation Trustee

Any vacancy in the office of Liquidation Trustee shall be filled by the nomination of a majority of the participating members of the Committee (notwithstanding the dissolution of the Committee on the Effective Date), subject to the approval of the Bankruptcy Court, after at least fourteen (14) days' notice of such nomination shall have been provided to Beneficiaries and the Post-Confirmation Service List, with an opportunity to object and be heard in connection therewith. If at least three (3) members of the Committee do not participate in the nomination of a successor Liquidation Trustee within twenty (20) days after the Liquidation Trustee files a written notice of resignation or otherwise becomes unable to serve, the Bankruptcy Court shall designate a successor after a hearing on notice to Beneficiaries and the Post-Confirmation Service List.

Any successor Liquidation Trustee's acceptance of appointment as a successor Liquidation Trustee shall be in writing and shall be filed with the Bankruptcy Court, with a copy served on Beneficiaries and the Post-Confirmation Service List. The acceptance shall become effective when filed with the Bankruptcy Court. The Liquidation Trustee shall thereupon be considered a Liquidation Trustee of the Liquidation Trust without the necessity of any conveyance or instrument. Each successor Liquidation Trustee shall have all of the rights, powers, duties, authority, and privileges as if named as the initial Liquidation Trustee hereunder. Each successor Liquidation Trustee shall be exempt from any liability related to the acts or omissions of any prior Liquidation Trustee.

13. Records

The Liquidation Trustee shall maintain good and sufficient books and records relating to the Trust Assets, Cash, Distributable Cash, Plan Reserves, the management thereof, all post-Confirmation transactions undertaken by the Liquidation Trustee, all expenses incurred by or on behalf of the Liquidation Trustee after the Effective Date, and all distributions contemplated or effectuated under the Plan. Subject to further order of the Court, such records shall be maintained and preserved by the Liquidation Trustee until the earlier to occur of (i) entry of the final decree closing the Chapter 11 Cases and (ii) termination of the Liquidation Trust.

14. Liability of the Liquidation Trustee

The Liquidation Trustee shall not be personally liable for any claim asserted against the Liquidation Trust or the Liquidation Trustee, except as set forth below. The Liquidation Trustee shall not be liable for any error of judgment made in good faith, or with respect to any action taken or omitted to be taken in good faith, unless the Liquidation Trustee was grossly negligent. Notwithstanding anything to the contrary set forth herein or in the Liquidation Trust Agreement, no provision of the Plan or the Liquidation Trust Agreement shall be construed to relieve the Liquidation Trustee from liability for gross negligence, fraud or willful misconduct.

15. Indemnification

From and after the Effective Date, the Liquidation Trustee and the independent contractors, employees and/or professionals employed by the Liquidation Trust (collectively, the “Indemnified Parties” and each an “Indemnified Party”) shall be, and hereby are, indemnified by the Liquidation Trust, to the fullest extent permitted under applicable law, from and against any and all claims, debts, dues, accounts, actions, suits, causes of action, bonds, covenants, judgments, damages, attorneys’ fees and defense costs, and other assertions of liability arising out of any such Indemnified Parties’ good faith exercise of what such Indemnified Party reasonably understands to be its powers or the discharge of what such Indemnified Party reasonably understands to be its duties conferred by the Plan, the Liquidation Trust Agreement, or by any order of the Bankruptcy Court entered pursuant to, or in furtherance of, the Plan, applicable law, or otherwise (except only for actions or omissions to act to the extent determined by a Final Order of a court of competent jurisdiction to be due to such Indemnified Party’s own respective fraud, gross negligence or willful misconduct), including but not limited to, acts or omissions concerning pursuing or not pursuing any Causes of Action or objections to Claims, on and after the Effective Date. The foregoing indemnification shall also extend to matters directly or indirectly, in connection with, arising out of, based on, or in any way related to (i) the Plan; (ii) the services to be rendered pursuant to the Plan; (iii) any document or information, whether verbal or written, referred to herein or supplied to the Liquidation Trustee; or (iv) proceedings by or on behalf of any claimant or Creditor. Subject to the terms of the Plan and the Liquidation Trust Agreement, the Liquidation Trust shall, on demand, advance or pay promptly, in either case from the Post-Effective Date Trust Expense Reserve, on behalf of each Indemnified Party, reasonable attorneys’ fees and other expenses and disbursements which such Indemnified Party would be entitled to receive pursuant to the foregoing indemnification obligation; provided, however, that any Indemnified Party receiving any such advance shall execute a written undertaking to repay such advance amounts if a court of competent jurisdiction ultimately determines that such Indemnified Party is not entitled to indemnification hereunder due to the gross negligence, fraud, or willful misconduct of such Indemnified Party. Any person entitled to indemnification hereunder shall have the right to employ such person’s own separate counsel in any such action, payable solely from the Post-Effective Date Trust Expense Reserve, subject to the terms and conditions of the Plan.

An Indemnified Party seeking indemnification (including any advancement) from the Liquidation Trust shall file with the Bankruptcy Court a motion for indemnification or advancement, on notice to the U.S. Trustee, the Post-Confirmation Service List, and any known party whose rights may be affected by such motion. Absent an order of the Bankruptcy Court, no Trust Assets shall be used to advance or otherwise pay any sums to or for the benefit of any Indemnified Party in connection with an indemnification.

The Liquidation Trustee is authorized, but not required, to obtain and purchase (solely from funds in the Post-Effective Date Trust Expense Reserve) insurance coverage with respect to the responsibilities, liabilities, and obligations of the Indemnified Parties under the Plan.

C. The Source of Distributions

The sources of all distributions and payments under the Plan are the Trust Assets (or proceeds of any Trust Assets), including without limitation Cash and Distributable Cash,

proceeds of all Causes of Action, all rights and claims with respect to any recoveries related to the issuance of the Bond and the Letter of Credit draw, and proceeds of or recoveries from any other remaining property of the Debtors and their Estates.

D. Provision for Treatment of Disputed Administrative Expense Claims and Disputed Claims

Unless otherwise ordered by the Bankruptcy Court, from and after the Effective Date, the Liquidation Trustee shall have the exclusive right to (i) amend the Schedules and (ii) object to the allowance of Administrative Expense Claims or Claims that have been filed with the Bankruptcy Court. All objections may be litigated to Final Order; provided, however, that the Liquidation Trustee may compromise and settle any Administrative Expense Claim, Professional Fee Claim, or Claim without the approval of the Bankruptcy Court unless such approval is otherwise required by the terms of the Plan. At such time as a Disputed Administrative Expense Claim, Disputed Professional Fee Claim, or Disputed Claim becomes Allowed, as applicable, either by entry of a Final Order or a settlement reached with the Liquidation Trustee, the Holder thereof will receive, as soon as practicable thereafter, the distributions to which such Holder is then entitled under the Plan.

E. Abandonment of Property

If and to the extent the Liquidation Trustee determines to abandon any Trust Assets, then the Liquidation Trustee may abandon such assets in accordance with the Plan or any further order of the Court on no less than fourteen (14) days' written notice to Beneficiaries and the Post-Confirmation Service List.

F. Distribution of Property Under the Plan

1. Manner of Cash Payments

Cash payments to domestic Holders of Allowed Claims will be denominated in U.S. dollars and will be made by checks drawn on a domestic bank selected by the Liquidation Trustee or, at the Liquidation Trustee's option, by wire transfer from a domestic bank. Cash payments to foreign Holders of Allowed Claims may be paid, at the Liquidation Trustee's option, either in the same manner as payments to domestic entities or in any funds and by any means that are necessary or customary in the particular foreign jurisdiction.

2. Setoff and Recoupment

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, THE LIQUIDATION TRUSTEE, ON BEHALF OF THE LIQUIDATION TRUST, MAY SETOFF, RECOUP, OR WITHHOLD AGAINST DISTRIBUTIONS ON ACCOUNT OF ANY CLAIM OR ANY ADMINISTRATIVE EXPENSE CLAIM, ANY CLAIMS THAT A DEBTOR, THE ESTATES, OR THE LIQUIDATION TRUST MAY HAVE AGAINST THE HOLDER OF SUCH CLAIM OR ADMINISTRATIVE EXPENSE CLAIM. THE LIQUIDATION TRUST AND THE LIQUIDATION TRUSTEE WILL NOT BE DEEMED TO WAIVE OR RELEASE ANY CLAIM AGAINST THE HOLDER OF SUCH CLAIM OR ADMINISTRATIVE EXPENSE CLAIM BY FAILING TO EFFECT SUCH A SETOFF OR RECOUPMENT; BY ALLOWING ANY CLAIM OR

ADMINISTRATIVE EXPENSE CLAIM, AS APPLICABLE, AGAINST THE DEBTORS OR THE LIQUIDATION TRUST; OR BY MAKING A DISTRIBUTION ON ACCOUNT OF SUCH CLAIM OR ADMINISTRATIVE EXPENSE CLAIM.

3. No De Minimis Distributions

Notwithstanding anything to the contrary in the Plan, no Cash payment of less than \$50 will be made by the Liquidation Trustee to any Holder of an Allowed Claim. No consideration will be provided in lieu of the *de minimis* distributions that are not made under this section.

If the amount of any Distribution to be made pursuant to the Plan on account of an Allowed Claim would be less than \$50, the Liquidation Trustee will not pay such Distribution and will hold such Distribution for the benefit of the Holder of such Allowed Claim. When and if the aggregate amount of Distributions on account of such Allowed Claim totals at least \$50, the Liquidation Trustee will distribute such Distributions to the Holder of such Allowed Claim in accordance with the terms of the Plan.

If, at the time a final Distribution is to be made under the Plan, the aggregate amount of Distributions held by the Liquidation Trustee for the benefit of a Holder of an Allowed Claim total less than \$50, then (i) such Distributions shall not be paid to such Holder and such Distributions shall vest in the Liquidation Trust and be distributed to other Holders of Allowed Claims in accordance with the terms of the Plan, and (ii) the Holder of such Allowed Claim will be forever barred from receiving such Distribution or asserting any claim against the Liquidation Trust, the Trust Assets, or the Liquidation Trustee on account of such Allowed Claim.

4. No Distributions With Respect to Disputed Claims

Notwithstanding any other Plan provision, Distributions will be made on account of a Disputed Claim only after, and only to the extent that, the Disputed Claim becomes an Allowed Claim or is deemed to be an Allowed Claim for Distribution purposes.

5. Undeliverable or Unclaimed Distributions

Distributions to Beneficiaries holding Allowed Claims will initially be made by U.S. mail as follows:

- (a) Distributions will be sent to the address, if any, (i) set forth on a filed Proof of Claim, as amended by any written notice of address change filed on the Docket for these Chapter 11 Cases no later than ten (10) Business Days prior to the date of any Distribution, or (ii) such other address as the Beneficiary provides to the Liquidation Trustee in writing (including via email) at least thirty (30) days prior to the date of such Distribution; or
- (b) If no such address is available, distributions will be sent to the address set forth on the Schedules.

If no address is available as set forth above, the Distribution will be deemed to be undeliverable. If a Distribution is returned to the Liquidation Trustee as an undeliverable Distribution, or is deemed to be an undeliverable Distribution, the Liquidation Trustee shall

make no further Distribution to the entity holding the Allowed Claim on which the Distribution is being made unless and until the Liquidation Trustee is timely notified in writing of that entity's current address.

If, at the time a final Distribution is to be made under the Plan, the Liquidation Trustee is holding an undeliverable Distribution for any Allowed Claim for which the Liquidation Trustee has not received written notice of the current address of the entity holding such Allowed Claim, then (i) such Distribution shall vest in the Liquidation Trust and be distributed to other Holders of Allowed Claims in accordance with the terms of the Plan and (ii) the entity holding such Allowed Claim will be forever barred from receiving such undeliverable Distribution or asserting any claim against the Liquidation Trust, the Trust Assets, or the Liquidation Trustee. Nothing contained in the Plan shall be deemed to require the Liquidation Trustee to attempt to locate any entity holding an Allowed Claim whose Distribution is undeliverable.

If an instrument delivered as a Distribution to a Beneficiary is not negotiated within one hundred and eighty (180) days after such instrument was sent to the Beneficiary, then the instrument shall be null and void and payment thereon shall be stopped, the Beneficiary shall be deemed to have waived any right to receive such Distribution on account of its Allowed Claim, and the applicable funds shall be used otherwise by the Liquidation Trustee in accordance with the terms of the Plan.

VIII. **LITIGATION**

A. Preservation of Causes of Action

The Liquidation Trustee shall, for all purposes, retain, and may exclusively enforce, any and all claims, rights, or Causes of Action (including, without limitation, Avoidance Actions), whether arising before or after the Petition Date, in any court or other tribunal, including, without limitation, an adversary proceeding filed in these Chapter 11 Cases. The Liquidation Trustee shall have the exclusive right, authority, and discretion to institute, prosecute, abandon, settle, or compromise on any reasonable terms any and all claims, rights and Causes of Action, and shall not be required to seek prior approval from the Bankruptcy Court to do so, except as otherwise provided in the Plan, and shall have the full rights and powers to commence and pursue any such Cause of Action (including, without limitation, any Avoidance Action), on or after the Effective Date.

Specifically, and without limitation, the following Causes of Action shall vest in the Liquidation Trust: (i) all Avoidance Actions; (ii) all Causes of Action against any of the Debtors' current or former Insiders; (iii) all Causes of Action against Rio; (iv) all claims for recoveries relating to the issuance of the Bond and the related letter of credit draw; and (v) all claims against any Person regarding the termination, modification or withdrawal of any license agreement between any of the Debtors and such Person.

The Liquidation Trustee shall have authority to exercise and perform the rights, powers and duties of the Estates, including without limitation the authority under Bankruptcy Code section 1123(b)(3) to provide for the settlement, adjustment, retention and enforcement of claims

and interests of the Estates or the Liquidation Trust, including, but not limited to all Causes of Action (including, without limitation, Avoidance Actions).

Unless a claim or Cause of Action is expressly waived, relinquished, released, compromised, or settled in the Plan or in any Final Order, all claims and Causes of Action are expressly reserved for later adjudication (including without limitation, claims and Causes of Action which the Liquidation Trustee, the Debtors or the Creditors' Committee may presently be unaware, or which may arise or exist by reason of additional facts or circumstances unknown at this time, or facts or circumstances which may change or be different from those now believed to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall apply to such claims or Causes of Action upon, or after, the Confirmation or Consummation of the Plan based on the Disclosure Statement, the Plan, or the Confirmation Order, except where such claims or Causes of Action have been released in the Plan or other Final Order.

Any Person to whom the Debtors have incurred an obligation (whether on account of the provision of goods, services or otherwise), or who has received goods or services from the Debtors or a transfer of money or property of the Debtors, or who has transacted business with the Debtors, or leased equipment or property from the Debtors, should assume that such obligation, transfer, or transaction may be reviewed by the Liquidation Trustee on behalf of the Liquidation Trust, subsequent to the Effective Date and may, if appropriate, be the subject of a filed action or other proceeding after the Effective Date, regardless of whether (i) such Person or entity has filed a Proof of Claim against the Debtors in these Chapter 11 Cases; (ii) such Person's or entity's Proof of Claim has been objected to; (iii) such Person's or entity's Claim was included in the Schedules; or (iv) such Person's or entity's scheduled Claims have been objected to or have been identified as disputed, contingent, or unliquidated.

THE LIQUIDATION TRUSTEE WILL MAKE THE DECISION OF WHETHER OR NOT TO PURSUE ANY CAUSES OF ACTION AND TO SETTLE OR NOT SETTLE CAUSES OF ACTION. THIS DECISION WILL BE BASED UPON THE LIQUIDATION TRUSTEE'S REVIEW OF THE MERITS OF THE VARIOUS CAUSES OF ACTION AS WELL AS THE COSTS REQUIRED TO PROSECUTE SUCH CAUSES OF ACTION IN LIGHT OF THE LIMITED RESOURCES AVAILABLE FOR DISTRIBUTION TO CREDITORS. THE LIQUIDATION TRUSTEE (I) MAY SEEK TO RETAIN COUNSEL ON ANY REASONABLE TERMS, INCLUDING ON A CONTINGENCY BASIS, TO PROSECUTE SOME OR ALL CAUSES OF ACTION, (II) SEEK TO FINANCE ANY COSTS RELATING TO THE PROSECUTION OF SUCH LITIGATION, OR (III) DECIDE NOT TO PURSUE SUCH CAUSES OF ACTION AT ALL. THE LIQUIDATION TRUSTEE AND HIS OR HER FIRMS, PARTNERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, PROFESSIONALS, SUCCESSORS AND ASSIGNS SHALL HAVE NO LIABILITY ARISING OUT OF THE GOOD FAITH DETERMINATIONS OF THE LIQUIDATION TRUSTEE OF WHETHER OR NOT TO PURSUE PROSECUTION OF AND/OR THE SETTLEMENT OF ANY CAUSES OF ACTION PURSUANT TO THE TERMS OF THE PLAN.

The Plan preserves all claims and Causes of Action against any and all third parties, including, but not limited to, Insiders, all creditors and interest holders, and others. Nothing contained in this Disclosure Statement or in the Plan shall be construed as an acknowledgement or concession regarding the existence or validity of any claim or Cause of Action.

IX.

EXCULPATION AND INJUNCTION

A. Term of Bankruptcy Injunction or Stay

Except as otherwise expressly provided in the Plan or the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and which are in effect on the Confirmation Date, shall remain in full force and effect until the Effective Date.

B. Exculpation for Estate Fiduciaries

Upon the occurrence of the Effective Date, none of the Debtors, the Debtors' officers and directors who provided service from and after the Petition Date, the Debtors' managers, employees, members, agents, and any Professionals employed by the Debtors pursuant to an order of the Bankruptcy Court (each acting in such capacity after the Petition Date), the Creditors' Committee, its members, and its Professionals employed pursuant to an order of the Bankruptcy Court, shall have or incur any liability to any Person for any action taken or omitted to be taken during the period from the Petition Date through and including the Effective Date in connection with or related to or arising out of, the filing of the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, implementation, confirmation, or consummation of the Plan, the Disclosure Statement, any motion, order, release, settlement, transaction, or other agreement or document created or entered into or approved by the Bankruptcy Court, or any other Postpetition action taken or omitted to be taken in connection with the Plan or any other matter or proceeding in the Chapter 11 Cases, and all claims or causes of action based upon or arising out of any such actions or omissions are forever enjoined, barred, waived and released; provided, however, that nothing contained in the Plan shall affect the liability of any Person arising from any act, omission, transaction, agreement, event or other occurrence constituting willful misconduct, gross negligence, fraud or criminal conduct; provided, further, that nothing in this Article IX.B shall be deemed to prohibit any objection to any Administrative Expense Claim or Professional Fee Claim in accordance with the terms of the Plan, orders of the Bankruptcy Court, and/or the Bankruptcy Code.

C. Injunction

The Plan provides, and the Confirmation Order shall provide, among other things, that any Person (other than the Debtors, the Creditors' Committee, the Debtors' Estates or the Liquidation Trustee) who has held, holds, or may hold a claim against, interest in, or right with respect to the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets, or any claim against or interest in the Debtors, the Debtors' Estates or the Liquidation Trust for which the Debtors' Estates or the Liquidation Trust are or may be liable is, with respect to any such claim, interest, or right, permanently enjoined from and after the Effective Date from taking any of the following actions (other than actions taken

in the Bankruptcy Court or in any of the Chapter 11 Cases to enforce any rights or obligations under the Plan or to defend challenges to the validity or amount of a Disputed Claim), absent further order of the Bankruptcy Court: (i) asserting, commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting any of the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets, on account of any claim for which the Debtors or Liquidation Trustee are directly or indirectly liable, including without limitation, by way of contribution, indemnity or otherwise; (ii) enforcing, levying, attaching (including, without limitation, any prejudgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against any of the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien of any kind against the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets; (iv) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan; (v) prosecuting, commencing, continuing or otherwise asserting any right, claim or cause of action released pursuant to the Plan or that is otherwise inconsistent with the provisions of the Plan against the Debtors' Estates, the Assets, the Liquidation Trust, or the Trust Assets; and (vi) acting to obtain possession of the Trust Assets or to exercise control over the Trust Assets or any rights or interests of the Debtors, their Estates, the Liquidation Trust, or the Liquidation Trustee with respect to the Assets or the Trust Assets. If the Liquidation Trustee, the Trust Assets or the Debtors Estates are injured by any willful violation of such injunction, the Liquidation Trustee shall be entitled to seek actual damages, including costs and attorneys' fees, and, in appropriate circumstances, punitive damages, from the willful violator(s). Notwithstanding the foregoing, holders of Disputed Claims are not enjoined from and shall retain all rights to defend or prosecute such Disputed Claims in the Bankruptcy Court, including, without limitation, the right to assert affirmative defenses, setoff, or recoupment, if applicable. Nothing herein shall impair or delay any rights of any Holder of a Claim against the Debtors, their Estates, the Assets, the Liquidation Trust, or the Trust Assets, to pursue any action against any third party (including, without limitation, Insiders) who may be directly liable to such Holder.

Nothing contained in this Article IX.C shall be construed to in any way enjoin, prevent, or limit the Liquidation Trustee's rights, power, and authority under the Plan and the Liquidation Trust Agreement.

D. Preservation of Insurance

The provisions of the Plan and the Confirmation Order shall not diminish or impair the enforceability of any insurance policies that may cover claims against any Debtor or any other Person or prevent any Person from seeking or enforcing coverage with respect to any claim under any applicable insurance policies of the Debtors. The Liquidation Trustee shall be authorized, in his or her sole discretion, to pay from the Post-Effective Date Trust Expense Reserve any fees, expenses, or premiums necessary to maintain such insurance coverage.

E. Binding Effect

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim, Administrative Expense Claim, or Professional Fee Claim against, or Interest in, the Debtors and their respective successors and assigns, whether or not the Claim, Administrative Expense Claim, Professional Fee Claim, or Interest of such holder is Impaired under the Plan and whether or not such holder has accepted the Plan.

**X.
OTHER PLAN PROVISIONS**

A. The Effective Date

The Plan will not be consummated or become binding unless and until the Effective Date occurs. The Effective Date will be the first Business Day after the following conditions have been satisfied:

- (1) The Confirmation Order, in a form reasonably acceptable to the Debtors and to the Creditors' Committee, shall have been entered by the Bankruptcy Court;
- (2) The Confirmation Order is not stayed;
- (3) The Liquidation Trustee and Plan Proponents shall have signed the Liquidation Trust Agreement; and
- (4) No material adverse effect has occurred in respect of the Assets.

Each of the above conditions precedent may be waived in whole or in part by the Plan Proponents without further notice or order of the Bankruptcy Court.

On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

Subject to further order of the Court, if the Effective Date does not occur within ninety (90) days after entry of a Final Order confirming the Plan, the Plan Proponents reserve the right, in their sole and absolute discretion, to determine jointly that the Plan shall have become null and void. A joint notice shall be filed with the Court within three (3) Business Days after the occurrence of the Effective Date or any event that renders the Plan null and void.

B. Dissolution of the Board of Directors, Dismissal of Officers and Directors, and Termination of Creditors' Committee

Upon the Effective Date, the existing board of directors of any Debtor shall be deemed dissolved, and any remaining director, officer, employee, or independent contractor of any Debtor shall be dismissed, and each of the Debtors' directors, officers, employees, independent contractors, members, designated representatives, agents, and Professionals employed pursuant to a Bankruptcy Court order shall, subject to those matters set forth below, be released and discharged from any further authority, duties, responsibilities and obligations relating to, arising from, or in connection with the Debtors or the Chapter 11 Cases.

Each of the matters provided for under the Plan involving any corporate action to be taken by the Debtors shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized and approved without any requirement of further action by the Debtors, the Debtors' shareholders or the respective Debtor's board of directors or managers. Without limiting the foregoing, including, without limitation, this Article X.B, the Liquidation Trustee is hereby authorized in his sole discretion, to dissolve or otherwise terminate on or after the Effective Date (i) a Debtor's existence, by filing a certificate of dissolution and a copy of the Confirmation Order with the secretary of state of their respective state of incorporation or state of formation, (ii) the existence of wholly-owned non-Debtor affiliates or subsidiaries, or (iii) any remaining health, welfare or benefit plans. As of the Effective Date, neither the Debtors nor the Liquidation Trustee shall be required to file any document, or take any other action, to withdraw any Debtor's business operation from any state in which it previously conducted business operations. The Confirmation Order shall contain language addressed to the appropriate Governmental Units to such effect.

From and after the Effective Date, the Debtors and their counsel are authorized, but not directed, to act on behalf of the Estates solely with respect to (i) all the applications filed pursuant to section 330 of the Bankruptcy Code seeking payment of fees and expenses incurred by any Professional, (ii) any post-confirmation modifications to, or motions seeking the enforcement of, the provisions of the Plan or the Confirmation Order, and (iii) providing such information, books and records as may be reasonably requested by the Liquidation Trustee on behalf of the Liquidation Trust. The Debtors, their employees, officers, directors and their respective counsel shall not be entitled to any compensation from the Trust Assets for any actions taken pursuant to this paragraph, except for reasonable out-of-pocket expenses (but not professional fees).

Upon the Effective Date, the Creditors' Committee shall cease to exist and its members, designated representatives, agents, and Professionals employed pursuant to a Bankruptcy Court order shall, subject to those matters set forth below, be released and discharged from any further authority, duties, responsibilities and obligations relating to, arising from, or in connection with the Creditors' Committee or the Chapter 11 Cases. The Creditors' Committee shall continue to exist after such date solely with respect to (i) all the applications filed pursuant to section 330 of the Bankruptcy Code seeking payment of fees and expenses incurred by any Professional, (ii) any post-confirmation modifications to, or motions seeking the enforcement of, the provisions of the Plan or the Confirmation Order, and (iii) providing such information, books and records as may be reasonably requested by the Liquidation Trustee on behalf of the Liquidation Trust. The Creditors' Committee and its Professionals shall not be entitled to any compensation from the Trust Assets for any actions taken pursuant to this paragraph, except for reasonable out-of-pocket expenses (but not professional fees).

The Debtors, the Creditors' Committee and the Liquidation Trustee shall be authorized to execute, deliver, file, or record such documents, contracts, instruments, releases and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and provisions of the Plan.

C. Executory Contracts and Unexpired Leases

1. Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, all agreements executed by the Debtors before the Effective Date, other than agreements that were previously either assumed and assigned or rejected by a Final Order, to the extent that these agreements constitute executory contracts or unexpired leases under Bankruptcy Code section 365, shall be rejected. The Confirmation Order shall constitute a Final Order under Bankruptcy Code section 365 approving such rejection.

2. Bar Date for Rejection Damage Claims

Any Rejection Damage Claims arising from rejection under the Plan of an executory contract or unexpired lease must be filed with the Bankruptcy Court and served on the Liquidation Trustee and his or her counsel within thirty (30) days after the Effective Date. Any Rejection Damage Claims that are not timely filed and served will be forever barred and unenforceable against the Debtors, the Estates, the Liquidation Trust, and the Liquidation Trustee, and their property, and the entities holding these Claims will be barred from receiving any Distributions under the Plan on account of their Rejection Damage Claims. The Liquidation Trustee shall have the right to object to any such Rejection Damage Claims; provided, however, that any such objections must be served and filed not later than one hundred twenty (120) days after the Effective Date, absent further order of the Bankruptcy Court.

D. Entry of a Final Decree

Promptly following the completion of all Distributions contemplated by the Plan and the full administration of all Trust Assets, the Liquidation Trustee will file a motion with the Bankruptcy Court seeking entry of a final decree closing these Chapter 11 Cases.

E. U.S. Trustee Fees and Quarterly Reports

From and after the Effective Date, pursuant to section 1129(a)(12) of the Bankruptcy Code, any outstanding quarterly fees due and owing to the U.S. Trustee under 28 U.S.C. § 1930(a)(6) and any applicable interest pursuant to 31 U.S.C. § 3717 shall be paid by the Liquidation Trustee from the Post-Effective Date Trust Expense Reserve. After the Effective Date, the Liquidation Trustee shall (i) file post-confirmation quarterly disbursement reports and quarterly status reports of funds on hand, distributions made since the previous report, a brief description of any pending litigation and a listing of any claim objections or settlements the Liquidation Trustee has entered into since the previous report, with copies of all such reports served on the Post-Confirmation Service List, and (ii) pay from the Post-Effective Date Trust Expense Reserve all quarterly fees to the U.S. Trustee which are required by applicable law. The Liquidation Trustee shall include in the Post-Effective Date Trust Expense Reserve reasonably sufficient monies to cover the quarterly fees of the U.S. Trustee incurred, or to be incurred, after the Effective Date.

F. Post-Effective Date Effect of Evidences of Claims

Commencing on the Effective Date, notes and other evidences of Allowed Claims will represent only the right to receive the Distributions contemplated under the Plan.

G. [Reserved]

H. Cancellation of Interests

On the Effective Date, all Interests in Hampshire Group, Limited, Hampshire Brands, Inc. and Hampshire International, LLC will be cancelled, annulled, and extinguished, and any issued and outstanding shares of common stock, preferred stock, stock options, warrants, membership interests, or other evidence of Interests (excluding those held by a Debtor) will be deemed cancelled and of no further force or effect without any further action by the Debtors or any other entity. Persons holding Interests will retain no rights and receive no consideration or Distribution under the Plan on account of their Interests, and entities holding any evidence of Interests (excluding those held by a Debtor) will have no rights arising from or relating to such evidence of their Interests or their cancellation.

I. Nondischarge of the Debtors' Debts

1. Nondischarge of the Debtors

In accordance with Bankruptcy Code section 1141(d)(3), the Confirmation Order will not discharge Claims as against the Debtors.

2. Prohibition from Taking Certain Actions

Notwithstanding Article X.I.1 above, no Person or entity holding a Claim may receive any payment from, or seek recourse against, any Assets that are to be distributed under the Plan other than Assets required to be distributed to that Person or entity under the Plan. As of the Confirmation Date, all Persons and entities are precluded from asserting against any property that is to be distributed under the Plan any Claims, rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date except as expressly provided in the Plan or the Confirmation Order.

J. No Recourse

No Person entitled to receive a payment or Distribution under the Plan will have any recourse against the Liquidation Trust, the Liquidation Trustee, the Trust Assets, the Debtors or their Estates in connection with such Person's Administrative Expense Claim, Professional Fee Claim, or Claim, other than the right to receive Distributions in accordance with the terms of the Plan.

K. No Admissions

Notwithstanding anything to the contrary contained in the Plan, if the Plan is not confirmed, is revoked or otherwise the Effective Date does not occur, the Plan will be null and void, and nothing contained in the Plan or the Disclosure Statement will: (1) be deemed an admission by any of the Plan Proponents with respect to any matter discussed in the Plan, including liability on any Claim, Administrative Expense Claim, or Professional Fee Claim, or the propriety of any classification or treatment of same contained in the Plan; (2) constitute a waiver, acknowledgement, or release of any claims, Interests, or Causes of Action of the Debtors, their Estates, and/or the Liquidation Trust; or (3) prejudice in any manner the rights of the Plan Proponents or any other Person in any further proceedings.

L. Revocation of the Plan

The Plan Proponents reserve the right to withdraw the Plan before the Confirmation Date.

M. Severability of Plan Provisions

If, before confirmation, the Bankruptcy Court holds that any Plan term or provision is invalid, void, or unenforceable, the Bankruptcy Court may alter or interpret that term or provision so that it is valid and enforceable to the maximum extent possible consistent with the original purpose of that term or provision. That term or provision will then be applicable as altered or interpreted, except if such term or provision is inconsistent with the intent of any of the Plan Proponents, in which case the Plan may be unilaterally withdrawn by such Plan Proponent. Notwithstanding any such holding, alteration, or interpretation, and unless the Plan has been withdrawn, the Plan's remaining terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination providing that each Plan term and provision, as it may have been altered or interpreted in accordance with this Article X.M, is valid and enforceable under its terms.

N. Governing Law

The rights and obligations arising under the Plan and any agreements, contracts, documents, or instruments executed in connection with the Plan will be governed by, and construed and enforced in accordance with, Delaware law without giving effect to Delaware's conflicts of law principles, unless a rule of law or procedure is supplied by: (1) federal law (including the Bankruptcy Code and the Bankruptcy Rules); or (2) an enforceable, express choice-of-law provision in any document provided for, or executed under or in connection with, the Plan terms.

O. Retention of Jurisdiction

The Bankruptcy Court will retain and have exclusive jurisdiction:

(1) to hear and determine objections to Claims, Administrative Expense Claims, and Professional Fee Claims;

(2) to hear and determine any dispute arising under the Plan or the Liquidation Trust Agreement, including the implementation and execution of any necessary documents thereunder, and any requests to amend, modify, or correct the Plan or the Liquidation Trust Agreement;

(3) to grant extensions of any deadlines set forth in the Confirmation Order or the Plan as may be appropriate;

(4) to hear and determine any matter regarding the existence, nature, scope, and enforceability of any exculpation, stay, release, or injunction provided for under the Plan;

(5) to hear and determine all motions, adversary proceedings, applications, and contested or litigated matters that may be pending on the Effective Date or that are instituted by the Liquidation Trustee or the Liquidation Trust after the Effective Date, including without limitation all Causes of Action (including, without limitation, Avoidance Actions);

(6) to hear and determine motions for or objections to the assumption or rejection of executory contracts or unexpired leases pending on the Confirmation Date, and the allowance of claims resulting from the assumption or rejection of any executory contract or lease;

(7) to ensure that Distributions to Holders of Allowed Administrative Expense Claims, Allowed Professional Fee Claims, and Allowed Claims are accomplished as provided herein;

(8) to resolve disputes as to the ownership of any Claim, Administrative Expense Claim, or Professional Fee Claim;

(9) to hear and determine any disputes relating to or in connection with the retention, employment, compensation, liability, indemnification, resignation, removal, or nomination of the Liquidation Trustee;

(10) to hear and determine any disputes relating to or in connection with the employment, compensation, liability, indemnification, resignation, or termination of any independent contractor, employee, or professional employed by the Liquidation Trustee or the Liquidation Trust;

(11) to enter and implement such orders as may be appropriate if the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(12) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(13) to consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order;

(14) to hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 330, 331 and 503(b) of the Bankruptcy Code;

(15) to hear and determine any issue for which the Plan requires a Final Order of the Court;

(16) to hear and determine matters concerning state, local, or federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(17) to hear and determine all Causes of Action preserved under the Plan, including, without limitation, all Causes of Action under sections 541, 542, 544, 547, 548, 549, 550, 551, 553, and 1123(b)(3) of the Bankruptcy Code; and

(18) to enter a final decree closing one or more of the Chapter 11 Cases.

If the Bankruptcy Court abstains from exercising jurisdiction, or is without jurisdiction, over any matter, this Article X.O shall not effect, control, prohibit, or limit the exercise of jurisdiction by any other court that has jurisdiction over that matter. The principal objective of the Plan is to maximize the recovery to the Beneficiaries, and the retention of jurisdiction by the Bankruptcy Court shall be interpreted in a manner to accomplish that objective.

P. Successors and Assigns

Unless otherwise specified in the Plan, the rights, benefits, and obligations of any entity referred to in the Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor, or assign of that entity.

Q. Saturday, Sunday, or Legal Holiday

If any payment or act under the Plan is required to be made or performed on a day that is not a Business Day, then the payment or act may be completed on the next succeeding day that is a Business Day, in which event the payment or act will be deemed to have been completed on the required day.

**XI.
CONFIRMATION**

A. Plan Modification

Subject to the restrictions set forth in Bankruptcy Code section 1127, the Plan Proponents reserve the right to jointly alter, amend, or modify the Plan before it is substantially consummated.

B. Acceptance

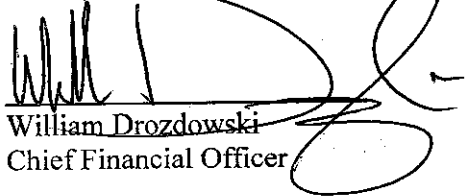
If Class 2 fails to accept the Plan, and the Plan Proponents therefore cannot confirm the Plan in accordance with Bankruptcy Code section 1129(a)(10), the Plan Proponents reserve the right to modify the Plan in accordance with Bankruptcy Code section 1127(a), to withdraw the Plan before the Confirmation Date, or to seek other relief from the Bankruptcy Court.

**XII.
RECOMMENDATIONS AND CONCLUSION**

The Plan Proponents strongly believe that Plan confirmation and implementation are preferable to any feasible alternative because the Plan will provide Claimants and Creditors holding Claims with significantly greater opportunities for recoveries than any available alternatives. The Plan Proponents recommend that Holders of Allowed Claims in Class 2 (General Unsecured Claims) vote to accept the Plan.

Dated: August 17, 2017

**HAMPSHIRE GROUP, LIMITED,
HAMPSHIRE BRANDS, INC., AND
HAMPSHIRE INTERNATIONAL, LLC**



William Drozdowski
Chief Financial Officer

**OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF HAMPSHIRE GROUP,
LTD. ET AL.**

Richard S. Lauter for I-Mar LLC
Its Co-Chairperson

Robert Lash for Onewoo Corporation
Its Co-Chairperson

BLANK ROME LLP

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*Counsel for the Official Committee of Unsecured
Creditors of Hampshire Group Ltd., et al.*

Dated: August 17, 2017

**HAMPSHIRE GROUP, LIMITED,
HAMPSHIRE BRANDS, INC., AND
HAMPSHIRE INTERNATIONAL, LLC**

**OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF HAMPSHIRE GROUP,
LTD. *ET AL.***

William Drozdowski
Chief Financial Officer

Richard S. Lauter for I-Mar LLC
Its Co-Chairperson

BLANK ROME LLP



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Bryan J. Hall (DE No. 6285)
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*Counsel for the Official Committee of Unsecured
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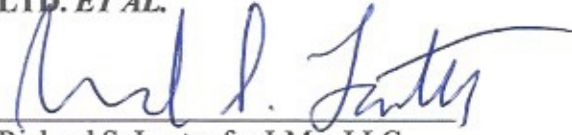
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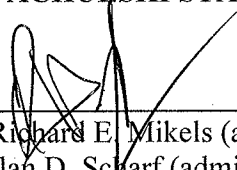
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EXHIBIT B

Committee Liquidation Analysis

Hampshire Group, Limited, et. al.**Committee Liquidation Analysis as of 9/1/2017**

	Chapter 11 Recovery			Chapter 7 Recovery		
	Low	Medium	High	Low	Medium	High
	\$	\$	\$	\$	\$	\$
Sources of Cash						
Estimate of Cash on Hand 09/01/2017	750,000	750,000	750,000	750,000	750,000	750,000
Unliquidated Assets						
Net Proceeds from Accounts Receivable and Bond Return ¹	471,983	602,458	754,915	495,000	602,458	754,915
Net Proceeds from Preference and Other, Potential Litigation ²	1,250,609	2,316,591	3,843,227	837,908	1,552,116	2,574,962
Gross Liquidation Proceeds	\$ 2,472,592	\$ 3,669,048	\$ 5,348,142	\$ 2,082,908	\$ 2,904,573	\$ 4,079,877
Uses of Cash						
Administration Costs						
Cost of Administration	200,000	250,000	750,000	250,000	500,000	1,000,000
Chapter 7 Trustee Fees	-	-	-	85,737	110,387	145,646
Total Administration Costs	\$ 200,000	\$ 250,000	\$ 750,000	\$ 335,737	\$ 610,387	\$ 1,145,646
Net Proceeds Available for Non-Professional Fee Administrative Claims						
	\$ 2,272,592	\$ 3,419,048	\$ 4,598,142	\$ 1,747,171	\$ 2,294,186	\$ 2,934,231
Non-Professional Fee Administrative Claims	-	-	-	-	-	-
Net Proceeds Available for Priority Employee Claims						
	\$ 2,272,592	\$ 3,419,048	\$ 4,598,142	\$ 1,747,171	\$ 2,294,186	\$ 2,934,231
Estimated Priority Employee Claims ³	67,015	67,015	67,015	-	-	-
Net Proceeds Available for Professional Fee Claims	\$ 2,205,577	\$ 3,352,033	\$ 4,531,127	\$ 1,747,171	\$ 2,294,186	\$ 2,934,231
Accrued and Estimated Admin Professional Fees ⁴						
Blank Rome	976,723	887,930	887,930	976,723	887,930	887,930
PSZJ	540,334	491,213	491,213	540,334	491,213	491,213
Gavin/Solmonese	383,273	348,430	348,430	383,273	348,430	348,430
Total Professional Fee Claims	\$ 1,900,330	\$ 1,727,573	\$ 1,727,573	\$ 1,900,330	\$ 1,727,573	\$ 1,727,573

Hampshire Group, Limited, et. al.**Committee Liquidation Analysis as of 9/1/2017**

	Chapter 11 Recovery			Chapter 7 Recovery		
	Low \$	Medium \$	High \$	Low \$	Medium \$	High \$
Net Proceeds Available for Secured Claims	\$ 305,247	\$ 1,624,460	\$ 2,803,554	\$ -	\$ 566,613	\$ 1,206,658
Secured Claims ⁵	28,640	-	-	28,640	-	-
Net Proceeds Available for Priority Claims	\$ 276,607	\$ 1,624,460	\$ 2,803,554	\$ -	\$ 566,613	\$ 1,206,658
Priority Claims ⁵	198,076	148,621	130,914	265,091	215,636	197,929
Net Proceeds Available for Unsecured Claims	\$ 78,531	\$ 1,475,840	\$ 2,672,640	\$ -	\$ 350,977	\$ 1,008,729
Unsecured Claims ⁶	29,758,944	20,347,789	15,347,789	29,758,944	20,347,789	15,347,789
Pro-rata Payment to Unsecured Claims	0.3%	7%	17%	0%	2%	7%

The above Committee Liquidation Analysis is a hypothetical liquidation based upon the Debtors' current books and records and is subject to change. The Committee Liquidation Analysis includes assumptions and estimates that inherently are based on judgment. Certain uncertainties and contingencies beyond the Plan Proponents' control may arise resulting in an outcome that is materially different than the projections. The Plan Proponents make no representations or warranties as to the exact outcome of the liquidation activities.

The Committee Liquidation Analysis should be reviewed with the below notes:

¹Estimate of net proceeds from accounts receivable and return of customs bond

²Estimate of net proceeds from preference actions and various potential causes of action. The Liquidation Trustee will evaluate the value of all causes of action and make determinations regarding same, including, without limitation, any applicable insurance coverage. Contingent fees are anticipated to be higher in the Ch. 7 scenario.

³Priority Employee Claims are paid ahead of Professional Fee Claims in Ch. 11 only.

⁴Filed fee applications are listed along with estimates through August of 2017 less retainers received. Fees in low scenario are increased by 10%.

⁵Low scenario includes 100% of secured and priority claims as filed and scheduled. Medium and High recovery scenarios include anticipated reductions to claims pools.

⁶Low scenario includes 100% of unsecured claims as filed and scheduled. Anticipated unsecured claims pool is between Medium and High Scenarios depending upon the success of claims objections.

EXHIBIT C

Liquidation Trust Agreement

HAMPSHIRE LIQUIDATION TRUST AGREEMENT

This *Hampshire Liquidation Trust Agreement* (the “**Agreement**”) dated as of [___], 2017 is entered into by Hampshire Group, Limited, Hampshire Brands, Inc., and Hampshire International, LLC (collectively, the “**Debtors**”), debtors in possession in the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) in Chapter 11 Cases No. 16-12634, 16-12635, and 16-12636 (collectively, the “**Cases**”), the Official Committee of Unsecured Creditors appointed in these Cases (the “**Committee**”), and Richard S. Lauter (the “**Liquidation Trustee**”), and is executed in connection with and pursuant to the terms of the *First Amended Joint Chapter 11 Plan of Liquidation Proposed by the Debtors and the Official Committee of Unsecured Creditors of Hampshire Group, Ltd., et al.* (as amended, modified, or supplemented from time to time, the “**Plan**”), which provides for, among other things, the establishment of a trust evidenced hereby (the “**Liquidation Trust**”).

W I T N E S S E T H

WHEREAS, on November 23, 2016, each of the Debtors filed a voluntary petition under Chapter 11 of the Bankruptcy Code with the Bankruptcy Court;

WHEREAS, on or about [•], 2017, the Bankruptcy Court entered its Order confirming the Plan (the “**Confirmation Order**”);

WHEREAS, the Liquidation Trust is created pursuant to, and to effectuate, the Plan and the Confirmation Order;

WHEREAS, the Liquidation Trust is created on behalf, and for the sole benefit, of the Beneficiaries, as set forth in the Plan;

WHEREAS, in accordance with section 301.7701-4(d) of the Treasury regulations, the Liquidation Trust is established for the primary purpose of administering and liquidating the Trust assets and for the secondary purposes of, *inter alia*, analyzing and pursuing Causes of Action; resolving all Administrative Expense Claims, Professional Fee Claims, and Claims; and making all Distributions provided for under the terms of the Plan. The Liquidation Trust shall have no objective or authority to continue or to engage in the conduct of a trade or business;

WHEREAS, pursuant to the Plan, it is intended that the Liquidation Trust be classified as a “grantor trust” for federal income tax purposes, pursuant to sections 671-677 of the Internal Revenue Code of 1986, as amended, and that the Liquidation Trust be owned by the Beneficiaries. Accordingly, for federal income tax purposes, it is intended that the Beneficiaries be treated as if they had received a distribution from the Debtors’ Estates of an undivided interest in each of the Trust Assets and then contributed such interest to the Liquidation Trust;

WHEREAS, pursuant to the Plan and the Confirmation Order, the Bankruptcy Court shall have jurisdiction over, *inter alia*, the Liquidation Trust, the Liquidation Trustee, and the Trust Assets, including, without limitation, the Causes of Action, as provided herein and in the Plan; and

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein and in the Plan, the Debtors, the Committee, and the Liquidation Trustee agree as follows:

**ARTICLE I
DEFINITIONS AND INTERPRETATIONS**

1.1 Use of Plan Definitions. All capitalized terms used in this Agreement and not otherwise defined herein shall have the same meanings set forth in the Plan.

1.2 Certain References. Reference in this Agreement to any Section or Article is, unless otherwise specified, to such section or article under this Agreement. Unless otherwise specified, the words “hereof,” “herein,” and similar terms shall refer to this entire Agreement and not to any particular section or article of this Agreement.

1.3 Conflicts with Plan. If, and to the extent, there are any conflicts or inconsistencies between the terms of this Agreement and the terms of the Plan and/or the Confirmation Order, the terms of the Plan and/or Confirmation Order, as applicable, shall govern.

**ARTICLE II
ESTABLISHMENT, PURPOSE AND FUNDING OF LIQUIDATION TRUST**

2.1 Creation and Name. There is hereby created the Liquidation Trust, referred to in the Plan. The Liquidation Trustee may conduct the affairs of the Liquidation Trust under the name of the “**Hampshire Liquidation Trust**,” and the Liquidation Trust shall be called the same for all purposes.

2.2 Purpose of Liquidation Trust. The Debtors and the Liquidation Trustee, pursuant to the Plan and in accordance with the Bankruptcy Code, hereby create the Liquidation Trust for the primary purpose of administering and liquidating the Trust Assets and for the secondary purposes of, *inter alia*, analyzing and pursuing Causes of Action; resolving all Administrative Expense Claims, Professional Fee Claims, and Claims; and making all Distributions provided for under the terms of the Plan.

2.3 Appointment of Liquidation Trustee. Richard S. Lauter shall be the Liquidation Trustee.

The Liquidation Trustee’s responsibilities, duties and obligations are to the Beneficiaries to the extent their Administrative Expense Claims, Professional Fee Claims, or Claims, as applicable, have not been fully paid, satisfied, waived, extinguished, disallowed, or otherwise resolved prior to the Effective Date. The Liquidation Trustee shall have an independent right and standing to request relief from the Bankruptcy Court which the Liquidation Trustee believes to be in accordance with the best interests of Beneficiaries, collectively, and the Liquidation Trust. For purposes of performing his duties and fulfilling his obligations under the Plan, this Agreement, and the Confirmation Order, the Liquidation Trustee shall be deemed to be a “party in interest” within the meaning of section 1109(b) of the Bankruptcy Code and a representative of the Estate or trustee, as applicable, under Bankruptcy Code sections 1123(b)(3) and 1129(a)(5). The duties, obligations, and responsibilities of the Liquidation Trustee are set forth in this Agreement and in

the Plan and include, but are not limited to, the following: (a) liquidating, resolving, paying, and satisfying all obligations to Beneficiaries in accordance with the Plan, this Agreement, and the Confirmation Order; (b) overseeing the preservation, holding, management, and maximization of all Trust Assets in order to pay and satisfy Allowed Administrative Expense Claims, Allowed Professional Fee Claims, and Allowed Claims in accordance with the terms of the Plan; (c) prosecuting, settling and managing the disposition of objections to Disputed Administrative Expense Claims, Disputed Professional Fee Claims, and Disputed Claims, as applicable; (d) taking or not taking those actions which the Liquidation Trustee in his business discretion believes to be in accordance with the collective best interests of the Beneficiaries and which actions or inactions are consistent with the Plan; and (e) performing all other duties, obligations and responsibilities of the Liquidation Trustee set forth in the Plan, this Agreement, or Confirmation Order.

2.4 Transfer of Trust Assets.

2.4.1 Pursuant to the Plan, which is incorporated by reference herein, the Debtors hereby grant, release, assign, convey, transfer and deliver, on behalf of the Beneficiaries, the Assets to the Liquidation Trust as of the Effective Date, in trust for the benefit of the Beneficiaries for the uses and purposes as specified in this Agreement and the Plan. Subject to the terms of the Plan, the Debtors shall from time to time as and when reasonably requested by the Liquidation Trustee execute and deliver or cause to be executed and delivered all such documents (in recordable form where necessary or appropriate) and the Debtors shall take or cause to be taken such further action as the Liquidation Trustee may reasonably deem necessary or appropriate, to vest or perfect in or confirm to the Liquidation Trustee title to and possession of the Trust Assets.

2.4.2 For all federal, state and local income tax purposes, the Debtors, the Beneficiaries, and the Liquidation Trustee shall treat the transfer of the Trust Assets to the Liquidation Trust as a transfer of the Trust Assets by the Debtors to the Beneficiaries in satisfaction of their Allowed Claims under the Plan, followed by a transfer of the Trust Assets by the Beneficiaries to the Liquidation Trust in exchange for their beneficial interests in the Liquidation Trust. Thus, the Beneficiaries shall be treated as the grantors and owners of the Liquidation Trust.

2.5 Securities Law. Under section 1145 of the Bankruptcy Code, the issuance of beneficial interests in the Liquidation Trust to the Beneficiaries under the Plan, to the extent such interests are deemed to be “securities,” shall be exempt from registration under the Securities Act of 1933, as amended, and all applicable state and local laws requiring registration of securities. If the Liquidation Trustee determines, with the advice of counsel, that the Liquidation Trust is required to comply with the registration and reporting requirements of the Securities and Exchange Act of 1934, as amended, or the Investment Company Act of 1940, as amended, then the Liquidation Trustee shall take any and all actions to comply with such reporting requirements and file necessary periodic reports with the Securities and Exchange Commission, subject to and in accordance with the terms of the Plan.

ARTICLE III ADMINISTRATION OF THE LIQUIDATION TRUST

3.1 Rights, Powers and Privileges. The Liquidation Trustee shall have only the rights, powers and privileges expressly provided in this Agreement and the Plan. The Liquidation Trustee

shall serve as the representative of the Estates in accordance with the provisions of the Bankruptcy Code. The Liquidation Trustee shall have the power to take the actions granted in the subsections below and any powers reasonably incidental thereto, which the Liquidation Trustee, in his reasonable discretion, deems necessary or appropriate to fulfill the purposes of the Liquidation Trust, unless otherwise specifically limited or restricted by the Plan or this Agreement:

3.1.1 invest (to the extent permissible under current Internal Revenue Service guidelines) or withdraw funds of the Liquidation Trust, make distributions, incur obligations for reasonable and necessary expenses in liquidating and converting any remaining Assets to Cash, and pay taxes and other obligations owed by the Liquidation Trust or the Debtors from funds held by the Liquidation Trustee in accordance with the Plan;

3.1.2 perform all of the obligations and agreements of the Liquidation Trust and/or of the Liquidation Trustee provided for in the Plan and in the Liquidation Trust Agreement;

3.1.3 hold legal title to all rights of the Debtors and their Estates in or arising from the Trust Assets, including without limitation, the right to vote any claim or interest in a case under the Bankruptcy Code and receive any distribution therein;

3.1.4 protect and enforce the rights to the Trust Assets by any method deemed appropriate including, without limitation, by judicial proceedings or pursuant to any applicable bankruptcy, insolvency, moratorium or similar law and general principles of equity;

3.1.5 perform the duties, exercise the powers, and assert the rights of a trustee under sections 704 and 1106 of the Bankruptcy Code, including, without limitation, investigating, commencing, prosecuting or settling Causes of Action (including, without limitation, Avoidance Actions), enforcing contracts, and asserting claims, defenses, offsets and privileges;

3.1.6 determine, satisfy, object to, compromise, or estimate on reasonable terms all claims or liabilities created, incurred, or assumed by the Liquidation Trust;

3.1.7 determine on reasonable terms the amount and timing of regular installment payments to Holders of Allowed Priority Tax Claims, consistent with section 1129(a)(9)(C) of the Bankruptcy Code and in accordance with the terms of the Plan;

3.1.8 pay all expenses and make all other payments relating to the Liquidation Trust;

3.1.9 establish, keep, and maintain the Post-Effective Date Trust Expense Reserve and the 401(k) Plan Termination Reserve, each in accordance with the terms of the Plan;

3.1.10 establish, keep, and maintain Plan Reserves for the benefit of the Holders of Disputed Claims;

3.1.11 account separately for Plan Reserves in accordance with the terms of the Plan;

3.1.12 except as otherwise provided in the Plan, in the discretion of the Liquidation Trustee, setoff against any Claim (and the payments or other distributions to be made pursuant to the Plan with respect to such Claims) any Cause of Action against the Holder of such Claim, but neither the failure to so setoff any Cause of Action nor the allowance of any Claim shall constitute a waiver or release by the Liquidation Trust or Liquidation Trustee of any Cause of Action;

3.1.13 market, negotiate, enter into, execute and perform on reasonable terms agreements for the sale or other disposition of the Trust Assets;

3.1.14 prepare and deliver written statements or notices, quarterly or otherwise, required by law to be delivered to Beneficiaries;

3.1.15 prepare and file post-confirmation quarterly disbursement and status reports, with copies of such reports served on the Post-Confirmation Service List, and pay all quarterly fees to the U.S. Trustee which are required by applicable law;

3.1.16 prepare, or have prepared, and file with the appropriate taxing authority all tax and information returns with respect to the Debtors and the Liquidation Trust (including, without limitation, United States federal, state, local, or foreign tax or information returns required to be filed by the Debtors and the Liquidation Trust) and pay taxes properly payable by the Debtors and the Liquidation Trust, if any, and cause all taxes payable by the Debtors and the Liquidation Trust, if any, to be paid exclusively out of the Trust Assets; provided, however, that, subject to section 503(b)(1)(D) of the Bankruptcy Code, nothing herein shall obligate the Liquidation Trustee to pay or make any Distribution on account of any tax that is not Allowed in these Chapter 11 Cases;

3.1.17 maintain and preserve the originals of all instruments and documents pertaining to the Trust Assets to the extent such instruments and documents are in the possession or control of the Liquidation Trustee upon or after the Effective Date;

3.1.18 take any of the foregoing actions, and execute any documents relating thereto, in the Liquidation Trustee's own name, on behalf of the Debtors or the Liquidation Trust (including but not limited to all settlement agreements);

3.1.19 exercise and perform the rights, powers and duties held by the Debtors or the Estates, including without limitation the authority under section 1123(b)(3) of the Bankruptcy Code, to provide for the prosecution, settlement, adjustment, retention and enforcement of claims and interests of the Estates, including but not limited to the commencement, prosecution and settlement of the Causes of Action and the authority to exercise all rights and powers under sections 506(c), 544-551, 1106, 1107 and 1108 of the Bankruptcy Code;

3.1.20 exercise all rights, privileges, power and authority that may be exercised by any officer, director, shareholder, or other party acting in the name of any Debtor or the Estates with like effect as if duly authorized, exercised and taken by action of such officers, directors, shareholders, or other party;

3.1.21 administer, terminate and/or wind down any plan sponsored or administered by a Debtor prepetition for employee benefits, retirement benefits, or otherwise governed by the Employee Retirement Income Security Act of 1974 (as amended) and, in connection therewith, make any filings or reports as may be appropriate or required by federal, state or local law or regulations;

3.1.22 engage independent contractors, employees, and professionals on reasonable terms to assist the Liquidation Trustee with respect to his responsibilities, including, but not limited to, any independent contractor, employee, or professionals formerly employed by the Debtors or the Creditors' Committee;

3.1.23 prosecute, compromise and/or settle on reasonable terms claims and Causes of Action and objections to Claims, including, without limitation, asserting counterclaims, setoff, or recoupment against Claims, on behalf of Debtors, their Estates, and/or the Liquidation Trust;

3.1.24 liquidate on reasonable terms any remaining Trust Assets and provide for the distributions therefrom in accordance with the provisions of the Plan with the full rights and powers of the Debtors and their Estates;

3.1.25 manage the continued liquidation of the Trust Assets, and to otherwise administer the Liquidation Trust;

3.1.26 stand in the shoes of the Debtors and assert or waive attorney client privilege and other privileges between each and any of the Debtors and their professionals (whether such professionals represented any of the Debtors prior to, or after, the Petition Date) with respect to any matter affecting Trust Assets, all as permitted by and consistent with applicable law;

3.1.27 interpret the Plan in the Liquidation Trustee's reasonable discretion;

3.1.28 amend the Schedules in accordance with Bankruptcy Rule 1009; and

3.1.29 exercise such other powers and authority as may be vested in the Liquidation Trustee by the Plan or any Final Order, or as may be necessary and proper to carry out the provisions of the Plan; provided, however, that such other powers and authority are not inconsistent with the Plan or applicable law.

3.2 Retention and Compensation of Professionals. The Liquidation Trustee may, without further order of the Bankruptcy Court, employ various professionals, including, but not limited to, counsel, consultants, and financial advisors, as needed to assist in fulfilling the Liquidation Trustee's obligations under the Plan, and on whatever reasonable terms the Liquidation Trustee deems appropriate, including, without limitation, contingency fee arrangements. The Liquidation Trustee may employ professionals that were previously employed by the Creditors' Committee or the Debtors.

The Liquidation Trustee shall, subject to further Order of the Bankruptcy Court, upon written request, provide copies of all invoices for fees and expenses incurred by a professional rendering services to the Liquidation Trustee or the Liquidation Trust, to the Holders of Professional Fee Claims, the members of the Committee (notwithstanding the dissolution of the Committee on the Effective Date), and to any Beneficiary until such time as the Allowed amount of the claim of such requesting party has been paid in full, otherwise been resolved, or been disallowed.

3.3 Compensation of Liquidation Trustee. In addition to reimbursement for actual out-of-pocket expenses incurred by the Liquidation Trustee, the Liquidation Trustee shall be entitled to receive reasonable compensation for services rendered on behalf of the Liquidation Trust at the rate of \$500 per hour billed in increments of one-tenth (1/10th) of an hour.

The Liquidation Trustee shall, subject to further order of the Bankruptcy Court, upon written request, provide copies of all invoices for fees and expenses incurred by the Liquidation Trustee to any Holders of Professional Fee Claims, the members of the Committee (notwithstanding the dissolution of the Committee on the Effective Date) and to any Beneficiary until such time as the Allowed amount of the claim of such requesting party has been paid in full, otherwise been resolved, or been disallowed.

3.4 Resignation of Liquidation Trustee. The Liquidation Trustee may resign at any time. The Liquidation Trustee shall file such written resignation with the Bankruptcy Court and shall serve such written resignation on the Post-Confirmation Service List. Any party in interest may request a hearing before the Bankruptcy Court regarding the Liquidation Trustee's resignation. If no such hearing is requested, the resignation shall take effect thirty (30) days after the filing of the notice of resignation with the Bankruptcy Court. The resigning Liquidation Trustee shall, by the earliest date possible, deliver to the Liquidation Trustee's successor all of the Trust Assets that were in the possession of the resigning Liquidation Trustee along with a complete record and inventory of all such Trust Assets.

3.5 Records. The Liquidation Trustee shall maintain good and sufficient books and records relating to the Trust Assets, Cash, Distributable Cash, Plan Reserves, the management thereof, all post-Confirmation transactions undertaken by the Liquidation Trustee, all expenses incurred by or on behalf of the Liquidation Trustee after the Effective Date, and all distributions contemplated or effectuated under the Plan. Subject to further order of the Court, such records shall be maintained and preserved by the Liquidation Trustee until the earlier to occur of (i) entry of the final decree closing the Chapter 11 Cases and (ii) termination of the Liquidation Trust.

Any Beneficiary, upon written request to the Liquidation Trustee or his counsel, may obtain copies of and/or access to the Liquidation Trust's books and records, including information relating to the management of the Liquidation Trust and the Trust Assets, provided such request is reasonable. In addition, the Liquidation Trustee shall furnish to any Beneficiary upon written request an annual statement of receipts and disbursements of the Liquidation Trust. The Liquidation Trustee shall be entitled to require that any Beneficiary who makes a request for copies of or access to the Liquidation Trust's books and records, or for an annual statement of receipts and disbursements of the Liquidation Trust, execute a confidentiality agreement reasonably satisfactory in form and substance to the Liquidation Trustee. All rights of any Beneficiary and

the Liquidation Trustee to seek relief from the Bankruptcy Court with respect to any request for copies of or access to books, records, or information of the Liquidation Trust are expressly preserved.

3.6 Liability of the Liquidation Trustee. The Liquidation Trustee shall not be personally liable for any claim asserted against the Liquidation Trust or the Liquidation Trustee, except as set forth below. The Liquidation Trustee shall not be liable for any error of judgment made in good faith, or with respect to any action taken or omitted to be taken in good faith, unless the Liquidation Trustee was grossly negligent. Notwithstanding anything to the contrary set forth herein or in the Liquidation Trust Agreement, no provision of the Plan or the Liquidation Trust Agreement shall be construed to relieve the Liquidation Trustee from liability for gross negligence, fraud or willful misconduct.

3.7 Indemnification. From and after the Effective Date, the Liquidation Trustee and the independent contractors, employees and/or professionals employed by the Liquidation Trust (collectively, the “**Indemnified Parties**” and each an “**Indemnified Party**”) shall be, and hereby are, indemnified by the Liquidation Trust, to the fullest extent permitted under applicable law, from and against any and all claims, debts, dues, accounts, actions, suits, causes of action, bonds, covenants, judgments, damages, attorneys’ fees and defense costs, and other assertions of liability arising out of any such Indemnified Parties’ good faith exercise of what such Indemnified Party reasonably understands to be its powers or the discharge of what such Indemnified Party reasonably understands to be its duties conferred by the Plan, the Liquidation Trust Agreement, or by any order of the Bankruptcy Court entered pursuant to, or in furtherance of, the Plan, applicable law, or otherwise (except only for actions or omissions to act to the extent determined by a Final Order of a court of competent jurisdiction to be due to such Indemnified Party’s own respective fraud, gross negligence or willful misconduct), including but not limited to, acts or omissions concerning pursuing or not pursuing any Causes of Action or objections to Claims, on and after the Effective Date. The foregoing indemnification shall also extend to matters directly or indirectly, in connection with, arising out of, based on, or in any way related to (i) the Plan; (ii) the services to be rendered pursuant to the Plan; (iii) any document or information, whether verbal or written, referred to herein or supplied to the Liquidation Trustee; or (iv) proceedings by or on behalf of any claimant or Creditor. Subject to the terms of the Plan and the Liquidation Trust Agreement, the Liquidation Trust shall, on demand, advance or pay promptly, in either case from the Post-Effective Date Trust Expense Reserve, on behalf of each Indemnified Party, reasonable attorneys’ fees and other expenses and disbursements which such Indemnified Party would be entitled to receive pursuant to the foregoing indemnification obligation; provided, however, that any Indemnified Party receiving any such advance shall execute a written undertaking to repay such advance amounts if a court of competent jurisdiction ultimately determines that such Indemnified Party is not entitled to indemnification hereunder due to the gross negligence, fraud, or willful misconduct of such Indemnified Party. Any person entitled to indemnification hereunder shall have the right to employ such person’s own separate counsel in any such action, payable solely from the Post-Effective Date Trust Expense Reserve, subject to the terms and conditions of the Plan.

An Indemnified Party seeking indemnification (including any advancement) from the Liquidation Trust shall file with the Bankruptcy Court a motion for indemnification or advancement, on notice to the U.S. Trustee, the Post-Confirmation Service List, and any known

party whose rights may be affected by such motion. Absent an order of the Bankruptcy Court, no Trust Assets shall be used to advance or otherwise pay any sums to or for the benefit of any Indemnified Party in connection with an indemnification.

3.8 Investment and Safekeeping of Trust Assets. All moneys and other Trust Assets received by the Liquidation Trustee shall, until distributed or paid over as herein provided, be held in the Liquidation Trust for the benefit of the Beneficiaries, but need not be segregated from other Trust Assets, unless and to the extent required by law, the Plan, or other order of the Bankruptcy Court. The Liquidation Trustee shall incur no liability for interest or producing income on any moneys received by the Liquidation Trust and held for distribution or payment to the Beneficiaries, except as such interest shall actually be received by the Liquidation Trustee. Investments of any moneys held by the Liquidation Trustee shall be administered in view of the manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own affairs. For the removal of doubt, the investment powers of the Liquidation Trustee, other than those reasonably necessary to maintain the value of the Trust Assets and the liquidating purpose of the Liquidation Trust, are limited to powers to invest in demand and time deposits, such as short-term certificates of deposits, in banks or other savings institutions, or other temporary, liquid investments, such as treasury bills.

The right and power of the Liquidation Trustee to invest the Trust Assets, the proceeds thereof, or any income earned by the Liquidation Trust, shall be limited to (i) the right and power that a liquidating trust, within the meaning of section 301.7701-4(d) of the Treasury Regulations, is permitted to hold, pursuant to the Treasury Regulations, or any modification in the IRS guidelines, whether set forth in IRS rulings or other IRS pronouncements, and (ii) the investment guidelines of Bankruptcy Code section 345.

The Liquidation Trustee shall not commingle any Trust Assets with his own property or the property of any other person or entity.

3.9 Limitations on Liquidation Trustee and Payment of Fees. The Liquidation Trustee shall not at any time, on behalf of the Liquidation Trust or Beneficiaries: (i) enter into or engage in any trade or business, and no part of the Trust Assets or the proceeds, revenue or income therefrom shall be used or disposed of by the Liquidation Trust in furtherance of any trade or business, or (ii) except as provided herein, reinvest any Trust Assets. The Liquidation Trustee may only invest funds held in the Liquidation Trust consistent with the requirements of this Agreement and the Plan, and, provided that the Liquidation Trustee does so and the Liquidation Trustee has not engaged in any gross negligence, fraud, criminal conduct or willful misconduct, he shall have no liability in the event of insolvency of any institution in which he has invested any Trust Assets. The Liquidation Trustee shall hold, collect, conserve, protect and administer the Trust Assets in accordance with the provisions of this Agreement and the Plan, and pay and distribute amounts as set forth herein and in the Plan for the purposes set forth in this Agreement and the Plan. Subject to the terms of this Agreement and the Plan, any determination by the Liquidation Trustee as to what actions are in the best interests of the Liquidation Trust shall be determinative.

3.10 Bankruptcy Court Approval of Liquidation Trustee Actions. Except as provided in the Plan or otherwise specified in this Agreement or an order of the Bankruptcy Court, the Liquidation Trustee need not obtain the order or approval of the Bankruptcy Court in the exercise

of any power, rights, or discretion conferred hereunder, or account to the Bankruptcy Court. The Liquidation Trustee shall exercise his business judgment for the benefit of the Beneficiaries in order to maximize the value of the Trust Assets and distributions, giving due regard to the cost, risk, and delay of any course of action. Notwithstanding the foregoing, the Liquidation Trustee shall have the right to submit to the Bankruptcy Court any question or questions regarding which the Liquidation Trustee may desire to have explicit approval of the Bankruptcy Court for the taking of any specific action proposed to be taken by the Liquidation Trustee with respect to the Trust Assets, the Liquidation Trust, this Agreement, the Plan, or the Debtors, including the administration and distribution of the Trust Assets. The Bankruptcy Court shall retain jurisdiction for such purposes and shall approve or disapprove any such proposed action upon motion by the Liquidation Trustee. In addition, the Liquidation Trustee shall have the authority, but not the obligation, to seek Bankruptcy Court approval to sell any Liquidation Trust Asset free and clear of any and all liens, claims and encumbrances.

3.11 Valuation of Trust Assets. As soon as practicable after the Effective Date, but in no event later than ninety (90) days thereafter, (i) the Liquidation Trustee shall determine the fair market value of the Liquidation Trust Assets as of the Effective Date, based on a good faith determination, and (ii) the Liquidation Trustee shall establish appropriate means to apprise the Beneficiaries of such valuation. The valuation shall be used consistently by all parties, including, without limitation, the Debtors, the Liquidation Trust, and the Beneficiaries, for all federal income tax purposes.

3.12 Confidentiality. The Liquidation Trustee shall, while serving as Liquidation Trustee under this Agreement and for a period of twelve (12) months following the termination of this Agreement or following his removal or resignation hereunder, hold strictly confidential and not use for personal gain any material, non-public information of or pertaining to any entity to which any of the Trust Assets relate or of which he has become aware in his capacity as Liquidation Trustee.

ARTICLE IV DISTRIBUTIONS FROM THE LIQUIDATION TRUST

4.1 Distributions. The Liquidation Trustee shall be responsible for making all Distributions to Beneficiaries from the Distributable Cash and/or Trust Assets in accordance with the terms of the Plan. Additionally, the Liquidation Trustee must retain and reserve such amounts as are reasonably necessary to fund the Plan Reserves, subject to and in accordance with the terms of the Plan.

4.2 Pro Rata Share of Distributions. Each Beneficiary shall receive its share or pro rata share (as applicable) of any and all Distributions, in accordance with the terms of the Plan, except that the Liquidation Trustee may, consistent with the terms of the Plan, withhold from amounts distributable to any Beneficiary, any and all amounts, determined in the Liquidation Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

4.3 Delivery of Distributions. All Distributions to be made under this Agreement and the Plan shall be made to Beneficiaries in accordance with and subject to the terms of the Plan.

4.4 Timing of Distributions. Any payment or other Distribution required to be made under this Agreement on a day other than a Business Day shall be due on the next succeeding Business Day. All payments or Distributions due from the Liquidation Trust as of or on the Effective Date shall be made thereon or as soon as practicable thereafter but in no event later than ten business days after the Effective Date. Any payment of Cash made pursuant to this Agreement shall be deemed made when such payment by check or wire transfer is transmitted.

4.5 Provision for Treatment of Disputed Administrative Expense Claims and Disputed Claims. Unless otherwise ordered by the Bankruptcy Court, from and after the Effective Date, the Liquidation Trustee shall have the exclusive right to (i) amend the Schedules and (ii) object to the allowance of Administrative Expense Claims or Claims that have been filed with the Bankruptcy Court. All objections may be litigated to Final Order; provided, however, that the Liquidation Trustee may compromise and settle any Administrative Expense Claim, Professional Fee Claim, or Claim without the approval of the Bankruptcy Court unless such approval is otherwise required by the terms of the Plan. At such time as a Disputed Administrative Expense Claim, Disputed Professional Fee Claim, or Disputed Claim becomes Allowed, as applicable, either by entry of a Final Order or a settlement reached with the Liquidation Trustee, the Holder thereof will receive, as soon as practicable thereafter, the distributions to which such Holder is then entitled under the Plan.

4.6 Payments Limited to Trust Assets. Each Beneficiary shall have recourse only to the Trust Assets for distributions under this Agreement and the Plan.

4.7 Fees and Expenses. All Trust Expenses, including, without limitation, professional fees of the Liquidation Trustee and the professionals employed by the Liquidation Trust, operating expense of the Liquidation Trust, post-Effective Date taxes, and quarterly fees payable to the U.S. Trustee, shall be paid from the Post-Effective Date Trust Expense Reserve in accordance with the terms of the Plan.

4.8 Compliance with Laws. Any and all distributions of Trust Assets shall be in compliance with applicable laws, including, but not limited to, applicable federal and state securities laws.

4.9 Setoff Rights. The Liquidation Trustee may, but shall not be required to, setoff against or recoup from the Holder of any Allowed Claim on which payments or other Distributions are to be made hereunder, claims of any nature that the Liquidation Trust may have against the Holder of such Allowed Claim. However, neither the failure to do so, nor the allowance of any Claim under the Plan, shall constitute a waiver or release of any such claim, right of setoff or right of recoupment against the Holder of such Allowed Claim.

4.10 No Distributions Pending Allowance. If a Claim or any portion of a Claim is disputed, no payment or Distribution shall be made on account of the disputed portion of such Claim (or the entire Claim, if the entire Claim is disputed), unless such Disputed Claim or portion thereof becomes an Allowed Claim.

ARTICLE V BENEFICIARIES

5.1 Identification of Beneficiaries. The priority, amount, and nature of each Administrative Expense Claim, Professional Fee Claim, or Claim, as applicable, of each Beneficiary shall be recorded and set forth in a schedule (the “**Beneficiary Schedule**”) maintained by the Liquidation Trustee expressly for such purpose. In order to determine the actual names and addresses of the Beneficiaries, the Liquidation Trustee may either (i) rely upon the Schedules and/or official claims register maintained in the Cases, or (ii) deliver a notice to the Beneficiaries that includes a form for each Beneficiary to complete in order to be properly registered as a Beneficiary and be eligible for Distributions from the Liquidation Trust.

5.2 Ownership of Beneficial Interests Hereunder. Each Beneficiary shall own a beneficial interest in the Liquidation Trust equal in proportion to the Pro Rata share of such Beneficiary’s Allowed Claim, Allowed Administrative Expense Claim, Allowed Professional Fee Claim, or other right to payment in accordance with the Plan.

5.3 Beneficial Interest Only. The ownership of a beneficial interest in the Liquidation Trust shall not entitle any Beneficiary or the Debtors to any title in or to the Trust Assets or to any right to call for a partition or division of such Trust Assets or to require an accounting, except as specifically provided herein.

5.4 Evidence of Beneficial Interest. Ownership of a beneficial interest in the Trust Assets shall not be evidenced by any certificate, security, or receipt or in any other form or manner whatsoever, except as maintained on the books and records of the Liquidation Trust by the Liquidation Trustee.

5.5 Limitation on Transferability. It is understood and agreed that the beneficial interests in the Liquidation Trust shall be assignable during the term of this Agreement only upon compliance with the notice provisions included herein, or by operation of law. An assignment (whether voluntary or by operation of law) shall not be effective until appropriate notification and proof thereof is submitted to the Liquidation Trustee, and the Liquidation Trustee may continue to pay all amounts to or for the benefit of the assigning Beneficiaries until the Liquidation Trustee receives proper notification and proof of assignment. The Liquidation Trustee may rely upon such notification and proof without the requirement of any further investigation.

ARTICLE VI THIRD PARTY RIGHTS AND LIMITATION OF LIABILITY

6.1 Parties Dealing With the Liquidation Trustee. In the absence of actual knowledge to the contrary, any person dealing with the Liquidation Trust or the Liquidation Trustee shall be entitled to rely on the authority of the Liquidation Trustee or any of the Liquidation Trustee’s agents to act in connection with the Trust Assets. No person or entity that may deal with the Liquidation Trustee shall have any obligation to inquire into the validity or expediency or propriety of any transaction by the Liquidation Trustee or any agent of the Liquidation Trustee.

6.2 Liquidation Trustee’s Liability. In exercising the rights granted herein, the Liquidation Trustee shall exercise his best judgment, to the end that the affairs of the Liquidation

Trust shall be properly managed and the interests of all the Beneficiaries and the Liquidation Trust are safeguarded.

ARTICLE VII DURATION OF LIQUIDATION TRUST

7.1 Duration. The Liquidation Trust shall become effective upon the Effective Date of the Plan. Thereupon, this Agreement shall remain and continue in full force and effect until the Liquidation Trust is terminated in accordance with the provisions of this Agreement and the Plan.

7.2 Termination of the Liquidation Trust. The duties, responsibilities and powers of the Liquidation Trustee shall terminate in accordance with the terms of the Plan and the Liquidation Trust Agreement upon the earlier of (i) the date that (a) all the Trust Assets have been fully administered and (b) all reasonably possible Distributions have been made in accordance with the terms of the Plan have been made, or (ii) five (5) years from the Effective Date; **provided, however,** subject to approval of the Bankruptcy Court upon a finding for cause shown that an extension is necessary for the purpose of the Hampshire Liquidation Trust, the term of the Hampshire Liquidation Trust may be extended for a finite period based upon the particular circumstances at issue. Each such extension must be approved by the Bankruptcy Court within six (6) months of the beginning of the extended term.

Upon the termination of the Liquidation Trust, the Liquidation Trustee shall file with the Bankruptcy Court, on notice to Beneficiaries and the Post-Confirmation Service List, a report thereof, seeking an order discharging the Liquidation Trustee and a final decree closing any open Chapter 11 Cases. The Liquidation Trustee shall not unduly prolong the duration of the Liquidation Trust. As efficiently and expeditiously as possible, the Liquidation Trustee shall endeavor to resolve, settle or otherwise dispose of all Trust Assets, effect the distribution of the Trust Assets in accordance with the terms of the Plan, and terminate the Liquidation Trust as soon as practicable.

7.3 Continuance of Liquidation Trust for Winding Up. After the termination of the Liquidation Trust and for the purpose of liquidating and winding up the affairs of the Liquidation Trust, the Liquidation Trustee shall continue to act as such until his duties have been fully performed, including, without limitation, such post-distribution tasks as necessary to windup the affairs of the Liquidation Trust. After the termination of the Liquidation Trust and subject to further order of the Court, the Liquidation Trustee shall retain for a period of five (5) years the books, records, Beneficiary lists, and certificates and other documents and files which shall have been delivered to or created by the Liquidation Trustee. At the Liquidation Trustee's discretion, all of such records and documents may, but need not, be destroyed at any time after five (5) years from the completion and winding up of the affairs of the Liquidation Trust. Except as otherwise specifically provided herein, upon the discharge of all liabilities of the Liquidation Trust and final distribution of the Trust Assets, the Liquidation Trustee shall have no further duties or obligations hereunder. The Liquidation Trustee may pay in advance from the Trust Assets all costs of document management subject to and in accordance with the terms of the Plan.

**ARTICLE VIII
TAX MATTERS**

8.1 Consistent with Revenue Procedure 94-95, the Liquidation Trust shall be treated as a liquidating trust pursuant to section 301.7701-4 of the Treasury regulations. As such, the Beneficiaries will be treated as both the grantors and the deemed owners of the Liquidation Trust. Any items of income, deduction, credit, and loss of the Liquidation Trust shall be allocated (in accordance with their relative beneficial interests) to the Beneficiaries for federal income tax purposes.

8.2 All net income of the Liquidation Trust and net proceeds from the disposition of Trust Assets shall be subject to federal and applicable state taxation on a current basis.

8.3 The Liquidation Trust shall comply with all withholding and reporting requirements imposed by any taxing authority and all distributions made by the Liquidation Trust shall be subject to any such withholding and reporting requirements.

**ARTICLE IX
MISCELLANEOUS**

9.1 Preservation of Privilege. In connection with the rights, claims, and causes of action that constitute the Trust Assets, any attorney-client privilege, work product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the Liquidation Trust pursuant to the terms of the Plan or otherwise shall vest in the Liquidation Trustee and his representatives, and, subject to the terms of the Plan, the Plan Proponents and the Liquidation Trustee are authorized to take all necessary actions to effectuate the transfer of such privileges, as necessary.

9.2 Notices. Any notice or other communication which may be or is required to be given, served, or sent to the Debtors, the Committee, the Liquidation Trust and/or a Beneficiary, as applicable, shall be in writing and shall be sent by first class mail, Federal Express, or hand delivery, addressed as follows:

If to the Liquidation Trust:

Richard Lauter, Liquidation Trustee
c/o Lewis Brisbois Bisgaard & Smith LLP
550 West Adams Street, Suite 300
Chicago, IL 60661

With a copy to:

[]

If to a Beneficiary:

To the name and address of such Beneficiary set forth on the Schedules of Assets and Liabilities, the official claims register maintained in these Cases, or the Beneficiary Schedule, as applicable.

9.3 No Bond. Notwithstanding any state law to the contrary, the Liquidation Trustee (including any successor) shall be exempt from giving any bond or other security in any jurisdiction.

9.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflicts of law.

9.5 Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

9.6 Headings. The various headings of this Agreement are inserted for convenience only and shall not affect the meaning or understanding of this Agreement or any provision hereof.

9.7 No Execution. No Beneficiary or any other Person can execute upon, garnish or attach the Trust Assets or the Liquidation Trust in any manner or compel payment from the Liquidation Trust except by Final Order of the Bankruptcy Court. Payment will be solely governed by this Agreement and the Plan or other order of the Bankruptcy Court.

9.8 Intention of Parties to Establish Grantor Liquidation Trust. This Agreement is intended to create a grantor trust for United States federal income tax purposes and, to the extent provided by law, shall be governed and construed in all respects as such a grantor trust.

9.9 Amendment. This Agreement may be amended by order of the Bankruptcy Court upon a motion on notice filed by the Liquidation Trustee or by any Beneficiary.

9.10 Severability. If any term, provision covenant or restriction contained in this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

9.11 Counterparts and Facsimile Signatures. This Agreement (or any amendment thereto) may be executed in counterparts and a facsimile or other electronic form of signature shall be of the same force and effect as an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

HAMPSHIRE GROUP, LTD.

By: _____
Name:
Title:

HAMPSHIRE BRANDS, INC.

By: _____
Name:
Title:

HAMPSHIRE INTERNATIONAL, LLC

By: _____
Name:
Title:

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF HAMPSHIRE GROUP, LTD., *et al.*

By: _____
Name:
Title:

LIQUIDATION TRUSTEE

By: _____
Name: Richard S. Lauter