

**THIS IS NOT A SOLICITATION OF ACCEPTANCES OF THE PLAN. ACCEPTANCE MAY NOT BE SOLICITED UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT UNDER SECTION 1125 OF THE BANKRUPTCY CODE. THIS FORM OF DISCLOSURE STATEMENT HAS BEEN SUBMITTED TO THE BANKRUPTCY COURT, BUT HAS NOT BEEN APPROVED.**

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MASSACHUSETTS  
EASTERN DIVISION**

**In re:**

**ABC DISPOSAL SERVICE, INC., et al.**

**Debtors**

**Chapter 11  
Case No: 16-11787**

**Jointly-Administered<sup>1</sup>**

**[PROPOSED]  
DISCLOSURE STATEMENT WITH RESPECT TO  
JOINT PLAN OF REORGANIZATION OF  
ABC DISPOSAL SERVICE, INC., NEW BEDFORD WASTE SERVICES, LLC,  
SOLID WASTE SERVICES, INC., SHAWMUT ASSOCIATES, LLC,  
A&L ENTERPRISES, LLC, AND ZERO WASTE SOLUTIONS, LLC**

**MURPHY& KING, Professional Corporation**

One Beacon Street

Boston, Massachusetts 02108

Harold B. Murphy, Esquire

Christopher M. Condon, Esquire

Tel: (617) 423-0400

Fax: (617) 556-8985

Dated: December 30, 2016

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<sup>1</sup> The other debtors in these jointly-administered cases are: New Bedford Waste Services LLC (Case No. 16-11788), Solid Waste Services, Inc. (Case No. 16-11789), Shawmut Associates, LLC (Case No. 16-11790), A&L Enterprises, LLC (Case No. 16-11791), and ZERO Waste Solutions, LLC (Case No. 16-11792).

## I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et seq.*, ABC Disposal Service, Inc., New Bedford Waste Services LLC, Solid Waste Services, Inc., Shawmut Associates, LLC, A&L Enterprises, LLC, and ZERO Waste Solutions, LLC, the debtors and debtors in possession in the bankruptcy proceedings jointly administered under docket number 16-11787-JNF provide this Disclosure Statement to all of the Debtors' known creditors and parties in interest. The purpose of this Disclosure Statement is to provide the information deemed necessary for creditors to make an informed decision in exercising their rights to vote on the *Joint Plan of Reorganization of ABC Disposal Service, Inc., New Bedford Waste Services LLC, Solid Waste Services, Inc., Shawmut Associates, LLC, A&L Enterprises, LLC, and ZERO Waste Solutions, LLC* dated as of the date of this Disclosure Statement, a copy of which is attached as Exhibit A and has been filed simultaneously with the Plan.<sup>2</sup>

The Debtors are family-owned Massachusetts companies, based in New Bedford, Massachusetts, which have successfully operated for nearly fifty years. Founded in 1967 when Arnold and Laurinda Camara purchased a small waste hauling operation that had two trucks, the business has grown over the past five decades to become a leader in waste disposal, processing, and recycling services in Southeastern Massachusetts.

Laurinda Camara continues to own and manage the Debtors with her children Michael A. Camara, Susan M. Sebastiao, Kenneth J. Camara, and Steven A. Camara. The current generation of the family has enlarged and modernized the businesses which now employ more than 200 people and service a large geographical area across Southeastern Massachusetts, Cape Cod, and Rhode Island. The Debtors' customers include six (6) municipalities and thousands of businesses and residents.

Prior to these filings, the Debtors experienced a liquidity crises and were forced to file these cases to preserve their assets and pay their creditors. The Debtors' liquidity has improved as a consequence of the filings with cash and receivables increasing by more than \$4,000,000 since the Petition Date.

The Plan is a five year payment plan funded principally by the Debtors' continued operations. The Debtors are, for the purposes of the Plan, pooling their resources in order to provide for uniform payments to all similarly-situated creditors. Whether asserted against any one of the Debtors or multiple Debtors, (i) each Claim shall be allowed in one amount and classified in one Class, (ii) each Claim shall be treated the same as other similar Claims in that Class, and (iii) each Debtor shall be liable for the payments provided for under the Plan.

The Debtors believe that the Plan provides the highest and quickest recovery for creditors and **ACCORDINGLY, THE DEBTORS REQUEST AND RECOMMEND THAT CREDITORS VOTE IN FAVOR OF THE PLAN.**

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<sup>2</sup> Capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan.

Each creditor should review the Plan and this Disclosure Statement carefully in order to determine whether or not to accept or reject the Plan based upon that creditor's independent judgment and evaluation. The description of the Plan in this Disclosure Statement is in summary form and is qualified by reference to the actual terms and conditions of the Plan, which should be reviewed carefully before making a decision to accept or reject the Plan.

The information contained in this Disclosure Statement has been provided by the Debtors based upon the knowledge of their records, business and affairs. Except as otherwise expressly indicated, such information has not been subject to audit or independent review. Although great effort has been made to be accurate, neither the Debtors nor their respective professional advisors warrant the accuracy of the information contained in this Disclosure Statement.

No representations concerning the Debtors, including the value of their assets or the aggregate dollar amount of claims which may be allowed, are authorized other than as set forth in this Disclosure Statement. Any representations, warranties or agreements made to secure acceptance or rejection of the Plan that differ from those contained in this Disclosure Statement should not be relied upon in voting on the Plan.

Any descriptions of legal principles contained in this Disclosure Statement do not constitute a legal opinion and may not be relied upon by any creditor or party in interest. Each creditor or party in interest should consult with their own legal advisors with respect to any legal principles described in this Disclosure Statement.

This Disclosure Statement has been prepared by the Debtors to provide creditors with adequate information so that they can make an informed judgment about the Plan. Each creditor should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to this Disclosure Statement, and no person has been authorized to utilize any information concerning the Debtors' businesses or assets other than the information contained in this Disclosure Statement.

## II. SUMMARY OF THE PLAN

The Plan provides for the periodic distributions to the holders of all Allowed, non-Insider, Claims from the Debtors operating income and a revolving Exit Facility in the amount of \$5,000,000. A summary of the types of Claims and the projected recovery for each type of Claim follows:

Claim Type	Estimated Amount at Petition Date	Projected Plan Recovery for Allowed Claims	Voting Status
Administrative Claims	0	Paid in full in the ordinary course of business.	N/A
Professional Fee Claims	0	Paid in full within fifteen (15) days of allowance by Bankruptcy Court.	N/A
Priority Tax Claims	0	Paid in full on the Effective Date.	N/A
Class 1 Priority Claims	0	Paid in full on the Effective Date.	Unimpaired
Class 2 Shawmut Loans Allowed Claim	\$6,015,000	Paid in full with interest over five years.	Impaired
Class 3 ABC Loan Allowed Claim	\$22,600,000	Paid in full with interest over five years.	Impaired
Class 4 BMO Claim	Undetermined	<b>Option 1:</b> Secured Claim paid in full with interest over five years; unsecured Deficiency Claim treated under Class 9. <b>Option 2:</b> Paid in full without interest over five years.	Impaired
Class 5 BFS Claim	Undetermined	Liens released and discharged. Claim treated as General Unsecured Claim under Class 9. See below	Impaired
Class 6 Mechanics Lien Claims	\$2,950,000	Paid in full without interest on the earlier of five years or the closing of ZERO Waste Financing.	Impaired
Class 7 Miscellaneous Secured Claims	\$0	Secured Claim paid in full without interest over five years; unsecured claim treated under Class 9.	Impaired
Class 8 Convenience Class	\$200,000	Paid lesser of fifty-percent (50%) of Allowed Claim or \$2,500 on the Payment Date.	Impaired
Class 9 General Unsecured Claims	\$5,700,000 - \$6,200,000	Paid eighty-five percent (85%) of Allowed Claim as follows: thirty percent (30%) of Allowed Claim on Payment Date plus twenty	Impaired

		(20) quarterly distributions of 2.75% of Allowed Claim.	
Class 10 Insider Claims	\$1,000,000	No payments until after payment of all senior non-Insider Claims in accordance with the Plan.	Impaired
Class 11 Equity Interests	N/A	Equity Interests retained.	Unimpaired

The description of the Claims and estimation of the recoveries set forth above does not constitute an admission that the claims are Allowed Claims. The Plan recovery is a projection and the Debtors reserve all of their rights, claims and defenses with respect to any and all Claims.

### III. INFORMATION ABOUT THE REORGANIZATION PROCESS

#### 3.1 Purpose of the Disclosure Statement

This Disclosure Statement includes background information about the Debtors and also identifies the classes into which creditors have been placed by the Plan. The Disclosure Statement describes the proposed treatment of each of those classes if the Plan is confirmed. In addition, this Disclosure Statement contains information concerning the prospects for creditors in the event of confirmation or, in the alternative, the prospects if confirmation is denied or the proposed Plan does not become effective.

Upon approval by the Bankruptcy Court and in accordance with the provisions of the Bankruptcy Code, this Disclosure Statement and any exhibits will have been found to contain adequate information of a kind and in sufficient detail that would enable reasonable, hypothetical investor typical of a holder of impaired claims or interests to make an informed judgment about the Plan. Approval of this Disclosure Statement by the Bankruptcy Court, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

#### 3.2 Ballots

Accompanying this Disclosure Statement is a ballot for acceptance or rejection of the Plan (a "Ballot"). Each party in interest entitled to vote on the Plan will receive a Ballot. All Classes except Class 1 (Priority Claims) and Class Seven (Equity Interests) are impaired and may vote on the Plan. Each member of a voting Class will be asked to vote for acceptance or rejection of the Plan. A party who holds claims in more than one Class should complete a Ballot for each Class with respect to the applicable portion of its claim included in each Class.

### **3.3 Voting Procedure**

All creditors entitled to vote on the Plan may cast their votes for or against the Plan by completing, dating, signing and causing the Ballot Form accompanying this Disclosure Statement to be returned to the following address in the enclosed envelope:

Christopher M. Condon, Esquire  
Murphy & King, Professional Corporation  
One Beacon Street  
Boston, Massachusetts 021208

Ballots must be received **on or before 5:00 P.M. (Eastern Daylight Savings Time) on \_\_\_\_\_, 2017** to be counted in the voting. Ballots received after this time will not be counted in the voting unless the Bankruptcy Court so orders.

The Debtors recommend a vote for "ACCEPTANCE" of the Plan.

### **3.4 The Confirmation Hearing**

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan (the "Confirmation Hearing") to commence on \_\_\_\_\_, 2017 at \_\_:\_\_.m., or as soon thereafter as the parties can be heard. The Confirmation Hearing will be held before the Honorable Joan N. Feeney, United States Bankruptcy Judge, Courtroom 1, 12th Floor, 5 Post Office Square, Boston, Massachusetts, 02109. At the hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interests of holders of claims and interests. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by the Debtors and summarizing the votes for acceptance or rejection of the Plan by the parties entitled to vote.

### **3.5 Acceptances Necessary to Confirm the Plan**

At the Confirmation Hearing, the Bankruptcy Court must determine, among other things, whether each impaired Class has accepted the Plan. Under Section 1126 of the Bankruptcy Code, an impaired Class is deemed to have accepted the Plan if at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims of Class members who have voted to accept or reject the Plan have voted for acceptance of the Plan. Unless there is acceptance of the Plan by all members of an impaired Class, the Bankruptcy Court must also determine that Class members will receive under the Plan property of a value, as of the Effective Date, that is not less than the amount that such Class members would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date.

### **3.6 Confirmation of the Plan without the Necessary Acceptances.**

The Plan may be confirmed notwithstanding that one or more impaired Classes have not accepted the Plan if the Bankruptcy Court finds that the Plan does not discriminate unfairly against and is fair and equitable as to such Class or Classes. This provision is set forth in Section 1129(b) of the Bankruptcy Code and requires that, among other things, the claimants must either

receive the full value of their claims or, if they receive less, no Class with junior liquidation priority may receive anything unless the junior class provides “new value” or other consideration to the Debtors. For example, if the holders of Allowed Priority Tax Claims are not paid in full, the holders of General Unsecured Claims are not permitted to receive anything on account of their claims. This is known as the “absolute priority rule.”

The Debtors may, at their option, choose to rely on Section 1129(b) to seek confirmation of the Plan if it is not accepted by all impaired Classes of Creditors.

#### **IV. GENERAL INFORMATION**

##### **4.1 Description of the Debtors**

Prior to the commencement of the Debtors’ Bankruptcy Cases, the Debtors experienced a liquidity crisis. The Bankruptcy Cases were filed to preserve the Debtors’ assets and to restructure the Debtors’ businesses.

##### **A. The Debtors**

The Debtors are all Massachusetts corporations or limited liability companies with a principal place of business of 1245 Shawmut Avenue, New Bedford, Massachusetts. ABC Disposal Service, Inc. was organized in April 1981 and employs approximately 175 people. It provides full service waste hauling, disposal and recycling services, and sells, rents and services compaction and baling equipment to a variety of industrial, institutional, commercial and construction related customers. ABC has long term contracts with six (6) municipalities including, but not limited to, New Bedford, Fairhaven, Mattapoisett, Plymouth, Rochester, and Seekonk, Massachusetts. ABC also provides disposal services directly to residents of other municipalities on an individual basis and not through a contract with the municipality. The majority of waste hauling services are typically performed on a scheduled weekly basis. Other rental, hauling, and disposal services are provided on an as-needed basis upon request by customers.

New Bedford Waste Services, LLC was organized in February 1999 and employs approximately 25 people. It owns and operates municipal solid waste and construction and demolition debris transfer stations in New Bedford, Sandwich, and Rochester, Massachusetts which transfer and process residential, commercial, industrial, and institutional and construction wastes under approved state and local government permits and licenses. It also provides paper recycling and construction and demolition debris recycling in a state-of-the-art facility in New Bedford. Approximately one-third (1/3) of the waste processed at that facility is collected and delivered by ABC. The remainder is waste from unaffiliated third-party disposal companies.

Solid Waste Services, Inc. is a Massachusetts corporation organized in 1999 to hold an ownership interest in New Bedford Waste. Shawmut Associates, LLC and A&L Enterprises, LLC are Massachusetts limited liability companies that are owned by the Camara family. Shawmut and A&L own and lease real estate to ABC and New Bedford Waste in connection with their operations. Shawmut Associates was organized in 2000 and owns four properties in New Bedford Massachusetts, one property in Sandwich, Massachusetts, and one property in Rochester, Massachusetts. A&L Enterprises was organized in 2001 and owns a property in New

Bedford, Massachusetts. ZERO Waste Solutions, LLC is a Massachusetts limited liability company formed in 2013 for the purposes of developing and operating an advanced mixed waste recycling facility located on Shawmut's Rochester property to process and market recyclable material and then convert unrecyclable material into compact, clean burning, high yield fuel briquettes which have a variety of industrial uses. The facility is not completed and ZERO Waste is not operating.

The Debtors' annual gross revenue grew to approximately \$50 million in the year prior to their filing and the Debtors currently employ more than 200 people fulfilling a critical need for the municipalities and other customers that they service.

## **B. Events Precipitating the Bankruptcy Cases**

The capacity for solid-waste disposal in Massachusetts is declining. Certain landfills have closed and others are scheduled to close in the next several years. Massachusetts projects that solid-waste disposal capacity will decrease by ten percent (10%) by 2018. As a result of capacity limitations, disposal costs increase in the form of increased fees and transportation costs associated with disposal outside the state. Disposal costs are the Debtors' largest operating expense currently totaling approximately \$375,000 per week.

In order to address these issues and provide for the long-term viability of their businesses, the Debtors determined to construct the ZERO Waste facility. In 2013 the Debtors began discussions with Webster Bank, National Association ("Webster") regarding providing funding of approximately \$50,000,000 to refinance the Debtors' existing credit facility, to provide working capital, to purchase additional equipment, and to construct the ZERO Waste facility. At the time, Shawmut was party to several loan agreements with Webster secured by individual mortgages on certain of the Shawmut properties.

Those discussions continued for approximately seven (7) months, and Webster ultimately provided approximately \$26 million in financing to the Debtors to payoff certain of their obligations and to provide some working capital to ABC and New Bedford Waste. The financing did not include funds for the ZERO Waste facility.

Based upon the financing that was provided and the expectation that additional financing could be obtained, the Debtors acquired additional rolling stock, aggressively contracted with new customers, and began construction and development of the ZERO Waste facility. In late 2014 a lack of financing for the ZERO Waste facility compromised the Debtors' cash flow, placing a burden on their operations and financial position. As a result, shortly after the closing of the Webster financing, the facility assertedly went into default and the Debtors were shut off from their lines of working capital credit. As a consequence, the Debtors were forced to obtain additional working capital from a non-traditional lender, which required weekly and eventually daily payments. The Debtors made an extensive effort to obtain funding from alternative sources to complete the ZERO Waste facility and restructure their outstanding indebtedness. While there was substantial interest expressed by several lenders and capital providers, the Debtors were not able to secure additional funding. Contemporaneously, the seasonal increase in demand put further strain on the Debtors' working capital and the Debtors became unable to make their periodic debt payments. As described below, several of the Debtors' creditors initiated actions



against the Debtors or otherwise took steps to exercise control over the Debtors' assets and as a consequence, the Debtors were forced to file these cases to preserve their assets and their ability to pay their creditors.

#### **4.2 The Debtors' Assets**

ABC's tangible assets include, without limitation, (a) approximately 200 titled vehicles including tractors, loaders, and semi-trailers, (b) various pieces of equipment such as welders, compressors, and plasmas cutters, and containers, (c) an inventory of parts used to maintain its titled vehicles and equipment, (d) various materials used in either the disposal business or for maintenance, and (e) used office furniture and equipment. ABC's intangible assets consist of its permits, contracts, and accounts receivable.

New Bedford Waste's tangible assets include the transfer station in New Bedford, certain equipment and materials used at the processing plant in New Bedford, and used office furniture and equipment. New Bedford Waste's intangible assets include its permits, contracts, and accounts receivable.

Shawmut Associates owns multiple parcels of property across Southeastern Massachusetts. Among others, it owns a 2.4 acre parcel in New Bedford located at 1228 Shawmut Avenue which is improved by offices and other commercial space used principally for ABC's operations, adjacent or abutting properties located at 1069, 1136, and 1200 Shawmut Avenue and 994-998 Nash Road which total approximately seven (7) acres, and the 31 acre parcel in Sandwich, Massachusetts located at 295 Service Road which is improved by the New Bedford Waste transfer station, a 69 acre property in Rochester, Massachusetts located at 48-50 Cranberry Highway improved by another New Bedford Waste transfer station and the planned location for the ZERO Waste processing facility (collectively and with the Rochester Property, the "Shawmut Properties"). A&L Enterprises owns three parcels of land in New Bedford, Massachusetts totaling approximately twenty-six (26) acres located at 1245 Shawmut Avenue which are improved by the New Bedford Waste processing facility.

#### **4.3 The Debtors' Liabilities<sup>3</sup>**

Upon a motion by the Debtors, the Court entered an order [docket no. 290] establishing October 7, 2016, as the date by which all parties must file proofs of claim against the Debtors. The description of the Claims in this Disclosure Statement is based on the Debtors' respective Schedules, pleadings filed in the Bankruptcy Case, and the proofs of claim filed by creditors by the Bar Date.

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<sup>3</sup> The Debtors' description of the claims set forth in this section of the Disclosure Statement does not constitute an admission that the claims are Allowed Claims. The Debtors reserve the right to, among other things, (a) object to any Claim, (b) contest the right of the holder of any Claim to vote on the Plan or designate the vote of the holder of any Claim; (c) contest the right of the holder of any Claim to receive distributions under the Plan; and (d) seek to subordinate any Claim for inequitable conduct or otherwise.

**A. The Shawmut Loans Claim**

Between June 2009 and April 2013 Shawmut entered into certain loan agreements with Webster, the proceeds of which were used to refinance certain existing obligations or acquire additional properties.

Webster, individually and not as agent, has filed proofs of claims against Shawmut, ABC, and New Bedford Waste asserting to be owed \$6,014,554 in the aggregate as of the Petition Date in connection with its loans to Shawmut, including \$82,145 in non-default rate interest and \$5,324 in late charges, but not including asserted unliquidated claims for post-petition interest, charges and attorneys' fees under Section 506(b) of the Bankruptcy Code. Webster asserts mortgages on all of the Shawmut Properties, which are allegedly cross-collateralized with the other Shawmut mortgages. Webster alleges that Shawmut's obligations under the Shawmut Loans have been guaranteed by ABC, NBWS, and certain of the Principals. After the Petition Date, Webster filed suit in Suffolk County Superior Court against the alleged non-debtor guarantors seeking payment of those loans.

**B. The ABC Loan Claim**

On or about February 12, 2014, ABC, New Bedford Waste, and A&L entered into loan agreements (the "2014 Loan") with Webster in its capacity as administrative agent and issuing bank ("Webster Agent") to provide financing under various secured credit facilities of approximately \$26 million, the proceeds of which were used to satisfy certain of the Debtors' existing obligations, expand their vehicle fleet, purchase additional equipment, and fund operations. Shortly after the closing of the 2014 Loan, Webster Agent determined the loan to be in default and terminated the Debtors' working capital lines.

Webster Agent has filed proofs of claims against ABC, New Bedford Waste, and A&L asserting to be owed \$22,581,589 as of the Petition Date in connection with the notes issued in connection with the 2014 Loan and certain letter of credit obligations, including \$379,231 in both default and non-default interest, and \$30,258 in late charges, but not including asserted unliquidated claims for post-petition interest, charges and attorneys' fees under Section 506(b) of the Bankruptcy Code. Webster Agent alleges that the obligations under the 2014 Loan have been guaranteed by ABC, New Bedford Waste, A&L, SWS and certain of the Principals.

Approximately ninety (90) days after the Petition Date, Webster Agent notified the Debtors that it asserted to have been pledged the Principals' equity interests in ABC, New Bedford Waste, SWS, and A&L, as collateral for the 2014 Loan.

On account of the 2014 Loan, Webster Agent asserts liens on substantially all of the assets of ABC, New Bedford Waste, and SWS including, without limitation, their equipment, vehicles, receivables, and intangibles. Webster Agent further asserts a first-priority mortgage on 1245 Shawmut Avenue, New Bedford, Massachusetts owned by A&L.

The Debtors assert to have certain defenses and claims against Webster Agent on account of, among other things, the failure to provide the financing for the ZERO Waste facility. Webster Agent, in turn, disputes any allegation that it was obligated or had otherwise promised to provide financing for the ZERO Waste facility. The Debtors also dispute Webster Agent's

asserted security interest in ABC's titled vehicles, other than those financed by BMO, because the asserted liens of Webster Agent are not notice on the certificates of title of those vehicles at the Massachusetts Registry of Motor Vehicles.

After the Petition Date, Webster Agent filed suit in Suffolk County Superior Court against the alleged non-debtor guarantors seeking payment of the 2014 Loan and continues to pursue the non-debtor guarantors in the ABC Action.

### **C. The BMO Harris Bank, N.A. Claim**

In 2014 and 2015 ABC entered into a series of loan agreements with General Electric Capital Corporation in the approximate aggregate principal amount of \$4.4 million to enlarge and modernize its truck fleet and to acquire containers for the use in its operations. GE Capital later assigned its rights under the loans to BMO Harris Bank, N.A.

BMO has filed a proof of claim against ABC asserting to be owed \$3,765,649 as of the Petition Date in connection with the loans, not including claims for interest and other charges which BMO asserts may be owed. BMO asserts to be secured based upon liens noted on the titles of approximately six (6) of ABC's vehicles and liens on certain containers used by ABC in its residential cartage business noted on a UCC-1 financing statement filed with the Secretary of Commonwealth. The value of BMO's asserted liens appears to be significantly less than the amount of its asserted claim. The Debtors assert that they may have defenses and counterclaims BMO's claims including, among other things, that certain of BMO's asserted liens were perfected within the preference period under Section 547 of the Bankruptcy Code. The Debtors reserve their rights to seek to avoid those liens and preserve their value for the estates.

BMO alleges that the obligations under the GE Capital Loans have been guaranteed by New Bedford Waste and certain of the Principals. BMO sued and obtained judgment against the asserted guarantors and is currently pursuing collection efforts. Among other things, BMO initiated an action to reach and apply their shares of stock in ABC to satisfy its judgment.

### **D. The BFS Financial Claim**

After the 2014 Loan went into default, ABC and New Bedford Waste were forced to obtain additional working capital loans from a non-traditional lender, Small Business Term Loans, Inc. d/b/a BFS Capital.

Beginning in late 2014, BofI Federal Bank made multiple loans to each of ABC and New Bedford Waste. The stated amount of each of the BofI loans was substantially greater than actually received by the Debtors, with the difference paid to BoFI as fees for the loans. The BofI loans carried effective interest rates of as much as 52% per annum, matured within six (6) months, and required weekly and eventually daily payments. Within days of its execution, BofI transferred and assigned the promissory note evidencing each BofI loan to BFS. Ultimately, ABC and New Bedford Waste collectively received proceeds from the BofI loans totaling approximately \$7.2 million. Prior to the Petition Date, the Debtors paid to BFS an aggregate approximate amount of \$7.7 million.

BFS has filed proofs of claims against ABC and New Bedford Waste asserting to be owed the aggregate amount of \$1,749,969 as of February 10, 2016 and February 9, 2016, respectively, in connection with the Bofl Loans and not including additional claims for interest and other charges to which BFS asserts to be entitled. BFS asserts, pursuant to the Bofl loan agreements, to hold all-asset liens against ABC and New Bedford Waste. BFS has also filed a UCC Financing Statement asserting an all-asset lien against SWS. BFS' asserted liens appear to be junior to the asserted liens of Webster and Webster Agent. BFS alleges that the obligations under the BFS loans have been guaranteed by certain of the Principals.

Prior to the Petition Date, BFS filed suit in United States District Court against ABC, New Bedford Waste, and the asserted non-debtor guarantors seeking payment of the Bofl Loans captioned as *Small Business Terms Loans, Inc. v. ABC Disposal Service, Inc., et al.* Civ. A. No. 16-10454.

The Debtors believe that they have substantial defenses and counterclaims to BFS' claims as set forth in the Debtors' answer and a proposed counterclaim filed in the BFS Action [docket nos. 15, 33], including claims for rescission and/or reformation of the promissory notes executed in connection with the BFS loans and for damages arising from Bofl's and BFS's violation of the Massachusetts Usury Statute, unjust enrichment, unfair and deceptive acts and practices, and civil conspiracy.

#### **E. Mechanics' Lien Claims**

In addition to the consensual liens on the Debtors' properties set forth above, various contractors have recorded notices of contract, statements of account, and/or complaints on the title of the Shawmut Property located at 48-50 Cranberry Highway, Rochester, Massachusetts alleging to be owed certain amounts and alleging mechanics liens pursuant to M.G.L. ch. 254 in connection with the construction of the ZERO Waste facility. The asserted mechanics lien holders who have filed claims are as follows, listed in the order of the recording of their asserted liens:

<b>Claimant</b>	<b>Amount of Claim</b>
Barnes Buildings & Management Group, Inc.	\$117,503
Shawmut Metal Products, Inc.	\$160,230
Morin & Pepin, Inc.	\$88,259
Breen and Sullivan Mechanical	\$172,054
Page Building Construction Co.	\$2,953,192
Aluminum & Glass Concepts, Inc.	\$57,840

Shawmut believes that the Claim asserted by Page Building is inclusive of the amounts asserted to be owed by the other Mechanics' Lien Claims, which have been filed by subcontractors of Page Building.

## **F. Priority and Priority Tax Claims**

On May 12, 2016, the Bankruptcy Court authorized ABC and New Bedford Waste to pay pre-petition priority wage and benefit claims, and the Debtors have paid these claims. While the Debtors do not believe that they owe any base wages that may constitute priority claims under Section 507 of the Bankruptcy Code, there may be amounts, accrued in the ordinary course of business, owed on account of overtime pay, expense reimbursement, benefits and vacation and sick pay that may constitute priority claims.

Several creditors have filed proofs of claim asserting priority claims in the aggregate amount of approximately \$14,000, including one by a former employee of ABC, which the Debtors dispute. The Debtors continue to review and evaluate these claims.

## **G. General Unsecured Claims**

The Debtors estimate, excluding claims of Insiders, the disputed Claim of BFS, and the claim of the City of New Bedford in the amount of \$4,370,000, which was resolved through a stipulation pursuant to which the City waived any right of recovery against the Debtors' bankruptcy estates, and depending upon BMO's election as to treatment under the Plan, that there are approximately 500 creditors holding Allowed General Unsecured Claims in an approximate aggregate amount between \$6,000,000 and \$6,500,000. Of that number, approximately 250 hold Allowed General Unsecured Claims in an amount equal to \$5,000 or less. The approximate aggregate amount of such claims is \$300,000. As is described more fully below, all General Unsecured Claims are classified in one of two classes. In order to reduce the costs associated with administering payments under the Plan, General Unsecured Claims in an amount equal to or less than \$5,000 are classified in the Class 8 Convenience Class. The remaining General Unsecured Claims are classified in Class 9.

## **V. SIGNIFICANT POST PETITION EVENTS**

### **5.1 General Information**

On May 11, 2016, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Massachusetts. The Debtors continue to operate as debtors and debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. The Debtors' Chapter 11 Cases are being jointly-administered.

On May 23, 2016, the Office of the United States Trustee appointed an Official Committee of Unsecured Creditors in these cases consisting of the following creditors: (a) Clean Energy; (b) Casella Waste Systems, Inc.; (c) Ballard Mack Sales & Service, Inc.; (d) JRM Hauling and Recycling Services, Inc.; (e) Bruno's Rolloff, Inc.; (f) Champion City Recovery; and (g) Goulet Trucking, Inc. (the "Committee"). The Committee retained Attorney Michael Fencer and the firm of Jager Smith P.C. as counsel. Champion City Recovery has since resigned from the Committee.

## 5.2 Chapter 11 Activity

### A. First Day Motions

Contemporaneously with the filing their Chapter 11 petitions, ABC and New Bedford Waste filed various so-called “first day” motions, including the *Motion for Entry of Order (1) Authorization Use of Cash Collateral*, (2) *the Granting of Replacement Liens*, (3) *Scheduling a Hearing on the Further Use of Cash Collateral* and (4) *Granting other Relief* [docket no. 7] (the “Cash Collateral Motion”), and the *Motion filed by Debtors and Debtors-in-Possession to (A) Pay Prepetition Wages, Salaries and Benefits and Honor Certain Accrued Prepetition Obligations pursuant to 11 U.S.C. §§ 105(a), 363(b), 507(a)(4), and 507(a)(5), and Use Existing Payroll Accounts and Business Forms* [docket no. 8] (the “Wage Motion”). The Cash Collateral Motion sought authority to use Cash, which may be the collateral of Webster Agent and/or BFS to fund ABC and New Bedford Waste’s ordinary course operations during their bankruptcy cases. The Wage Motion sought permission to pay pre-petition wages and benefits that would otherwise constitute priority unsecured claims pursuant to Section 507(a)(4) of the Bankruptcy Code. The Debtors submitted the affidavit of Michael Camara in support of those motions [docket no. 12].

The Bankruptcy Court granted the Wage Motion following hearing on May 12, 2016 [docket no. 22] and entered an order granting interim use of Cash Collateral through and including June 4, 2016 and the Debtors negotiated an agreed upon order in connection therewith.

### B. Continued Use of Cash Collateral

Following a continued hearing on the Cash Collateral Motion, on June 1, 2016, the Bankruptcy Court entered an order granting permanent use of Cash Collateral by ABC and New Bedford Waste in the course of their operations during these cases (the “Final Cash Collateral Order”).

On May 31, 2016, each of Shawmut and A&L and ABC and New Bedford Waste filed motions to use of cash collateral, including insurance proceeds, to pay the costs necessary to operate, maintain, and preserve their properties and the repair and remediation costs arising from a fire at one of the Shawmut Properties [docket nos. 61 and 83] (the “Insurance Motions”). The Bankruptcy Court entered orders approving the Debtors’ use of Cash Collateral as requested in the Insurance Motions subject to certain procedures on June 8, 2016 [docket nos. 101, 102] (the “Insurance Orders”).

In accordance with the Final Cash Collateral Order, on July 26, 2016, the Debtors filed a status reports regarding the use of Cash Collateral [docket nos. 135, 220] each of which included, among other things: (a) a budget-to-actual of the Debtors’ operations and (b) a budget for the continued use of Cash Collateral. The Bankruptcy Court scheduled a further status conference on the use of Cash Collateral for January 11, 2017. The Debtors have operated and used Cash Collateral during these cases in accordance with the Final Cash Collateral Order and the Insurance Orders. The Debtors are in compliance with the United States Trustee’s Operating and Reporting Requirements for Chapter 11 Cases and their other reporting requirements as ordered by the Bankruptcy Court.

The Debtors have operated uninterrupted since the Petition Date. They have funded their operations solely through the use of Cash Collateral and without a debtor-in-possession financing facility, avoiding the additional costs, liens, and administrative claims associated with such a facility. The Debtors have taken efforts to stabilize their businesses and increase profitability through price adjustments, expense reduction, and operational streamlining. Among other things, the Debtors were able to avoid an interruption in their operations following a fire at the Shawmut Property in Rochester and have successfully removed built-up waste at their transfer stations which accumulated as a result of their prepetition liquidity crises. The Debtors' efforts have resulted in substantial increases in Cash Collateral during these cases as is evidenced by the status reports and weekly cash-flow comparisons. As of December 10, 2016, the Debtors' cash totaled \$3,425,079, an increase of \$2,827,713 since the Petition Date. On the same date, the Debtors' accounts receivable totaled \$6,104,373, an increase of \$1,842,864 since the Petition Date.

### **C. Extension of the Exclusivity Periods**

On August 15, 2016, the Debtors filed the *Motion pursuant to 11 U.S.C. §§ 1121(D) to Extend the Deadlines to File a Plan of Reorganization and Solicit Acceptances* [docket no. 155] requesting an extension of the exclusive deadlines for the Debtors to file and solicit a plan of reorganization. Contemporaneously, the Debtors filed a motion to extend the time to assume or reject its unexpired leases so that the assumption or rejection of such leases could be addressed in the Debtors' plan of reorganization [docket no. 161]. BFS filed an objection to the Debtors' exclusivity motion [docket no. 172].

The Debtors reached agreement with Webster, BMO, BFS, and the Committee to extend the exclusive periods to October 17, 2016 and December 9, 2016, respectively, and to continue the hearing on the Exclusivity Motion to facilitate a meeting between the Debtors and Webster regarding the possibility of a consensual plan. The Bankruptcy Court entered an order approving the agreed upon exclusivity extensions on September 7, 2016 [docket no. 175] and simultaneously approved the Debtors' lease motion [docket no. 177].

On the condition that the Debtors agree not to seek a further extension of the exclusive deadline to file a Plan, Webster, BMO, BFS, and the Committee assented to the extension of the Debtors' exclusive periods to file a plan of reorganization pursuant to 11 U.S.C. §1121(b) through and including December 30, 2016 and to solicit acceptances of their plan of reorganization pursuant to 11 U.S.C. §1121(c) through and including March 2, 2017. The Debtors have reserved their rights to seek additional extensions of the 1121(c) deadline to solicit acceptances for the Plan and the creditors have reserved their rights to object to any requested extension. On October 13, 2016, the Bankruptcy Court entered an order extending the Debtors' exclusivity deadlines accordingly.

### **D. Administration of the Estate.**

Since the Petition Date, the Debtors have been paying their obligations in the ordinary course of business and, therefore, do not believe that there will be any substantial unpaid administrative claims on account of post-petition trade debt.

The Debtors have commenced certain periodic post-petition payments to creditors as required by the Bankruptcy Code. On August 5, 2016, the Debtors commenced making monthly payments to Webster Agent in the amount of \$11,250 pursuant to Section 362(d)(3)(B)(ii) on account of its asserted interest in A&L's property. The Debtors estimate that they will make post-petition payments to Webster Agent through the Effective Date of approximately \$90,000. That same month, the Bankruptcy Court approved a stipulation pursuant to which the Debtors commenced making monthly payments to BMO in the amount of \$15,000 and making monthly escrow deposits in the amount of \$10,000 as adequate protection for the uninterrupted post-petition use of the vehicles in which BMO claims a security interest. The Debtors estimate that they will make post-petition payments to BMO through the Effective Date of approximately \$135,000 and will hold Escrow Funds on the Effective Date of approximately \$90,000.

The Court has approved interim compensation requests of the Debtors' and the Committee's professionals in the aggregate amount of \$716,748 and those amounts have been paid by the Debtors. Applications for additional interim fees and expenses may be filed prior to the Effective Date.

#### **E. Post-Petition Discussions with Creditors**

The Debtors and their professionals have worked assiduously to respond promptly to inquiries and to communicate with creditors regarding the Debtors' operations and the treatment of creditors under the Plan. They have discussed the Plan terms with creditors including Webster, the Committee, and BMO and have worked with creditors to develop consensual treatment provisions. Indicative of the Debtors' efforts in this regard, Webster has agreed in connection with the Plan to provide a revolving credit facility to the Debtors in the amount of \$5,000,000 to fund the Debtors' operations and facilitate payments to creditors under the Plan. The Debtors expect that the Plan will receive the requisite creditor support to effect a prompt exit from these proceedings and the commencement of payments to creditors.

### **VI. DESCRIPTION OF THE PLAN**

The following is a summary of the significant provisions of the Plan and is qualified in its entirety by the provisions of the Plan, a copy of which accompanies this Disclosure Statement. In the event and to the extent that the description of the Plan contained in this Disclosure Statement is inconsistent with any provisions of the Plan, the provisions of the Plan shall control and take precedence. All creditors are urged to carefully read the Plan.

#### **6.1 Unclassified Claims.**

As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not classified for the purposes of voting on, or receiving distributions under, the Plan. All such Claims are instead treated separately in accordance with the terms set forth in Article II of the Plan.

#### **A. Administrative Expense Claims.**



(1) General. Except for Professional Fee Claims and except as otherwise agreed to by the Debtors and the holder of an Allowed Administrative Expense Claim, each such holder shall be paid in full in Cash on the later of: (i) the date such Allowed Administrative Expense Claim becomes due in accordance with its terms; and (ii) the Effective Date. If an Administrative Expense Claim is disputed, the Reorganized Debtors shall pay such Administrative Expense Claim within five (5) days after the entry of a Final Order allowing such Administrative Expense Claim.

(2) U.S. Trustee's Fees. The outstanding fees due to the United States Trustee pursuant to 11 U.S.C. § 1930 shall be paid in full on or before the Effective Date.

(3) Professional Compensation and Expense Reimbursement Claims.

(i) Within thirty (30) days after the Effective Date, each Professional shall file a final application for the allowance of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date. Any such application granted by the Bankruptcy Court shall be paid: (1) within fifteen (15) days of the entry of the order of the Bankruptcy Court approving such application, unless a stay of the order approving the application is obtained; or (2) upon such other terms as may be mutually agreed upon between the Professional and the Debtors or Reorganized Debtors.

(ii) All fees and expenses of Professionals for services rendered after the Effective Date shall be paid by the Reorganized Debtors upon receipt of reasonably detailed invoices in such amounts and on such terms as such Professional and the Reorganized Debtors may agree. No further order or authorization from the Bankruptcy Court shall be necessary to permit the Reorganized Debtors to pay the fees and expenses of Professionals for services rendered after the Effective Date.

**B. Priority Tax Claims.**

At the sole election of the Debtors, each holder of an Allowed Priority Tax Claim against each such Debtor, if any, shall be paid either: (a) upon such terms as may be agreed to between the Debtors and the holder of an Allowed Priority Tax Claim; (b) in full in Cash on the later of the Effective Date or the date that such Allowed Priority Tax Claim would have been due if the Bankruptcy Cases had not been commenced; or (c) in installment payments of Cash commencing on the Effective Date and (i) of a total value as of the Effective Date equal to the Allowed amount of such Claim, (ii) over a period ending not later than five (5) years from the Petition Date, and (iii) in a manner not less favorable than the most favored General Unsecured Claim under the Plan (other than the manner provided to the holders of Convenience Class Claims).

**6.2 Classification.**

As is further set forth in Section 5.8 of the Plan, solely for purposes of the Plan including, but not limited to, the classification, treatment, voting, and payment of creditors' Claims, the

Debtors are proposing a joint plan which provides, among other things, that Claims, whether asserted against any one of the Debtors or multiple Debtors, shall be classified in one Class so that regardless of which Debtor or Debtors a Claim is asserted against, (i) each Claim shall be allowed in one amount and classified in one Class, (ii) each Claim shall be treated the same as other similar Claims in that Class, and (iii) each Debtor shall be liable for the payments provided for under the Plan.

A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class. A Claim is classified in other Classes to the extent that any portion of the Claim or Equity Interest falls within the description of such other Classes. A Claim is placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released or otherwise settled prior to the Effective Date.

Claims against and Equity Interests in the Debtors have been classified as follows:

Class	Designation	Impairment	Entitled to Vote
1	Priority Claims	Unimpaired	No
2	Shawmut Loans Allowed Claim	Impaired	Yes
3	ABC Loan Allowed Claim	Impaired	Yes
4	BMO Claim	Impaired	Yes
5	BFS Claim	Impaired	Yes
6	Mechanics Lien Claims	Impaired	Yes
7	Miscellaneous Secured Claims	Impaired	Yes
8	Convenience Class	Impaired	Yes
9	General Unsecured Claims	Impaired	Yes
10	Insider Claims	Impaired	Yes
11	Equity Interests	Unimpaired	No

**6.3 Class 1 – Priority Claims.**

**A. Classification.** Class 1 consists of all Priority Claims.

**B. Impairment and Voting.** Class 1 is unimpaired under the Plan. The holder of a Class 1 Claim shall not be entitled to vote to accept or reject the Plan.

**C. Distributions.** In full and complete satisfaction, settlement, release and discharge of any Priority Claims, each holder of an Allowed Priority Claim shall receive payment in full in Cash on the later to occur of the Effective Date or the date such claim becomes an Allowed Claim.

#### 6.4 Class 2 – Shawmut Loans Allowed Claim.

**A. Classification.** Class 2 consists of the Shawmut Loans Allowed Claim. No part of the Webster Allowed Claim is classified in any other Class.

**B. Impairment and Voting.** The Shawmut Loans Allowed Claim is impaired under the Plan. The holder of the Allowed Webster Claim shall be entitled to vote to accept or reject the Plan.

**C. Claim Treatment.** On the Effective Date, in full and complete satisfaction of the Shawmut Loans Allowed Claim, (i) the Shawmut Loans will be restated in the full amount of the Shawmut Loans Allowed Claims, (ii) the Shawmut Loans shall be modified as set forth herein and (iii) Webster shall receive the Shawmut Loan Initial Payment.

The terms of the Shawmut Loans shall be consistent with the terms of the Existing Shawmut Loan Agreements, as modified and amended as follows:

- (i) Borrowers. The borrowers on the Shawmut Loans shall include all of the Debtors other than ZERO Waste.
- (ii) Principal. The principal amount of the Shawmut Loans shall be equal to the total amount of the Shawmut Loans Allowed Claim net of the Shawmut Loan Initial Payment.
- (iii) Interest. Commencing on the Effective Date, interest shall accrue on the Shawmut Loans at an annual rate equal to the Prime Rate plus two and one-half percent (2½%). Commencing upon the 30th day following the Effective Date, monthly payments of interest shall be made on the Shawmut Loans.  
  
Upon the occurrence and during the continuance of an event of default, the interest rate shall be increased to two percent (2.00%) above the amounts otherwise applicable.
- (iv) Amortization. Commencing on the 90<sup>th</sup> day following the first anniversary of the Effective Date and continuing quarterly thereafter through the fifth (5<sup>th</sup>) anniversary of the Effective Date, quarterly payments of principal in the amount of \$62,500 shall be due on the Shawmut Loans.
- (v) Maturity and Pre-Payment Privilege. The Shawmut Loans shall become due and shall be paid in full on the fifth (5<sup>th</sup>) anniversary of the Effective Date. The Shawmut Loans may be prepaid in full at any time without penalty. All optional prepayments would be applied to the installments owing in respect of the Shawmut Loan in the inverse order of their maturity and (unless in connection with the prepayment in full of the Shawmut Loans) without penalty or premium.

(vi) Collateral. The Shawmut Loans shall be secured by the following collateral:

- a. A first priority Lien on the Shawmut Loan Primary Collateral;
- b. A Lien on the ABC Loan Primary Collateral, junior only to the Liens securing the ABC Loans;
- c. Liens on the BMO Collateral and the Mechanics' Lien Collateral, junior to existing Liens; and
- d. A second priority Lien on the Exit Facility Primary Collateral, junior only to the Liens granted pursuant to the Exit Facility and *pari passu* with the Liens on the Exit Facility Primary Collateral securing the ABC Loans.

**D. Guarantors.** The Shawmut Guarantors shall ratify their personal guarantees with respect to the Shawmut Loans and the Shawmut Loan Documents.

**E. Discharge of Liens.** Upon payment in full of the Shawmut Loans, including all interest thereon and fees and expenses related thereto: (i) all Liens securing the Shawmut Loans shall be deemed canceled, discharged and released, and (ii) the holder of the Class 2 Claim shall be required to deliver to the Reorganized Debtors, within three (3) Business Days of the payment in full of the Shawmut Loans Allowed Claim, all UCC terminations, mortgage discharges and releases and any other documents necessary to effect the discharge and release of the Liens securing the Shawmut Loans.

**F. ZERO Waste Financing and Lease.** Webster, as mortgagee under the Shawmut Loan Primary Collateral, shall, upon request by the Debtors, execute a non-disturbance agreement with respect to the ZERO Waste lease reasonably acceptable to Webster; provided that all agreements between ZERO Waste and borrowers under the Shawmut Loan shall be reflective of arms'-length transactions and shall be at market rates. Webster shall release any Claim or Lien it has or may have against ZERO Waste as required to effectuate the ZERO Waste Financing and Lease.

**G. Release.** Upon the Effective Date, Webster, on the one hand, and the Debtors, the Estates, the Reorganized Debtors, and/or any Principal, on the other, shall be deemed to have forever released, waived and discharged each other from all Claims (including any derivative Claims), obligations, suits, judgments, damages, demands, rights, causes of action and liabilities whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, the Shawmut Loans, the Bankruptcy Cases or this Plan; provided however that the parties shall not release any claims arising under the Plan, or, with respect to periods after the Effective Date, the Shawmut Loans and the guarantees in respect of the Shawmut Loans.

**H. Other Provisions.** The foregoing treatment shall be subject to the execution of an amended loan agreement in form and substance reasonably satisfactory to Webster and the Debtors to be filed with the Plan Supplement which shall include, among other things, the following additional terms:

- (i) Financial Advisor. The Debtors shall engage Argus Management Corporation or such other Person selected by the Debtors subject to the approval of Webster, which approval shall not be unreasonably withheld, and shall consult with such advisor (A) prior to undertaking any transactions out of the ordinary course of business and (B) on the annual business plan and results of operation of the Debtors.
- (ii) Mandatory Prepayments. The Shawmut Loans shall be repaid with 100% of the net proceeds of any debt issuance of the Borrowers and any sale, disposition, casualty or condemnation of assets of the Borrowers under the Shawmut Loans (subject to exceptions to be agreed in the Plan Supplement).

All mandatory repayments would be applied to the installments owing in respect of the Shawmut Loans in the inverse order of their maturity and without penalty or premium.

- (iii) Financial Reporting. Same as the Existing Shawmut Loan Agreements, except as follows:

Commencing from the first full month after the Effective Date and until the first anniversary of the Effective Date, as soon as available but in any event not later than twenty (20) days after the end of each fiscal month of the Borrowers, the Borrowers shall provide to Webster the unaudited consolidated and consolidating financial statements of the Borrowers as of the end of such fiscal month and for such fiscal month, certified by a financial officer of the Borrowers as presenting fairly in all material respects the financial conditions and results of operations of the Borrowers in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and without footnotes and other presentation items required under GAAP, and including such other information with respect to the Borrowers as Webster shall reasonably request (including monthly updates with respect to accounts payable agings, tonnage information, and a management explanation of performance)

- (iv) Financial Covenants: Same as the Existing Shawmut Loan Agreements, except as follows:
  - a. Minimum Fixed Charge Coverage Ratio of not less than

1.0:1.0 (with such ratio to be defined as the ratio of (I) EBITDA minus (I) distributions and dividends made during such period, (II) income taxes paid in cash (including, without duplication, distributions made therefor), and (III) capital expenditures in excess of \$250,000 during such period and excluding those capital expenditures financed with proceeds of permitted capital leases or permitted purchase money financing during such period (which, for the avoidance of doubt, shall exclude the Exit Facility), in each case, for the prior twelve (12) consecutive months ending on such date of determination to (2) the sum of (I) total payments of the current maturities of long-term debt excluding those capital expenditures financed with proceeds of permitted capital leases or permitted purchase money financing during such period (which, for the avoidance of doubt, shall exclude the Exit Facility) plus (II) interest expense during such twelve (12) month period), as determined in accordance with GAAP and tested as of the last day of each fiscal quarter; and

b. Maximum Total Leverage Ratio to be set a level providing a 15% cushion to the Borrowers' projected Plan (with such ratio to be defined as the ratio of (i) total funded debt as of the date of determination to (ii) EBITDA for the most recently ended four (4) fiscal quarter period), as determined in accordance with GAAP, to be tested as of the last day of each fiscal quarter.

(v) Deferred Fee. Commencing on the first anniversary of the Effective Date and continuing annually thereafter, a payment equal to one percent (1.00%) of the average daily outstanding balance of the Shawmut Loans shall be due and payable to Webster.

**I. Injunction.** So long as the Debtors comply with the terms of this Section 4.2 of the Plan, and are not otherwise in default of the Shawmut Loans, the holder of the Class 2 Claim shall be temporarily enjoined from commencing, continuing or enforcing in any manner or in any place, any action or other proceeding, whether directly, indirectly, derivatively or otherwise against any of the Principals for the collection of all or any portion of its Allowed Claim paid or to be paid under the Plan.

**J. Terms, Generally.** Except as set forth herein, and other matters that may be agreed in the Plan Supplement, the terms and conditions of the Existing Shawmut Loan Agreements shall remain in full force and effect.

**6.5 Class 3 – ABC Loan Allowed Claim.**

**A. Classification.** Class 3 consists of the ABC Loan Allowed Claim.

**B. Impairment and Voting.** The ABC Loan Allowed Claim is impaired under the Plan. The holder of the ABC Loan Allowed Claim shall be entitled to vote to accept or reject the Plan.

**C. Claim Treatment.** On the Effective Date, in full and complete satisfaction of the ABC Loans, (i) the ABC Loans will be restated in the full amount of the ABC Loan Allowed Claims, (ii) the ABC Loans shall be modified as set forth herein and (iii) Webster shall receive the ABC Loan Initial Payment.

The terms of the ABC Loan shall be consistent with the terms of the Existing ABC Loan as modified and amended, as follows:

- (i) Borrowers. The borrowers on the ABC Loans shall include all of the Debtors other than ZERO Waste.
- (ii) Principal. The principal amount of the ABC Loans shall be equal to the total amount of the ABC Loan Allowed Claim net of the ABC Loan Initial Payment.
- (iii) Interest. Commencing on the Effective Date, interest shall accrue on the ABC Loans at annual rate equal to the Prime Rate plus two and one-half percent (2½%) and fees in respect of letters of credit shall accrue at a rate of three and one-quarter percent (3.25%) per annum. Commencing upon the 30<sup>th</sup> day following the Effective Date, monthly payments of interest and letter of credit fees shall be made on the ABC Loans.

Upon the occurrence and during the continuance of an event of default, the interest rate and fees in respect of letters of credit shall be increased to two percent (2.00%) above the amounts otherwise applicable.

- (iv) Amortization.
  - a. Commencing on the 90<sup>th</sup> day following the first anniversary of the Effective Date and continuing quarterly thereafter through the fifth (5<sup>th</sup>) anniversary of the Effective Date, quarterly payments of principal in the amount of \$250,000 shall be due on the ABC Loans; and
  - b. For the Debtors' fiscal year 2017 and continuing annually in each fiscal year thereafter, not later than ten (10) days following receipt of the Debtors' year-end reviewed financial statements and in no event later than 120 days

following the end of such fiscal year, the Annual Excess Cash Flow Payment shall be due.

- (v) Maturity and Pre-Payment Privilege. The ABC Loans shall become due and shall be paid in full on the fifth (5<sup>th</sup>) anniversary of the Effective Date. The ABC Loans may be prepaid in full at any time without penalty. All optional prepayments would be applied to the installments owing in respect of the ABC Loan in the inverse order of their maturity and (unless in connection with the prepayment in full of the ABC Loans) without penalty or premium.
- (vi) Collateral. The ABC Loans shall be secured by the following collateral:
  - a. A first-priority Lien on the ABC Loan Primary Collateral;
  - b. Liens on the Shawmut Loan Primary Collateral, junior only to the Liens securing the Shawmut Loan and the existing Liens securing the Mechanics' Lien Claims;
  - c. Liens on the BMO Collateral and the Mechanics' Lien Collateral, junior to existing Liens; and
  - d. A second priority lien on the Exit Facility Primary Collateral, junior and subordinate to any Liens granted pursuant to the Exit Facility and *pari passu* with the liens on the Exit Facility Primary Collateral securing the Shawmut Loans.

**D. Guarantors.** The ABC Guarantors shall ratify and confirm their personal guarantees with respect to the ABC Loans and the ABC Loan Documents.

**E. Discharge of Liens.** Upon payment in full of the ABC Loans and satisfaction of all claims (contingent or otherwise in respect of letters of credit) including all interest thereon and fees and expenses related thereto: (i) all Liens securing the ABC Loans shall be deemed canceled, discharged and released, and (ii) the holder of the Class 3 Claim shall be required to deliver to the Reorganized Debtors, within three (3) Business Days of the payment in full of the ABC Loans, all UCC terminations, mortgage discharges and releases and any other documents necessary to effect the discharge and release of the Liens securing the ABC Loan Allowed Claim.

**F. ZERO Waste Financing and Lease.** Webster Agent, as mortgagee, shall, upon request by the Debtors, execute a non-disturbance agreement with respect to the ZERO Waste lease reasonably acceptable to Webster Agent; provided that all agreements between ZERO Waste and borrowers under the ABC Loans shall be reflective of arms'-length transactions and shall be at market rates. Webster Agent shall release any Claim or Lien it has or may have against ZERO Waste as required to effectuate the ZERO Waste Financing and Lease.



**G. Release.** Upon the Effective Date, Webster Agent, on the one hand, and the Debtors, the Estates, the Reorganized Debtors, and/or any Principal, on the other, shall be deemed to have forever released, waived and discharged each other from all Claims (including any derivative Claims), obligations, suits, judgments, damages, demands, rights, causes of action and liabilities whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, the ABC Loans, the Bankruptcy Cases or this Plan; provided, however that the parties shall not release any claims arising under the Plan or, with respect to periods after the Effective Date, the ABC Loans and the guarantees in respect of the ABC Loans.

**H. Other Provisions.** The foregoing treatment shall be subject to the execution of an amended loan agreement in form and substance reasonably satisfactory to Webster Agent and the Debtors to be filed with the Plan Supplement which shall include, among other things, the following additional terms:

- (i) Financial Advisor. The Debtors shall engage Argus Management Corporation or such other Person selected by the Debtors subject to the approval of Webster, which approval shall not be unreasonably withheld, and shall consult with such advisor (A) prior to undertaking any transactions out of the ordinary course of business and (B) on the annual business plan and results of operation of the Debtors.
- (ii) Mandatory Prepayments. The ABC Loans shall be repaid with 100% of the net proceeds of any debt issuance of the Borrowers and any sale, disposition, casualty or condemnation of assets of the Borrowers under the ABC Loans (subject to exceptions to be agreed in the Plan Supplement).

All mandatory repayments would be applied to the installments owing in respect of the ABC Loans in the inverse order of their maturity and without penalty or premium.

- (iii) Financial Reporting. Same as the Existing ABC Loan Agreement, except as follows:

Commencing from the first full month after the Effective Date and until the first anniversary of the Effective Date, as soon as available but in any event not later than twenty (20) days after the end of each fiscal month of the Borrowers, the Borrowers shall provide to Webster Agent the unaudited consolidated and consolidating financial statements of the Borrowers as of the end of such fiscal month and for such fiscal month, certified by a financial officer of the Borrowers as presenting fairly in all material respects the financial conditions and results of operations

of the Borrowers in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and without footnotes and other presentation items required under GAAP, and including such other information with respect to the Borrowers as Webster Agent shall reasonably request (including monthly updates with respect to accounts payable agings, tonnage information, and a management explanation of performance).

(vi) Financial Covenants: Same as the Existing ABC Loan Agreement, except as follows:

- a. Minimum Fixed Charge Coverage Ratio of not less than 1.0:1.0 (with such ratio to be defined as the ratio of (1) EBITDA minus (I) distributions and dividends made during such period, (II) income taxes paid in cash (including, without duplication, distributions made therefor), and (III) capital expenditures in excess of \$250,000 during such period and excluding those capital expenditures financed with proceeds of permitted capital leases or permitted purchase money financing during such period (which, for the avoidance of doubt, shall exclude the Exit Facility), in each case, for the prior twelve (12) consecutive months ending on such date of determination to (2) the sum of (I) total payments of the current maturities of long-term debt excluding those capital expenditures financed with proceeds of permitted capital leases or permitted purchase money financing during such period (which, for the avoidance of doubt, shall exclude the Exit Facility) plus (II) interest expense during such twelve (12) month period), as determined in accordance with GAAP and tested as of the last day of each fiscal quarter; and
- b. Maximum Total Leverage Ratio to be set a level providing a 15% cushion to the Borrowers' projected Plan (with such ratio to be defined as the ratio of (i) total funded debt as of the date of determination to (ii) EBITDA for the most recently ended four (4) fiscal quarter period), as determined in accordance with GAAP, to be tested as of the last day of each fiscal quarter.

**I. Injunction.** So long as the Debtors comply with the terms of this Section 4.3 of the Plan and are not otherwise in default of the ABC Loans, the holder of the Class 3 Claim shall be temporarily enjoined from commencing, continuing or enforcing in any manner or in any place, any action or other proceeding, whether directly, indirectly, derivatively or otherwise against any of the Principals for the collection of all or any portion of its Allowed Claim paid or to be paid under the Plan.

**J. Terms, Generally.** Except as set forth herein, and other matters that may be agreed in the Plan Supplement, the terms and conditions of the Existing ABC Loan Agreement shall remain in full force and effect.

**6.6 Class 4 –Allowed BMO Claim.**

**A. Classification.** Class 4 consists of the Allowed BMO Claim.

**B. Impairment and Voting.** The Allowed BMO Claim is impaired under the Plan. The holder of the Allowed BMO Claims shall be entitled to vote to accept or reject the Plan.

**C. Allowance.** The Class 4 Claim shall be Allowed or disallowed through the claims objection process described in Article VI of the Plan.

**D. Claim Treatment.** In full and complete satisfaction, settlement, discharge and release of the Allowed BMO Claim, the holder of the Allowed BMO Claim may elect to receive one of the following:

**i. Option 1:**

- (A) The holder of the BMO Claim shall have an Allowed Secured Claim equal to the value of the Lien securing such Claim, less any payments paid to BMO from and after the Petition Date through the Effective Date, less any Escrow Funds remitted to BMO by order of the Bankruptcy Court, and not including any 506(b) Recoveries.
- (B) Interest. Commencing on the Effective Date, interest shall accrue on the Allowed BMO Secured Claim at a rate: (a) of four and one-quarter percent (4¼%) per annum, (b) determined by the Bankruptcy Court, or (c) agreed to by the Debtors and the holder of the Allowed BMO Secured Claim.
- (C) Payment. Commencing upon the Payment Date, the holder of the Allowed BMO Secured Claim shall receive payment in monthly installments of principal and interest, based on a five (5) year amortization, with all unpaid principal and interest due on the fifth (5<sup>th</sup>) anniversary of the Effective Date, provided that the outstanding amount due may be prepaid at any time without penalty.
- (D) Collateral. In order to secure payment of the Allowed BMO Secured Claim, the holder of the Allowed BMO Secured Claim shall retain its Lien on the Collateral securing the Allowed BMO Secured Claim.

The Lien securing the Allowed BMO Secured Claim shall not include any Lien that has been avoided in accordance with Sections 544, 545, 546, 547, 548, 549 or 553 of the Bankruptcy Code, or any Lien that is subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable law.

(E) Events of Default.

1. Default. Subject to Section 4.4(c)(i)(E)(2), it shall be an event of default if a Debtor fails to comply with its obligations under the Plan including, with respect to the Allowed BMO Secured Claim.
2. Notice. No event of default shall occur unless, in the event of a breach of the Debtors' obligations to the holder of the Allowed BMO Secured Claim under the Plan, the holder of the Allowed BMO Secured Claim shall provide written notice of such breach to the Reorganized Debtors and such breach is not cured: (i) in the event of a breach that can be cured by the payment of a sum of money, within ten (10) days of the Reorganized Debtors' receipt of such notice; and (ii) for any other breach, within thirty (30) days of the Reorganized Debtors' receipt of such notice, provided that, if such non-monetary breach cannot reasonably be cured within such 30-day period and the Reorganized Debtors have commenced curing such breach and continue to cure such breach, the thirty (30) day period shall be extended for such time as is reasonably necessary to cure such breach.

(F) Remedies. Upon the occurrence of an event of default, the holder of the Allowed BMO Secured Claim shall be entitled to enforce its rights under applicable law in a court of competent jurisdiction in the County of Bristol, Commonwealth of Massachusetts.

(G) Loan Documents. As of the Effective Date, all loan documents evidencing or relating to the BMO Secured Claim shall be deemed amended and restated, without further action, as necessary to reflect and incorporate the terms of the Plan. To the extent that such documents contain any terms, covenants, representations and warranties, and/or remedies that impose obligations upon the Debtors that are inconsistent with or more expansive than the terms of the Plan, such terms, covenants, representations and warranties, and/or remedies are deemed cancelled and any obligations of the Debtors and/or Claims by the holder of the Allowed BMO Secured Claim arising from such terms, covenants, representations and warranties, and/or remedies shall be discharged upon the Effective Date. To the extent that there is any inconsistency between the Plan and any of such loan documents, the terms of the Plan shall control.

(H) Discharge of Liens. Upon payment in full of the Allowed BMO Secured Claim: (i) all Liens securing the Allowed BMO Secured Claim shall be deemed canceled, discharged and released, and (ii)

the holder of the Allowed BMO Secured Claim shall be required to deliver to the Reorganized Debtors, within five (5) Business Days of the payment in full of the Allowed BMO Secured Claim, all UCC terminations, mortgage discharges and releases and any other documents necessary to effect the discharge and release of the Liens securing the Allowed BMO Secured Claim.

- (I) Indubitable Equivalent. The holder of the Allowed BMO Secured Claim shall receive such additional or other treatment as may be necessary, as agreed to between the Debtors and the holder of the Allowed BMO Secured Claim or as determined by the Bankruptcy Court, to permit the holder of the Allowed BMO Secured Claim to realize the indubitable equivalent of its Allowed Secured Claim.
- (J) Deficiency Claim. Any Deficiency Claim with regard to the BMO Claim shall be treated as an Allowed Class 9 General Unsecured Claim as described in Section 6.11 of this Disclosure Statement.

ii. **Option 2:** Upon timely delivery by the holder of the Allowed BMO Claim of a duly-executed BMO Plan Acceptance, the holder of the Allowed BMO Claim will receive the following:

- (A) Payment and Release. The holder of the Allowed BMO Claim shall receive:
  - 1. On the Payment Date, the Escrow Funds; and
  - 2. Payment in full of such Allowed Claim, less the Escrow Funds and any other amounts previously received by BMO from and after the Petition Date through the Effective Date, in twenty (20) equal quarterly installments of principal commencing on the Payment Date and continuing quarterly thereafter.
  - 3. On the Effective Date, the Debtors will waive and release any Avoidance Actions they have, own, or hold against BMO.
- (B) Collateral. In order to secure payment of the Allowed BMO Claim, the holder of the Allowed BMO Claim shall retain its Lien on the Collateral securing the Allowed BMO Claim.
- (C) Events of Default.
  - 1. Default. Subject to Section 4.4(c)(ii)(C)(2), it shall be an event of default if a Debtor fails to comply with its obligations under the Plan including, with respect to the Allowed BMO Claim.

2. Notice. No event of default shall occur unless, in the event of a breach of the Debtors' obligations to the holder of the Allowed BMO Claim under the Plan, the holder of the Allowed BMO Claim shall provide written notice of such breach to the Reorganized Debtors and such breach is not cured: (i) in the event of a breach that can be cured by the payment of a sum of money, within ten (10) days of the Reorganized Debtors' receipt of such notice; and (ii) for any other breach, within thirty (30) days of the Reorganized Debtors' receipt of such notice, provided that, if such non-monetary breach cannot reasonably be cured within such 30-day period and the Reorganized Debtors have commenced curing such breach and continue to cure such breach, the thirty (30) day period shall be extended for such time as is reasonably necessary to cure such breach.
- (D) Remedies. Upon the occurrence of an event of default, the holder of the Allowed BMO Claim shall be entitled to enforce its rights under applicable law in a court of competent jurisdiction in the County of Bristol, Commonwealth of Massachusetts.
  - (E) Loan Documents. As of the Effective Date, all loan documents evidencing or relating to the BMO Claim shall be deemed amended and restated, without further action, as necessary to reflect and incorporate the terms of the Plan. To the extent that such documents contain any terms, covenants, representations and warranties, and/or remedies that impose obligations upon the Debtors that are inconsistent with or more expansive than the terms of the Plan, such terms, covenants, representations and warranties, and/or remedies are deemed cancelled and any obligations of the Debtors and/or Claims by the holder of the Allowed BMO Claim arising from such terms, covenants, representations and warranties, and/or remedies shall be discharged upon the Effective Date. To the extent that there is any inconsistency between the Plan and any of such loan documents, the terms of the Plan shall control.
  - (F) Injunction. So long as the Debtors comply with the terms of Section 4.4 of the Plan, BMO shall be temporarily enjoined from commencing, continuing or enforcing in any manner or in any place, any action or other proceeding, whether directly, indirectly, derivatively or otherwise against any of the Principals for the collection of all or any portion of its Allowed Claim paid or to be paid under the Plan.
  - (G) Release. Upon the satisfaction of the Allowed BMO Claim in accordance with Section 4.4(c) of the Plan, BMO shall be deemed to have forever released, waived and discharged all Claims

(including any derivative Claims), obligations, suits, judgments, damages, demands, rights, causes of action and liabilities whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, the Bankruptcy Cases or this Plan that BMO has, had or may have against any Debtor, the Estates, the Estates' Assets, the Reorganized Debtors, the Reorganized Debtors' Assets, and/or any Principal of the Debtors.

- (H) Discharge of Liens. Upon payment in full of the Allowed BMO Claim: (i) all Liens securing the Allowed BMO Claim shall be deemed canceled, discharged and released, and (ii) the holder of the Allowed BMO Claim shall be required to deliver to the Reorganized Debtors, within five (5) Business Days of the payment in full of the Allowed BMO Claim, all UCC terminations, mortgage discharges and releases and any other documents necessary to effect the discharge and release of the Liens securing the Allowed BMO Claim.
- (I) Presumptive Treatment. Absent delivery of the BMO Plan Acceptance by BMO not later than the deadline for voting on the Plan, the holder of the Allowed BMO Claim will receive the treatment set forth in Section 4.4(c)(i) of the Plan.
- (J) Application of Payments. Except as otherwise provided in Section 4.4 or as agreed to by the Debtors and the holder of the Allowed BMO Claim, all payments made on account of any portion of the Allowed Class 4 Claim shall be applied first to accrued interest on the Allowed Class 4 Claim, and second to the principal balance of such Claim.

## **6.7 Class 5 – Allowed BFS Claim.**

- A. Classification.** Class 5 consists of the Allowed BFS Claim.
- B. Impairment and Voting.** The Allowed BFS Claim is impaired under the Plan. The holder of the Allowed BFS Claims shall be entitled to vote to accept or reject the Plan.
- C. Allowance.** The Class 5 Claim shall be Allowed or disallowed through the claims objection process described in Article VI of the Plan.
- D. Claim Treatment.** In full and complete satisfaction, settlement, discharge and release of the Allowed BFS Claim, the holder of the Allowed Class 5 Claim shall receive the following:

- (A) Collateral. On the Effective Date, the asserted Lien of BFS against the Debtors will be discharged and released and the holder of the Allowed BFS Claim shall be required to deliver to the Reorganized Debtors, within five (5) Business Days of the Effective Date, all UCC terminations, mortgage discharges and releases and any other documents necessary to effect the discharge and release of the asserted Liens of BFS.
- (B) Payment. The Allowed BFS Claim shall be treated as an Allowed Class 9 General Unsecured Claim as described in Section 4.9 of the Plan.
- (C) Indubitable Equivalent. The holder of the Allowed BFS Claim shall receive such additional or other treatment as may be necessary, as agreed to between the Debtors and the holder of the Allowed BFS Claim or as determined by the Bankruptcy Court, to permit the holder of the Allowed BFS Claim to realize the indubitable equivalent of its Allowed Secured Claim.

#### **6.8 Class 6 –Allowed Mechanics Lien Claims.**

- A. Classification.** Class 6 consists of the Allowed Mechanics Lien Claims.
- B. Impairment and Voting.** Each of the Allowed Mechanics Lien Claims is impaired under the Plan. The holder of an Allowed Mechanics' Lien Claim shall be entitled to vote to accept or reject the Plan.
- C. Allowance.** Each Class 6 Claim shall be Allowed or disallowed through the claims objection process described in Article VI of the Plan.
- D. Claim Treatment.** In full and complete satisfaction, settlement, discharge and release of the Allowed Mechanics Lien Claims, the holder of the Allowed Mechanics' Lien Claim shall receive, at the sole option of the Debtors one of the following:
  - (1) Commencing on the Payment Date and continuing quarterly thereafter, payment in full of such Allowed Claim in twenty (20) equal quarterly installments of principal; provided that each Class 6 Claim will be paid in full no later than five (5) business days following the closing of the ZERO Waste Financing and Lease; or
  - (2) Such treatment as is agreed upon in writing between the Debtors and the holder of such Allowed Mechanics' Lien Claim.
- E. Presumptive Treatment.** Absent (i) a written agreement between the Debtors and the holder of an Allowed Class 6 Claim providing for different treatment, (ii) the entry of an order directing different treatment, or (iii) an election by the Debtors, filed with the Bankruptcy



Court prior to the Confirmation Hearing, designating different treatment, the holder of an Allowed Class 6 Claim will receive the treatment set forth in Section 6.8(D)(1) above.

**F. Collateral.** In order to secure payment of its Allowed Mechanics Lien Claim, each holder of an Allowed Mechanics Lien Claim shall retain its Lien on the Collateral securing the Allowed Mechanics Lien Claim in the priority such Liens existed on the Petition Date.

**G. ZERO Waste Financing and Lease.** Each holder of an Allowed Mechanics Lien Claim shall be required, upon request by the Debtors, to execute a non-disturbance agreement and such other agreements as are reasonably necessary to facilitate the ZERO Waste Financing and Lease.

**H. Events of Default.**

- (1) Default. Subject to paragraph (2) of this section, it shall be an event of default if a Debtor fails to comply with its obligations under the Plan including, with respect to the Allowed Mechanics Lien Claim.
- (2) Notice. No event of default shall occur unless, in the event of a breach of the Debtors' obligations to the holder of the Allowed Mechanics Lien Claim under the Plan, the holder of the Allowed Mechanics Lien Claim shall provide written notice of such breach to the Reorganized Debtors and such breach is not cured: (i) in the event of a breach that can be cured by the payment of a sum of money, within ten (10) days of the Reorganized Debtors' receipt of such notice; and (ii) for any other breach, within thirty (30) days of the Reorganized Debtors' receipt of such notice, provided that, if such non-monetary breach cannot reasonably be cured within such 30-day period and the Reorganized Debtors have commenced curing such breach and continue to cure such breach, the thirty (30) day period shall be extended for such time as is reasonably necessary to cure such breach.

**I. Remedies.** Upon the occurrence of an event of default, the holder of the Allowed Mechanics Lien Claim shall be entitled to enforce its rights under applicable law in a court of competent jurisdiction in the County of Bristol, Commonwealth of Massachusetts.

**J. Discharge of Liens.** Upon payment in full of the Allowed Mechanics Lien Claim: (i) all Liens securing the Allowed Mechanics Lien Claim shall be deemed canceled, discharged and released, and (ii) the holder of the Allowed Mechanics Lien Claim shall be required to deliver to the Reorganized Debtors, within five (5) Business Days of the payment in full of the Allowed Mechanics Lien Claim, all terminations of contract, Lien releases, and any other documents necessary to effect the discharge and release of the Liens securing the Allowed Mechanics Lien Claim.

**K. Indubitable Equivalent.** The holder of the Allowed Mechanics Lien Claim shall receive such additional or other treatment as may be necessary, as determined by the Bankruptcy Court or agreed to between the Debtors and the holder of the Allowed Mechanics Lien Claim, to permit the holder of the Mechanics Lien Claim to realize the indubitable equivalent of its Allowed Claim.

**6.9 Class 7 – Miscellaneous Secured Claims.**

**A. Classification.** Class 7 consists of the Allowed Miscellaneous Secured Claims.

**B. Impairment and Voting.** Each Allowed Miscellaneous Secured Claim is impaired under the Plan. Each holder of an Allowed Miscellaneous Secured Claim shall be entitled to vote to accept or reject the Plan.

**C. Allowance.** Each Class 7 Claim shall be Allowed or disallowed through the claims objection process described in Article VI of the Plan.

**D. Claim Treatment.** In full and complete satisfaction, settlement, discharge and release of the Allowed Miscellaneous Secured Claims, the holder of the Allowed Miscellaneous Secured Claim shall receive, at the sole option of the Debtors, one of the following:

- (1) Commencing on the Payment Date and continuing quarterly thereafter, payment in full of such Allowed Claim in twenty (20) equal quarterly installments of principal; or
- (2) Such treatment as is agreed upon in writing between the Debtors and the holder of such Allowed Miscellaneous Secured Claim.

**E. Presumptive Treatment.** Absent (i) a written agreement between the Debtors and the holder of an Allowed Class 7 Claim providing for different treatment, (ii) the entry of an order directing different treatment, or (iii) an election by the Debtors, filed with the Bankruptcy Court prior to the Confirmation Hearing, designating different treatment, the holder of the Allowed Class 6 Claim will receive the treatment set forth in Section 6.9(D)(1) above.

**F. Collateral.** In order to secure payment of its Allowed Miscellaneous Secured Claim, each holder of an Allowed Miscellaneous Secured Claim shall retain its Lien on the Collateral securing the Allowed Miscellaneous Secured Claim.

**G. Events of Default.**

- (1) Default. Subject to paragraph (2) of this section, it shall be an event of default if a Debtor fails to comply with its obligations under the Plan including, with respect to the Allowed Miscellaneous Secured Claim.
- (2) Notice. No event of default shall occur unless, in the event of a breach of the Debtors' obligations to the holder of the Allowed Miscellaneous Secured Claim under the Plan, the holder of the Allowed Miscellaneous Secured Claim shall provide written notice of such breach to the Reorganized Debtors and such breach is not cured: (i) in the event of a breach that can be cured by the payment of a sum of money, within ten (10) days of the Reorganized Debtors' receipt of such notice; and (ii) for any other breach, within thirty (30) days of the Reorganized Debtors' receipt of such notice, provided that, if such non-monetary breach cannot reasonably be cured within such 30-day period and the Reorganized Debtors have commenced curing such breach and continue to cure such breach,

the thirty (30) day period shall be extended for such time as is reasonably necessary to cure such breach.

**H. Remedies.** Upon the occurrence of an event of default, the holder of the Allowed Miscellaneous Secured Claim shall be entitled to enforce its rights under applicable law in a court of competent jurisdiction in the County of Bristol, Commonwealth of Massachusetts.

**I. Discharge of Liens.** Upon payment in full of the Allowed Miscellaneous Secured Claim: (i) all Liens securing the Allowed Miscellaneous Secured Claim shall be deemed canceled, discharged and released, and (ii) the holder of the Allowed Miscellaneous Secured Claim shall be required to deliver to the Reorganized Debtors, within five (5) Business Days of the payment in full of the Allowed Miscellaneous Secured Claim, all terminations of contract, Lien releases, and any other documents necessary to effect the discharge and release of the Liens securing the Allowed Miscellaneous Secured Claim.

**H. Indubitable Equivalent.** The holder of the Allowed Miscellaneous Secured Claim shall receive such additional or other treatment as may be necessary, as determined by the Bankruptcy Court or agreed to between the Debtors and the holder of the Allowed Miscellaneous Secured Claim, to permit the holder of the Miscellaneous Secured Claim to realize the indubitable equivalent of its Allowed Claim.

**I. Deficiency Claim.** The Deficiency Claim arising from the any Allowed Class 7 Claim shall be treated as an Allowed Class 9 General Unsecured Claim as described in Section 6.11 of this Disclosure Statement.

#### **6.10 Class 8 – Convenience Class.**

**A. Classification.** Class 8 consists of the Allowed Convenience Class Claims, which are defined in the Plan as General Unsecured Claims in an amount less than \$5,000.

**B. Impairment and Voting.** Each Allowed Convenience Class Claim is impaired under the Plan. Each holder of an Allowed General Unsecured Claim shall be entitled to vote to accept or reject the Plan.

**C. Allowance.** Each Class 8 Claim shall be Allowed or disallowed through the claims objection process described in Article VI of the Plan.

**D. Claim Treatment.** In full and complete satisfaction, settlement, release and discharge, each holder of an Allowed Convenience Class Claim shall receive, upon the Payment Date, the lesser of:

- (i) Fifty percent (50%) of the holder's Allowed Class 8 Claim; or
- (ii) \$2,500.

**E. Election.** In order to reduce the costs associated with administering payments under the Plan, the Plan creates a separate Class for those holders of Allowed General Unsecured Claims equal to or less than \$5,000 known as the Convenience Class. Any creditor holding a

Convenience Class Claim, regardless of the nature of its Claim, may elect to hold a General Unsecured Claim. Any creditor electing to accept treatment under Class 9 shall do so on the ballot approved by the Bankruptcy Court not later than the deadline for voting on the Plan.

**6.11 Class 9 – General Unsecured Claims.**

**A. Classification.** Class 9 consists of the Allowed General Unsecured Claims.

**B. Impairment and Voting.** Each Allowed General Unsecured Claim is impaired under the Plan. Each holder of an Allowed General Unsecured Claim shall be entitled to vote to accept or reject the Plan.

**C. Allowance.** Each Class 9 Claim shall be Allowed or disallowed through the claims objection process described in Article VI of the Plan.

**D. Claim Treatment.** In full and complete satisfaction, settlement, release and discharge of the Allowed General Unsecured Claims, each holder of an Allowed General Unsecured Claim shall receive payment equal to eighty-five percent (85%) of the amount of such holder's Allowed General Unsecured Claim as follows:

- (i) Upon the Payment Date, an amount equal to thirty percent (30%) of such Allowed Claim; and
- (ii) Commencing on the ninetieth (90<sup>th</sup>) day following the Payment Date and continuing quarterly thereafter for twenty (20) quarters, the Quarterly Dividend of 2.75% of the amount of such Allowed Claim until the holder of an Allowed Class 9 General Unsecured Claim receives total payments in an amount equal to eighty-five percent (85%) of its Allowed General Unsecured Claim.

**6.12. Class 10 - Claims of Insiders.**

**A. Classification.** Class 10 consists of the Allowed General Unsecured Claims.

**B. Impairment and Voting.** Each Allowed General Unsecured Claim is impaired under the Plan. Each holder of an Allowed General Unsecured Claim shall be entitled to vote to accept or reject the Plan.

**C. Allowance.** Each Class 10 Claim shall be Allowed or disallowed through the claims objection process described in Article VI of the Plan.

**D. Claim Treatment.**

- (i) Inter-Debtor Claims. All of the Debtors' respective Claims against each other shall be preserved.
- (ii) Non-Debtor Insider Claims. All non-Debtor Insider Claims against the Debtors shall be preserved.

- (iii) No Distribution. No Insiders of the Debtors or co-Debtor shall receive any distributions on account of their Allowed Claims until the Allowed Claims of all non-Insider creditors have been paid under the terms of the Plan

**6.13 Class 11 – Equity Interests.**

- A. Classification.** Class 11 consists of the Allowed Equity Interests in the Debtors.
- B. Impairment and Voting.** Class 11 is unimpaired under the Plan and no holder of an Equity Interest in the Debtors shall be entitled to vote to accept or reject the Plan.
- C. Allowance.** All Equity Interests in the Debtors will be deemed Allowed on the Effective Date.
- D. Treatment.** The holders of the Equity Interests in the Debtors shall retain their respective Equity Interests.

**6.14 Reservation of Rights With Respect to Claims.**

The Debtors reserve the right to, among other things, (a) object to any Claim, (b) contest the right of the holder of any Claim to vote on the Plan, or designate the vote of the holder of any Claim (c) contest the right of the holder of any Claim to receive distributions under the Plan, and (d) seek to subordinate any Claim for inequitable conduct or otherwise.

**6.15 Plan Implementation.**

The Plan will be funded by the Debtors' Cash and operating income and the proceeds of the Exit Facility, a revolving credit line from Webster in an amount up to \$5,000,000 to be secured by a first-priority lien on ABC's unencumbered vehicles and junior Liens on the Debtors' other real and personal property. As set forth in the Plan, the Principals have agreed to guarantee the Exit Facility and support the Debtors' grant of collateral provided for in the Exit Facility. The proposed Commitment Letter for the Exit Facility from Webster is attached to this Disclosure Statement as Exhibit B.

The Principals continue to pursue financing for the completion and operation of the ZERO Waste material recovery facility on Shawmut's property in Rochester, Massachusetts to service the needs of the Debtors and other similar businesses. As part of the ZERO Waste Financing, Shawmut intends to enter into a long-term lease with ZERO Waste. In connection with the operation of the facility, ABC and New Bedford Waste will enter into contracts with ZERO Waste for the processing of waste materials. Webster and Webster Agent, as mortgagees under the Shawmut Loans Primary Collateral have agreed to execute a non-disturbance agreement with respect to the ZERO Waste Lease reasonably acceptable to Webster and Webster Agent; provided that all contracts and leases between ZERO Waste and the Borrowers under the Shawmut Loans and the ABC Loans shall reflect arms'-length transactions and shall be on market terms. Webster and Webster Agent shall release any Claims or Liens they has or may have against ZERO Waste as required to effectuate the ZERO Waste Financing and Lease.

The Debtors will continue to be managed by the Principals who will continue to draw their ordinary salaries, subject to reasonable adjustments based upon merit and cost-of-living increases. The Principals shall not receive any distributions on account of their Claims or Equity Interests until the Allowed Claims of all non-Insider creditors have been paid in accordance with the terms of the Plan. The Debtors will pay the amounts necessary to satisfy tax obligations of the Principals attributable to the Debtors' operations.

#### **6.16 Execution of Necessary Documents.**

A. Confirmation of the Plan shall constitute authorization by the Bankruptcy Court for the Reorganized Debtors to enter into all documents, instruments and agreements necessary to effectuate the terms of the Plan. The form and/or content of the documents, instruments and agreements necessary to effectuate the terms of the Plan shall be subject to the approval of the Reorganized Debtors, in their sole discretion.

B. All matters provided for in the Plan involving any corporate action required by the Debtors or Reorganized Debtors in connection with the Plan shall be deemed to have occurred, and shall be in effect, without any requirement of further action by the Reorganized Debtors, their agents, representatives, members, managers, officers, directors or Affiliates.

C. No later than seven (7) days prior to the scheduled Confirmation Hearing, the Debtors shall submit the Plan Supplement to the Bankruptcy Court containing documents filed in connection with the Plan and confirmation thereof.

#### **6.17 Organization Documents and Good Standing.**

As of the Effective Date, the Debtors' respective Organization Documents shall be amended as necessary to effectuate the terms of the Plan and shall become the Organization Documents of the Reorganized Debtors. To the extent that there is any inconsistency between the Plan and any of the Organization Documents, the terms of the Plan shall control. To the extent any of the Debtors is not in compliance as of the Effective Date with any state or local law requirements necessary to remain as an organized legal entity in good standing and/or remain authorized as an organized legal entity to conduct business in any jurisdiction, the Debtors and/or the Reorganized Debtors, as the case may be, shall be deemed to be in compliance with any such laws if they comply with such laws within six months after the Effective Date. Laurinda F. Camara and Michael A. Camara will continue to act as the president or manager, as the case may be, of the Debtors after the Effective Date at their pre-petition salary, subject to reasonable adjustments based upon merit and cost-of-living increases.

#### **6.18 Revesting of Property.**

Except as otherwise provided in the Plan, each of the Reorganized Debtors, as of the Effective Date, shall be vested with all of the assets of each respective Debtor.

### **6.19 Preservation of Causes of Action.**

Except as provided in, and unless expressly waived, relinquished, exculpated, released, compromised or settled in the Plan, the Confirmation Order, any Non-Appealable Order, or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, the Reorganized Debtors will exclusively retain and may enforce, and the Debtors expressly reserve and preserve for these purposes, in accordance with sections 1123(a)(5)(A) of the Bankruptcy Code, any Claims, demands, rights and Causes of Action that the Debtors or their respective Estates may hold against any person or entity. No preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to them by virtue of or in connection with the confirmation, consummation of effectiveness of the Plan. The Debtors are not aware of any Causes of Action that will have a meaningful effect on the amounts available to creditors under the Plan.

### **6.20 Dissolution of the Committee.**

The Committee shall dissolve automatically on the Effective Date. Upon such dissolution, its members, professionals, and agents shall be released from any further duties and responsibilities in the Bankruptcy Case and under the Bankruptcy Code, except with respect to applications for Professional Fee Claims or reimbursement of expenses incurred as a member of the Committee.

### **6.21 Consolidation.**

Solely for purposes of the Plan including, without limitation, the classification, treatment, voting, and payment of creditors' Claims, the Plan provides that the Debtors will consolidate their assets and liabilities as of the Effective Date. The effect of such consolidation will be, among other things, that: (a) all assets (and all proceeds thereof) of the joint Debtors' estates shall be available and can be utilized for purposes of making payments to holders of Allowed Claims, (b) whether asserted against any one of the Debtors or multiple Debtors, (i) each Claim shall be allowed in one amount and classified in one Class, (ii) each Claim shall be treated the same as other similar Claims in that Class, and (iii) each Debtor shall be liable for the payments provided for under the Plan, (c) all guarantees or co-obligations of any Debtor of the obligations of any other Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any guarantee or co-obligation thereof executed by the other and any joint and several liability of any Debtor shall be deemed to be one obligation of the Debtors under the Plan, (d) as set forth in Section 4.10 of the Plan, no cash distributions shall be made under the Plan on account of intercompany or Insider Claims among the Debtors until holders of all non-Insider Claims are paid in full, and (e) for purposes of determining the availability of the right of setoff under Section 553 of the Bankruptcy Code, the Debtors shall be treated as one entity so that, subject to the other provisions of Section 553 of the Bankruptcy Code, debts due to any Debtor may be set off against the debts of any other Debtor.

Such consolidation shall not (other than for purposes related to the Plan) affect the legal and corporate structures of the Reorganized Debtors. Except as expressly provided herein, the

Reorganized Debtors shall continue to maintain their separate corporate existence for all purposes other than the treatment and payment of Claims under the Plan.

#### **6.22 Assumption of Executory Contracts and Unexpired Leases.**

Pursuant to Sections 1123(b)(2) and 365(a) of the Bankruptcy Code, any executory contract or unexpired lease (excluding insurance policies) that (i) has not expired by its own terms on or prior to the Confirmation Date, (ii) has not been assumed, assumed and assigned or rejected with the approval of the Bankruptcy Court on or prior to the Confirmation Date, (iii) is not the subject of a motion to assume or reject which is pending at the time of the Confirmation Date, or (iv) is not designated by the Debtors as being an executory contract or unexpired lease to be rejected at the time of confirmation of the Plan, shall be deemed assumed on the Effective Date. The entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumption pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

#### **6.23 Payments Related to The Assumption of Executory Contracts And Unexpired Leases.**

A. Payment of Claims Arising from Assumed Contracts and Leases. Any Allowed Claims arising from the assumption of an executory contract or unexpired lease will receive, in full and complete satisfaction, settlement, release and discharge of such Claims, payment in the ordinary course of business as and when such Allowed Claims become due pursuant to such executory contract or unexpired lease.

B. Disputed Claims and Bar Date. If there is a dispute regarding (i) the amount of any claim arising from the assumption or rejection of an executory contract or unexpired lease, (ii) the ability of the applicable Debtor or any assignee to provide "adequate assurance of further performance," within the meaning of Section 365 of the Bankruptcy Code, under a contract or lease to be assumed, or (iii) any other matter pertaining to the assumption or assumption and assignment of any contract or lease, the payment of any Claim related to the foregoing will be made following entry of a Non-Appealable Order resolving the dispute and approving the assumption.

#### **6.24 Rejection Damage Claims.**

If the rejection of an executory contract or unexpired lease by the Debtors results in a Claim by the other party or parties to such contract or lease, any claim for damages, if not previously evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Estates, the Reorganized Debtors and their respective properties, agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for the Debtors on or before thirty (30) days following the later to occur of: (a) the rejection of such executory contract or unexpired lease, and (b) the Confirmation Date. Unless otherwise ordered by the Bankruptcy Court or provided in the Plan, all such Claims for which proofs of claim are timely filed will be treated as General Unsecured Claims subject to the provisions of the Plan. The Debtors or the Reorganized Debtors, as the case may be, shall have the right to object to any such Claim for rejection damages in accordance with the Plan.



## **6.25 Discharge.**

Except as otherwise expressly provided in Section 1141 of the Bankruptcy Code or the Plan, the distributions made pursuant to and in accordance with the applicable terms and conditions of the Plan are in full and final satisfaction, settlement, release and discharge as against the Debtors and the Reorganized Debtors of any debt or obligation of the Debtors that arose before the Effective Date, and any debt of the Debtors of a kind specified in Section 502(g), 502(h), or 502(i) of the Bankruptcy Code, and all Claims against the Debtors or their Estates of any nature, including, without limitation, any interest accrued thereon from and after the Petition Date, whether or not (i) a proof of claim based on such debt, obligation or Equity Interest is filed or deemed filed under Section 501 of the Bankruptcy Code, (ii) such Claim is Allowed under Section 502 of the Bankruptcy Code, or (iii) the holder of such Claim has accepted the Plan.

## **6.26 Injunctions and Releases.**

The Debtors are, for the purposes of the Plan, pooling their resources in order to provide for uniform payments to all similarly-situated creditors. Under the Plan, an Allowed Claim asserted against any one Debtor will be treated the same as any other similar Allowed Claim asserted against any other Debtor and multiple Allowed Claims arising from the same circumstances and asserted against multiple Debtors, will be treated the same as any other similar Allowed Claim against any single Debtor. In order to facilitate this result, the Principals are making equity available from certain Debtors to fund payments to creditors of other Debtors.

Payments under the Plan are predicated upon the availability of such equity and the success of the Plan is predicated the continued commitments and management of the Principals. The Principals' services are essential to the Debtors' continued growth and profitability after the Effective Date. Continued litigation against the Principals on account of their guaranties of the Debtors' obligations could potentially undermine the companies' reorganization inasmuch as those actions could result in those creditors exercising control over the Principals' equity interests in the Debtors.

In order to address these concerns and in recognition of the contributions and undertakings of the Principals, the Plan provides that during the term of the Plan, creditors will be temporarily enjoined from pursuing claims against the Principals for amounts paid or to be paid under the Plan. Upon payment in full of the Claims as provided for under the Plan, creditors who vote in favor of the Plan shall be deemed to have released the Principals for any Claims that such creditor had or may have had against the Debtors, the Reorganized Debtors, their Estates, or the Principals on or before the Effective Date of the Plan.

## **6.27 Cancellation of Existing Indebtedness and Liens.**

Except as may otherwise be provided in the Plan, on the Effective Date: (a) all credit agreements, promissory notes, mortgages, security agreements, invoices, contracts, agreements and any other documents or instruments evidencing Claims against the Debtors, together with any and all Liens securing same, shall be canceled, discharged and released without further act or action by any Person under any applicable agreement, law, regulation, order or rule, (b) the

obligations of the Debtors thereunder shall be deemed cancelled, discharged and released, and (c) all of the right, title and interest of any holder of such mortgages, deeds of trust, liens or other security interests, including any rights to any collateral thereunder, will revert to the Reorganized Debtors. To the extent deemed necessary or advisable by the Reorganized Debtors, any holder of a Claim shall promptly provide the Reorganized Debtors with an appropriate instrument of cancellation, discharge or release, as the case may be, in suitable form for recording wherever necessary to evidence such cancellation, discharge or release, including the cancellation, discharge or release of any Lien securing such Claim.

### **6.28 Exculpation.**

Except as otherwise set forth in the Plan, neither the Debtors, the Reorganized Debtors, the Committee nor any of their respective present or former members, managers, officers, directors, employees, general or limited partners, advisors, attorneys, agents, successors or assigns, shall have or incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the administration of these Chapter 11 bankruptcy proceedings, the pursuit of confirmation of the Plan, the Disclosure Statement, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan occurring prior to the Effective Date, provided that the exculpation provisions of the Plan shall not apply to any liability for willful misconduct or ultra vires acts.

### **6.29 Setoffs.**

Except as otherwise provided in the Plan, nothing contained in the Plan shall constitute a waiver or release by the Estates of any rights of setoff the Estates may have against any Person.

### **6.30 Tax Consequences of the Plan.**

The following is a general summary of certain material federal income tax consequences of the Plan and the distributions provided under the Plan. This summary does not discuss all aspects of federal taxation that may be relevant to a particular creditor in light of its individual investment circumstances or to certain creditors or shareholders subject to special treatment under the federal income tax laws (for example, tax-exempt organizations, financial institutions, broker-dealers, life insurance companies, foreign corporations or individuals who are not citizens or residents of the United States). This summary does not discuss any aspects of state, local or foreign taxation. The impact on foreign holders of claims and equity interests is not discussed.

This summary is based upon the Internal Revenue Code of 1986, as amended, the Treasury regulations (including temporary regulations) promulgated thereunder, judicial authorities and current administrative rulings, all as in effect on the date hereof and all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision. Moreover, due to a lack of definitive judicial or administrative authority or interpretation and the complexity of the transactions contemplated in the Plan, substantial uncertainties exist with respect to various tax consequences of the Plan. The Debtors have not requested a ruling from the Internal Revenue Service with respect to these matters and no

opinion of counsel has been sought or obtained by the Debtors with respect thereto. There can be no assurance that the IRS or any state or local taxing authorities will not challenge any or all of the tax consequences of the Plan, or that such a challenge, if asserted, would not be sustained. **FOR THE FOREGOING REASONS, CREDITORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES (FOREIGN, FEDERAL, STATE AND LOCAL) TO THEM OF THE PLAN. THE DEBTORS ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY CREDITOR, NOR ARE THE DEBTORS RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX CONSEQUENCES.**

**A. Federal Income Tax Consequences to the Debtors.**

Cancellation of Indebtedness. Generally, the Debtors will realize cancellation of debt (“COD”) income to the extent, if at all, that the Debtors pay a creditor pursuant to the Plan an amount of consideration in respect of a Claim against the Debtors that is worth less than the amount of such Claim. For this purpose, the amount of consideration paid to a creditor generally will equal the amount of cash or the fair market value of property paid to such creditor. Because the Debtors will be in a bankruptcy case at the time the COD income is realized (if any is realized), the Debtors will not be required to include COD income in gross income, but rather will be required to reduce tax attributes by the amount of COD income so excluded.

**B. Tax Consequences to Creditors.**

In General. The federal income tax consequences of the implementation of the Plan to a holder of a Claim will depend, among other things, on: (a) whether such Claim constitutes a debt or a security for federal income tax purposes, (b) whether the holder of the Claim receives consideration in more than one tax year, (c) whether the holder of the Claim is a resident of the United States, (d) whether all the consideration received by the holder of the Claim is deemed to be received by the holder of the Claim as part of an integrated transaction, (e) whether the holder of the Claim reports income using the accrual or cash method of accounting, and (f) whether the holder has previously taken a bad debt deduction or worthless security deduction with respect to the Claim.

Gain or Loss on Exchange. Generally, a holder of an Allowed Claim will realize a gain or loss on the exchange under the Plan of his or her Allowed Claim for cash and other property in an amount equal to the difference between (i) the sum of the amount of any cash and the fair market value on the date of the exchange of any other property received by the holder (other than any consideration attributable to accrued but unpaid interest on the Allowed Claim), and (ii) the adjusted basis of the Allowed Claim exchanged therefore (other than basis attributable to accrued but unpaid interest previously included in the holder’s taxable income). Any gain recognized generally will be a capital gain (except to the extent the gain is attributable to accrued but unpaid interest or accrued market discount, as described below) if the Claim was a capital asset in the hands of an exchanging holder, and such gain would be a long-term capital gain if the holder’s holding period for the Claim surrendered exceeded one (1) year at the time of the exchange.

Any loss recognized by a holder of an Allowed Claim will be a capital loss if the Claim constitutes a “security” for federal income tax purposes or is otherwise held as a capital asset. For this purpose, a “security” is a debt instrument with interest coupons or in registered form.

### **C. Information Reporting and Backup Withholding.**

Under the backup withholding rules of the Internal Revenue Code, holders of Claims may be subject to backup withholding at the rate of 31 percent with respect to payments made pursuant to the Plan unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a correct taxpayer identification number and certifies under penalties of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividends and interest income. Any amount withheld under these rules will be credited against the holder’s federal income tax liability. Holders of Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

**THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH HIS OWN TAX ADVISOR REGARDING SUCH TAX CONSEQUENCES.**

### **6.31 Exemption from Transfer Taxes.**

Section 1146(c) of the Bankruptcy Code provides that transfers of property pursuant to a confirmed plan are not subject to any document recording tax, stamp tax, conveyance fee or other similar tax, mortgage tax, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment. Sales of Property after the Confirmation Date owned by the Debtors pursuant to, in implementation of, or as contemplated by the Plan will not, therefore, be subject to any such tax or assessment.

## **VII. FEASIBILITY AND LIQUIDATION ANALYSES**

### **7.1 Feasibility of the Plan**

As a condition to confirmation, section 1129(a)(11) of the Bankruptcy Code requires that the proponents of a plan show that confirmation is not likely to be followed by the liquidation of the debtor or the need for further financial reorganization, unless such liquidation or reorganization is a component of the Plan. Attached as Exhibit C to this Disclosure Statement is a historical month-by-month analysis of the Debtors’ post-petition operations and a consolidated EBITDA calculation for the period from the Petition Date through November 30, 2016 which demonstrates that the Debtors have stabilized operations and operated with a positive cash flow during these cases, substantially increasing their cash and receivables. Attached as Exhibit D to

this Disclosure Statement are quarterly projections for the Debtors' financial performance for the five (5) years subsequent to the Effective Date (the "Projections").

The Projections show that the Debtors' EBITDA will range between approximately \$8,500,000 and \$9,250,000 during the term of the Plan and that the Debtors will have sufficient cash and liquidity to pay the Allowed Claims as provided for in the Plan. The Debtors will have sufficient Cash to fund payments call for on the Effective Date or the Payment Date, as the case may be, from Cash accumulated during the Debtors' Bankruptcy Cases and from the Exit Facility. Based upon the Debtors' Chapter 11 performance and the Projections, the Plan is feasible and confirmation of the Plan will not likely be followed by liquidation or the need for further financial reorganization and that the Plan is feasible.

## **8.2 Best Interests of Creditors and Comparison with Chapter 7 Liquidation**

A plan of reorganization cannot be confirmed unless the bankruptcy court finds that it passes the "best interests" test of Bankruptcy Code Section 1129(a)(7). This requires, with respect to each impaired Class, that each holder of a Claim or an Equity Interest in such class either (i) has accepted the Plan or (ii) will receive or retain under the Plan property of a value that is not less than the amount that such holder would receive or retain if the debtor liquidated under Chapter 7 of the Bankruptcy Code.

To determine what holders of Allowed Claims and Equity Interests in each impaired Class would receive if the Debtors liquidated under Chapter 7, the Bankruptcy Court first must determine the dollar amount that would be generated from liquidation of the Debtors' assets in a case under Chapter 7 of the Bankruptcy Code. The Court must also consider the expenses and delays attendant to a hypothetical Chapter 7 case, as these effect the ultimate amount of proceeds available for distribution to creditors. For example, it is likely that distribution of proceeds from a Chapter 7 liquidation could be delayed for twelve months or longer after such liquidation is complete, to resolve claims and prepare for distributions. In the likely event litigation was necessary to resolve claims asserted in the Chapter 7 case, the delay could be prolonged.

After considering the effects that Chapter 7 liquidation would have on the ultimate proceeds available for distribution to the holders of Allowed Claims against the Debtors, the Debtors have determined that confirmation of the Plan will provide each such holder of an with a recovery that is not less than the amount such holder would receive pursuant to the liquidation of the Debtors under Chapter 7. Moreover, the Debtors believe that the value of any distributions to each Class of Allowed Claims in Chapter 7 would be less than the value of distributions under the Plan.

The Debtors have attached hereto as Exhibit E a liquidation analysis prepared by the Debtors with the assistance of their professionals (the "Liquidation Analysis"). The Liquidation Analysis provides (a) a summary of the liquidation value of the Debtors' assets, assuming a Chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of the Debtors' estates, and (b) the expected recoveries of the Debtors' creditors and equity interest holders under the Plan.

The Liquidation Analysis is premised upon a number of estimates and assumptions that, although developed and considered reasonable by the Debtors' management and professionals, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the results of a liquidation of the Debtors. Accordingly, the values reflected might not be realized if the Debtors were, in fact, to be liquidated.

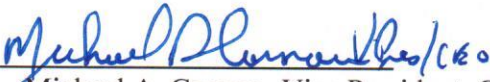
Upon conversion to Chapter 7 and among other things, the Debtors operations would cease and a trustee would be appointed to liquidate the Debtors' assets. The amount that would be realized from the sale of the Debtors' assets at liquidation is substantially less than the going concern value that will be realized under the Plan from the continued orderly operation of those assets. The revenue from the Debtors' continued operations would be lost to creditors upon conversion to Chapter 7. The liquidation of the Debtors' assets in Chapter 7 would result in substantial additional administrative costs and delay payment to creditors as the Chapter 7 trustee would need to retain new professionals to analyze and liquidate the Debtors' assets. In Chapter 7, non-Debtor Insider Claims, which total in excess of \$1,000,000, would share in and dilute any dividend that might be paid to other non-priority unsecured creditors.

While the best interests of creditors test only applies to holders of Allowed General Unsecured Claims, the Plan provides both secured and unsecured creditors with better treatment than they would receive if these case were converted to Chapter 7. The Liquidation Analysis shows that each creditor Class would receive less in the event that the Debtors' assets were liquidated than such class would receive under the Plan. For example, holders of Allowed General Unsecured Claims would only recover approximately eighteen percent (18%) of their Allowed Claims in a liquidation as opposed to the eighty-five percent (85%) dividend provided for under the Plan. Not only would payments to creditors be less in a liquidation than under the Plan, the distributions would be delayed, generally by at least a year, to allow the Chapter 7 trustee to effectuate the liquidation and administer claims. Accordingly, since confirmation of the Plan will result in a substantially more certain and greater return to unsecured creditors than might be realized if these cases were converted to cases under Chapter 7 of the Bankruptcy Code, the Debtors urge and recommend that creditors vote in favor of the Plan.

[Signature Pages Follow]

Dated: December \_\_\_\_, 2016


ABC DISPOSAL SERVICE, INC.,  
a Massachusetts corporation

By:   
Michael A. Camara, Vice President, Chief Operating Officer


NEW BEDFORD WASTE SERVICES, LLC,  
a Massachusetts limited liability company

By:   
Michael A. Camara, President


SOLID WASTE SERVICES, INC.,  
a Massachusetts corporation

By:   
Michael A. Camara, President

SHAWMUT ASSOCIATES, LLC,  
a Massachusetts limited liability company

By:   
Michael A. Camara, President

A&L ENTERPRISES, LLC,  
a Massachusetts limited liability company

By:   
Michael A. Camara, President

ZERO WASTE SOLUTIONS, LLC,  
a Massachusetts limited liability company

By:   
Michael A. Camara, President

/s/ Harold B. Murphy  
MURPHY & KING, Professional Corporation  
One Beacon Street  
Boston, Massachusetts 02108  
Attn: Harold B. Murphy, Esq. (BBO #362610)  
Christopher M. Condon, Esq. (BBO #652430)  
Telephone: (617) 423-0400  
Facsimile: (617) 556-8985  
[hmurphy@murphyking.com](mailto:hmurphy@murphyking.com)

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