

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:

**PEPPERELL MILLS LIMITED
PARTNERSHIP,**

Debtor.

Chapter 11

Case No. 18-11804-JNF

**SECOND AMENDED DISCLOSURE STATEMENT WITH RESPECT TO
SECOND AMENDED PLAN OF REORGANIZATION OF PEPPERELL MILLS
LIMITED PARTNERSHIP AND MERROW SEWING MACHINE COMPANY**

McAULIFFE & ASSOCIATES, P.C.
430 Lexington Street
Newton, MA 02466
John M. McAuliffe, Esq.
Kathryn Pellegrino, Esq.

Email: john@jm-law.net
Telephone: (617) 558-6889
Facsimile: (617) 559- 6882

MURPHY & KING, P.C.
One Beacon Street
Boston, MA 02108
D. Ethan Jeffery, Esq.

Email: EJeffery@murphyking.com
Telephone: (617) 423-0400
Facsimile: (617) 423-0498

Dated: December 20, 2018

I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.* (the “Bankruptcy Code”), Pepperell Mills Limited Partnership (the “Debtor”) and Merrow Sewing Machine Company, or its nominee, provide this disclosure statement (the “Disclosure Statement”) to all of the Debtor’s 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 *Plan of Reorganization of Pepperell Mills Limited Partnership and Merrow Sewing Machine Company* (the “Plan”) dated as of the date of this Disclosure Statement, a copy of which is attached as Exhibit A. The Debtor has filed the Plan simultaneously with the filing of this Disclosure Statement. Capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. A summary of the Plan, the estimated claims against the Debtor and the estimated dividend is set forth below.

The Debtor believes that the Plan provides the quickest recovery to creditors and will maximize the return to creditors on their Claims. **ACCORDINGLY, THE DEBTORS URGE ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.**

Pursuant to 11 U.S.C. § 105(d)(2)(B)(vi) the Debtor has requested the Court conditionally approve this Disclosure Statement and consolidate the hearing on the final approval of the disclosure statement with the hearing on confirmation of the Plan.

II. SUMMARY OF THE PLAN

The Plan contemplates the transfer of the Debtor’s real property to Merrow, who will provide the funding necessary to make the payments contemplated under the Plan, including the payment of a dividend to General Unsecured Creditors.

The Debtor recommends that you vote to accept the Plan. Each creditor should, however, 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.

III. INFORMATION ABOUT THE REORGANIZATION PROCESS

3.1 Purposes of Disclosure Statement

This Disclosure Statement includes background information about the Debtor and a description of the Plan. The Disclosure Statement describes the proposed treatment of each class of claims under the Plan. The Disclosure Statement contains information concerning the prospects for creditors in the event of confirmation or, in the alternative, 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.

The information contained in the Disclosure Statement has been provided by the Debtor and its agents (not Merrow) who are assisting in the reorganization and based upon the knowledge of its 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 Debtor, nor their respective professional advisors warrant the accuracy of the information contained in this Disclosure Statement.

No representation concerning the Debtor, including the value of its asset 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 description 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. All creditors and parties 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 Debtor to provide the Debtor's 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, except for the information contained in this Disclosure Statement, no person has been authorized to utilize any information concerning the Debtor's businesses or assets.

3.2 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:

John M. McAuliffe, Esq.
McAuliffe & Associates, P.C.
430 Lexington Street
Newton, MA 02466
F: 617-558-6882

Ballots must be received **on or before 4:30 P.M. (Eastern Daylight Savings Time)** on _____, **2019** 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 Debtor recommend a vote for “ACCEPTANCE” of the Plan.

3.3 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 are entitled to vote. Each member of the 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.

3.4 The Confirmation Hearing

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on _____, **2019 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, United States Bankruptcy Court, 5 Post Office Square, Boston, MA 02108. 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. In addition, at this hearing the Bankruptcy Court will consider final approval of this Disclosure Statement. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by the Debtor summarizing the votes for acceptance or rejection of the Plan by the parties entitled to vote.

3.5 Acceptances Necessary to Confirm 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 2/3 in dollar amount of claims and more than 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 Debtor 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 a junior priority may receive anything unless the junior class provides “new value” or other consideration to the Debtor. 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 Debtor and Merrow 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 Debtor

A. Background

The Debtor is a Massachusetts limited partnership which owns the commercial real property located at 502 Bedford Street, Fall River, Massachusetts (the “Real Property”). The all-granite, 6-story mill building was built in 1870, contains 217,000± square feet. The building is in good condition and primarily used for textile/clothing/fabric manufacturing and was the former headquarters of the “Anderson Little” men’s clothing line. The Debtor has owned the property since 1993 and there are currently seven tenants operating in the building, although five are tenants at will, one has a yearly lease, and the last has a lease that expires in November of 2018.

B. The Debtor’s Management

As of the Petition Date, Mr. Gene Laudon, the Debtor’s manager, managed the Debtor’s day-to-day operations. Since the Petition Date, Mr. Laudon, in his capacity as Manager of the Debtor, continues to oversee and manage all matters related to the Debtor.

C. Events Precipitating the Bankruptcy Case

Griffin Manufacturing Company (“Griffin”) was a manufacturing company with its principal business located in the Debtor’s property. Griffin was owned by one of the Debtor’s principals, Gene Laudon. Though Griffin was the primary and largest tenant of the building there were never enough other tenants to lease the remaining space to maintain a sufficient cash flow. In September 2017, Fall River Five Cents Savings Bank (“BankFive”) foreclosed on its loan to Griffin and seized all of its assets. BankFive subsequently sold these assets to Merrow Manufacturing, the Third-Party Plan Proponent, in a private sale. Merrow currently operates in the Debtor’s building. One of the Debtor’s principals, Gene Laudon, is currently hired as an independent consultant for Merrow. It is anticipated that Gene Laudon will continue his consulting role after Confirmation of the Plan. However, there have been no discussions or agreements between Gene Laudon and Merrow regarding any role after Confirmation. Other than providing consulting services to Merrow there are no other financial and non-financial relationships between the Debtor, Debtor’s insiders, and Merrow. The sale of the Property at Confirmation is not contingent upon any condition relating to a future contract or continued employment of Gene Laudon.

Beginning in 2016, the Debtor hired a real estate broker¹ and began marketing the property for sale. In 2016, early 2017, the Debtor received an offer for approximately \$1.5 million. However, as this offer was not enough to satisfy the existing lienholders (MDFFA, Bank Five and Fall River Office of Economic Development), the offer was rejected. In January 2018, Merrow offered the Debtor approximately \$1.2 million, but again, the offer was rejected by the Debtor's junior lienholders. During this time the Debtor also received an offer for approximately \$1.8 million from a third party, but the Debtor could not come to a voluntary or consensual agreement with the senior and junior lienholders for a sale of the Property. As the Debtor was unable to reach a resolution between the purchaser and the Debtor's lienholders, MDFFA scheduled a foreclosure of the real property in January 2018 and postponed the auction to May 2018. Still unable to reach a consensus and due to the pending foreclosure, the Debtor filed for chapter 11 bankruptcy protection on May 15, 2018 in order to conduct an orderly sale or reorganization of its Property with a goal to preserve the existing jobs in Fall River and provide a dividend to its creditors.

4.2 The Debtor's Assets

As of the Petition Date, the Debtor's schedules of assets filed with the Bankruptcy Court (the "Schedules") listed the value real property as approximately \$1.8 million. The Debtor estimated its total value as a fair market value based upon offers previously received by potential buyers. The Property has present income of approximately \$40,417 month and expenses of approximately \$37,000. The monthly expenses include an agreed upon \$7,000 payment to MDFFA as adequate protection. If the Debtor were not in chapter 11, its expenses would be significantly greater as it would owe in excess of \$20,000 per month to its three lienholders.

V. SIGNIFICANT POST-PETITION EVENTS

5.1 General Information

With a public auction foreclosure sale scheduled by its senior lender, MDFFA, for May 15, 2018, the Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Massachusetts. The Debtor continues to operate as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

5.2 Chapter 11 Activity

Cash Collateral

After filing its Chapter 11 petition, the Debtor negotiated with MFDA for the use of cash collateral. On June 15, 2018, the Debtor filed *Motion by Debtor for Entry of an Agreed Interim Order Providing Adequate Protection and (1) Use of Cash Collateral, (2) Granting of Replacement Liens, (3) Scheduling a Hearing on the Further Use of Cash Collateral, and (4) Additional Relief* (doc. no. 23). A hearing on this motion was held on June 21, 2018, and the

¹ Any agreement with the broker expired no later than February 2018.

Debtor and MDFA submitted and agreed *First Interim Order Authorizing Use of Cash Collateral and Adequate Protection* which was entered on June 22, 2018. (doc. no. 44).

On June 22, 2018, Debtor submitted a *Renewed Motion by Debtor for Entry of Agreed Interim Order Providing Adequate Protection and (1) Use of Cash Collateral; (2) Granting of Replacement Liens, (3) Scheduling a Hearing on the Further Use of Cash Collateral, and (4) Additional Relief* (Docket No. 43). A hearing on this Cash Collateral Motion was held on June 29, 2018 and approved by the Court.

On July 23, 2018, Debtor submitted a *Second Renewed Motion by Debtor for Entry of Agreed Interim Order Providing Adequate Protection and (1) Use of Cash Collateral; (2) Granting of Replacement Liens, (3) Scheduling a Hearing on the Further Use of Cash Collateral, and (4) Additional Relief* (Docket No. 59). A hearing on this Second Cash Collateral Motion was held on July 26, 2018 and approved by the Court.

On August 31, 2018, the Debtor submitted a *Renewed Motion by Debtor for Entry of Agreed Interim Order Providing Adequate Protection and (1) Use of Cash Collateral; (2) Granting of Replacement Liens, (3) Scheduling a Hearing on the Further Use of Cash Collateral, and (4) Additional Relief* (Docket No. 71). A hearing on this Third Cash Collateral Motion was held on September 6, 2018 and the motion was approved by the Court. The Debtor has authorization to use cash collateral through October 16, 2018. On October 5, 2018, the Debtor filed a *Renewed Motion by Debtor for Entry of a Fifth Interim Order Providing Adequate Protection and (1) Use of Cash Collateral; (2) Granting of Replacement Liens, (3) Scheduling a Hearing on the Further Use of Cash Collateral, and (4) Additional Relief* (Docket no. 91). A hearing on this motion was held on October 16, 2018 and the Court approved the continued use of cash collateral through November 21, 2018. On November 9, 2018, the Debtor filed a *Renewed Motion by Debtor for Entry of a Fifth Interim Order Providing Adequate Protection and (1) Use of Cash Collateral; (2) Granting of Replacement Liens, (3) Scheduling a Hearing on the Further Use of Cash Collateral, and (4) Additional Relief* (Docket no. 118). A hearing was held on this motion and the Court approved the continued use of cash collateral through January 3, 2019. The Debtor intends to seek continued authorization prior to the expiration of the current cash collateral order.

Other Motions

On May 29, 2018, the Debtor file an *Application to Employ John M. McAuliffe and John M. McAuliffe & Associates, P.C., as Counsel, Nunc Pro Tunc to the Petition Date* (docket no.12). This Application was approved by the Court on June 6, 2018. On June 13, 2018 the Debtor file a *Motion of Debtor for an Order Fixing Deadline for Filing Proofs of Claim* (docket no. 21) and by Order dated June 13, 2018, July 31, 2018 was the deadline established by the Court for filing proofs of claims.

In addition, on June 15, 2018, the Debtor submitted (I) *Motion for Order Authorizing Debtor to (1) Enter Into Insurance Premium Financing Agreement, (2) Grant a Security Interest in Connection with Insurance Premium Financing, and (3) Grant an Administrative Expense Priority Pursuant to Section 364(c) of the U.S. Bankruptcy Code - General Liability and Workers Compensation* (docket no 27 and 28 respectively); and (II) *Debtor's Motion for*

Authorization to Continue Debtor's Workers Compensation and Property Insurance Policies and to Pay Premium and Other Amounts Owed Thereunder (docket no. 26). A hearing was held on all three motions on June 21, 2018 and the Court allowed all motions.

Finally, on September 12, 2018 the Debtor filed *Motion to Extend Debtor's Exclusive Periods for Filing and Obtaining Acceptances of a Plan of Reorganization Pursuant to 11 U.S.C. § 1121(d)* (docket no. 79), to extend the deadline for the Debtor's exclusive right to file a plan to October 16, 2018 and extend the deadline for acceptance of the plan to December 17, 2018. On December 13, 2018, the Debtor filed a *Motion to Extend Debtor's Exclusive Periods for Obtaining Acceptances of a Plan of Reorganization Pursuant to 11 U.S.C. § 1121(d)*. On December 20, 2018, Potter's Printing filed a response to the motion. There is currently a hearing scheduled for December 21, 2018 on the Debtor's motion.

Sale of Real Property

Throughout this chapter 11, the Debtor has had discussions with various parties regarding the sale of the real property. The Debtor had two interested parties in the property, including joint plan proponent, Merrow. Prior to filing the initial Disclosure Statement and Plan, neither interested party was willing to pay more than \$1.8 million for the property. A short time prior to filing the amended Plan and Disclosure Statement, the Debtor received a purchase and sale agreement from Potter Printing Realty, Inc. ("Potter"), with no deposit and contingencies, offering to purchase the Property for \$2,100,000.² Since that time, despite requests from the Debtor and MDFA, Potter has not disclosed the contingencies to its offer and has not provided a commitment letter demonstrating that it has the ability to purchase the Real Property. Prior to and after the Petition Date, the Debtor received various of expressions of interest for the purchase of the Real Property. Those expressions of interest, other than Potter's were in the range of \$1,600,000 to \$1,900,000. The Debtor agreed to this Plan in order to provide payment of the MFDA claim, the City of Fall River taxes and municipal charges, the administrative expenses, and to provide a dividend to the general unsecured creditors, who would otherwise not receive a dividend in a sale under Section 363 of the Bankruptcy Code.

This Plan contemplates the following (all amounts are estimated):

A. Payment to MDFA	\$1,613,000
B. Total Payments to City of Fall River	\$ 246,000
C. Payments for administrative claims	\$ 50,000 ³

² The Debtor believes that any additional funds that would be obtained from the sale for this increased price would benefit MDFA, as MDFA is entitled to all proceeds up to their claim amount of \$3,247,744.20.

³ The Debtor anticipates it will have remaining cash on hand from the operation of the property to pay approximately \$50,000 towards the administrative fees. Any amounts not paid from the Debtor's cash on hand at the Effective Date will be paid by Merrow (subject to agreement between claimant and Merrow). The amounts stated include approximately \$6,500 which will be owed to the United States Trustee upon the closing of the sale.

D. Payment of general unsecured dividend	\$ 50,000
Total Amount Paid by Merrow	\$1,959,000

Under the Plan, if MDFA does not receive payment of the amounts set forth in the Plan by February 15, 2019, it has the option of either pursuing its state law remedies or proceeding with a sale of the Real Property to Potter for \$2,100,000, subject to Potter providing a non-contingent offer and proof of the ability to purchase the Real Property. The Debtor and Merrow believe that MDFA will agree to the treatment proposed in the Plan. The amounts due to Fall River and administrative claims may increase in the event the Plan is not confirmed.

In the event Merrow fails to purchase the premise and close the transaction on or before February 15, 2019, then the Debtor would request that Potter have the option to purchase the property at the price of \$2,100,000, plus all outstanding fees of the chapter 11 (fees of chapter 11 counsel of approximately (\$100,000) and fees owed to the United States Trustee assessed on the closing price disbursement⁴. Provided further, that Potter shall have, on or before January 15, 2019, submitted a commitment letter, satisfactory to the Debtor and MDFA proving the ability to close the transaction, the source of funds and waiving all contingencies. Potter shall (a) provide a payment to the general unsecured creditors in an amount not less than \$50,000, and (b) payment to the City of Fall River for all outstanding real estate taxes, water and sewer charges, betterments and municipal charges, upon terms and conditions agreed to by the City and Potter, but in no event less favorable than the Debtor and Merrow proposal contemplated in the Plan.

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.⁵

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.

⁴ The United States Trustee fees are 1% of the disbursement amount or approximately \$22,000.

⁵ Any description in this section of the Disclosure Statement of any claim against the Debtor does not constitute an admission that the claim is an Allowed Claim or that the Debtor agrees with the amount of the claim. The Debtor reserves all of its rights, claims and defenses with respect to any and all claims, including the right to object to the amount, extent and validity of any claim.

A. Administrative Expense Claims.

The Debtor is liable for all post-petition administrative claims that accrue prior to Plan confirmation. Exclusive of Professional Fees, the Debtor estimates that there will be minimal amounts owed for these claims. For the period from the Petition Date through the date of this Disclosure Statement, the Debtor utilized its cash from operations to pay all administrative claims as those claims arose.

Under the Plan, Administrative Expense Claims are treated as follows:

(1) General. Except for Professional Fee Claims and except as otherwise agreed to by the Debtor and the holder of an Allowed Administrative Expense Claim, each such holder shall be paid in full in Cash on the earlier of: (i) the date such Allowed Administrative Expense Claim becomes due in accordance with its terms; and (ii) the Effective Date. If the Debtor disputes any portion of an Administrative Expense Claim, the Debtor shall pay the Allowed amount of such Administrative Expense Claim within five (5) days after the entry of a Non-Appealable Order with respect to the allowance of such disputed 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.

(a) 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 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 Debtor or Reorganized Debtor. This shall not prevent any Professional from filing an interim application for approval of fees and reimbursement of expenses which shall be paid on or before the Effective Date. The Debtor anticipates chapter 11 counsel will be owed approximately \$100,000⁶ at Confirmation.

(b) All fees and expenses of Professionals for services rendered after the Effective Date shall be paid by the Reorganized Debtor or Merrow upon such terms as such Professional and the Reorganized Debtor or Merrow, as the case may be, agree. No further order or authorization from the Bankruptcy Court shall be necessary to permit the Reorganized Debtor/Merrow to pay the fees and expenses of Professionals for services rendered after the Effective Date.

⁶ All fees are subject to Court approval. This estimated amount is after application of the prepetition retainer of \$18,318.

B. Priority Tax Claims.

At the sole election of the Debtor, 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 Debtor 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, and (ii) over a period ending not later than five (5) years from the Petition Date. **The Debtor is unaware of any Priority Tax Claims.**

6.2 Classification.

The Claims against and Equity Interests in the Debtor are categorized for all purposes under the Plan including voting, confirmation and distribution pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. 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 and 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.

6.2.1 Class 1 – MDFA Secured Claim.

- (a) Classification. Class 1 consists of the MDFA Secured Claim.
- (b) Impairment and Voting. The MDFA Secured Claim is impaired under the Plan. The holder of the MDFA Allowed Secured Claims shall be entitled to vote to accept or reject the Plan.
- (c) Claim Treatment. In full satisfaction and discharge of the MDFA Allowed Secured Claim, the holder of the MDFA Allowed Secured Claim shall receive, from the transfer of the Real Property set forth in Section 5.2 of the Plan, the sum of (i) \$1,613,000, if the Effective Date occurs on or before November 30, 2018 or such other date agreed to by MDFA in writing, or (ii) \$1,658,000, if the Effective Date occurs after the date set forth in Section 4.1(c)(i) of the Plan but on or before February 15, 2019. MDFA shall receive the applicable amount at the closing of the transfer of the Real Property contemplated by Section 5.2 of the Plan.
- (d) Liens. The holder of the MDFA Allowed Secured Claim shall retain the Liens securing such Claim until the MDFA has received the amount set forth in Section 4.1(c) of the Plan.
- (e) Amount of Claim. The Debtor has acknowledged that the MDFA has a Claim against the Debtor in the approximate amount of \$3,247,000, and that such Claim is secured by a valid and perfected first priority mortgage on the Real Property.

Since the Real Property is worth far less than MDFA's Secured Claim and based on the estimated value of the Real Property, MDFA will have a General Unsecured Claim of approximately \$1,430,000. The Debtor and MDFA are currently in negotiations regarding the waiver of this general unsecured claim, but as of the date of this Disclosure, MDFA has not agreed to a waiver of the claim.

6.2.2 Class 2 – Fall River Secured Claims.

- (a) Classification. Class 2 consists of Fall River's Secured Claims.
- (b) Impairment and Voting. The Fall River's Secured Claims are impaired under the Plan. The holder of Fall River's Allowed Secured Claims shall be entitled to vote to accept or reject the Plan.
- (c) Claim Treatment. In full and complete satisfaction, settlement, discharge and release of Fall River's Allowed Secured Claims, the holder of such Allowed Claims shall receive the following treatment:
 - (i) Real Estate Taxes. Fall River's Allowed Secured Claim for municipal real estate taxes due with respect to the Real Property shall be paid in full as follows: (1) a payment in cash, from the proceeds of the transfer of the Real Property contemplated in Section 5.2 of the Plan, of a total value, as of the Effective Date of the Plan, equal to the Allowed amount such Allowed Secured Claim; (2) in installment payments in cash, paid by Merrow, over a period ending not later than five (5) years after the Petition Date; (3) in installment payments in cash, paid by Merrow, in a manner not less favorable than the most favored non-priority unsecured claim provided for by the Plan, other than payments to the Class 3 Claims; or (4) as agreed in writing with a separate Stipulation between Fall River and Merrow filed and approved by this Court and incorporated as part of the Plan, as amended
 - (ii) Municipal Charges. Fall River's Allowed Secured Claim for municipal charges shall be paid in full: (1) in four (4) quarterly payments of principal and interest based on an interest rate of eight percent (8%) per annum, such other rate agreed to between Merrow and the holder of such Claim, or such other rate determined by the Bankruptcy Court to permit the holder of such Claim to receive deferred cash payments totaling such Claim, of a value, as of the as of the Effective Date, of at least the value of such holder's interest in the Estate's interest in the property subject to such holders valid and perfected Liens, (2) as agreed between the holder of such Claim and Merrow, or (3) as determined by the Bankruptcy Court to provide the holder of such Claim with the indubitable equivalent of such Claim. The payments to the holder of the Allowed Secured Claim for municipal charges shall be made by Merrow.

- (d) Liens. The holder of Fall River's Allowed Secured Claims shall retain the Liens securing such Claims until it has received the amount set forth in Section 4.2(c)(i) and (ii) of the Plan; provided that, the holder of Fall River's Allowed Secured Claims shall subordinate its Lien, if requested to do so, to any financing obtained by Merrow to assist in funding the Plan.
- (e) Amount of Claim⁷. Fall River asserts it is owed approximately \$206,624.47 for unpaid real estate taxes and unpaid water and sewer charges, and approximately \$24,642 in utility charges. All of these claims are secured by liens on the Real Property that are senior to any other existing liens.

6.2.3 Class 3 – General Unsecured Claims.

- (a) Classification. Class 3 consists of the General Unsecured Claims against the Debtor.
- (b) Impairment and Voting. Class 3 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) Claim Treatment. In full and complete satisfaction, settlement, release and discharge, each holder of an Allowed General Unsecured Claim shall receive, commencing upon the later to occur of the Effective Date or the date such Claim becomes an Allowed Claim, one of the following: (i) a Pro Rata share of the Plan Fund; or (ii) treatment as agreed between the Debtor or the Reorganized Debtor and the holder of the Allowed General Unsecured Claim.
- (d) Claims of Insiders. No Insiders of the Debtor shall receive any distributions on account of their Allowed Claims until the Allowed Claims of all non-Insider creditors have been paid in full.
- (e) Holders of Pre-Petition Liens Not Otherwise Classified. Except for Secured Claims for real estate taxes, any Claim that was secured by a Lien on the Real Property as of the Petition Date and that is not otherwise separately classified, shall be treated as a General Unsecured Claim, and such Liens shall be deemed discharged. The holder(s) of such Claim(s) shall provide a discharge of such Liens to the Debtor within two days of a request for such discharge. This includes the wholly undersecured claims of Fall River Five Cents Savings Bank ("BankFive") and Fall River Office of Economic Development ("FROED").
- (f) Amount of Claims. Based on the bankruptcy schedules filed by the Debtor, the General Unsecured Claims against the Debtor total approximately \$2,800,000, exclusive of any General Unsecured Claim held by MDFA. If MDFA does not waive its deficiency, the Debtor estimates that General Unsecured Creditors will receive an approximate 1.112% dividend. If MDFA agrees to waive its deficiency claim, the Debtor estimates that General Unsecured Claimants will

⁷ The Debtor and Merrow reserve the right to object to the amount of the claim.

receive an approximate 1.785% dividend. To the extent the Equity Interests hold unsecured claims (approximately \$200,000), those claims shall be waived.

6.2.4 Class 4 – Equity Interests.

- (a) Classification. Class 4 consists of the Allowed Equity Interests in the Debtor.
- (b) Impairment and Voting. Class 4 is impaired under the Plan and shall be entitled to vote to accept or reject the Plan.
- (c) Treatment. On the Effective Date, the Equity Interests the Debtor shall be cancelled.

Plan Payments:⁸

Creditor Name	Amount	Treatment
Massachusetts Development Finance Agency	\$1,613,000	Paid on transfer of Real Property
City of Fall River	\$246,000	Paid on transfer of Real Property
McAuliffe & Associates, P.C. (Debtor’s Counsel)	\$80,000	Paid on transfer of Real Property
McAuliffe & Associates, P.C. (remaining balance owed)	\$20,000	Paid in monthly installments over twelve months
United States Trustee Fees	\$19,000	Paid on Effective Date
General Unsecured Creditors	\$50,000	Paid in equal quarterly installments over five years from Effective Date ⁹

6.3 Reservation of Rights With Respect to Claims.

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

⁸ All amounts are estimates, and all claims are subject to allowance (unless already Allowed) by the Bankruptcy Court. The Debtor and Merrow reserve all of their respective rights, claims and defenses with respect to the claims and amounts listed.

⁹ Initial dividend payment of \$2,500.00 will be paid on the Effective Date.

6.4 Plan Implementation.

The Plan will be funded from the Debtor's cash on hand at the Effective Date, from financing provided by Merrow via a loan facility with Bristol County Savings Bank in conjunction with the transfer of the Real Property, and from other funds provided by Merrow from its operations. Merrow's gross revenue/year for the last two years has been approximately \$4,000,000. Merrow has provided MDFA, the Debtor and the Office of the United States Trustee with a commitment letter for financing in an amount necessary to close on the transfer of the Real Property, as well as Merrow's financial statements.

6.5 Transfer of the Real Property.

(a) Transfer of Real Property. Confirmation of the Plan and payments made in accordance with the Plan shall constitute authority for the Debtor to transfer all of its right, title and interest in the Real Property to Merrow, or an affiliate of Merrow, free and clear of all liens, claims and interests. The transfer of the Real Property to Merrow shall occur as soon as practicable following Confirmation of the Plan. Upon the closing of the transfer of the Real Property to Merrow, the Debtor shall assume the Assumed Leases and assign them to Merrow. Any Cure Claim associated with such assumption and assignment shall be paid by Merrow. The only Cure Claim the Debtor is aware of is approximately \$800.00 to Atlantic Elevator Co.

(b) Guarantee of Jobs. Merrow guarantees that, for a period of not less than two (2) years following the closing of the transfer of the Real Property to Merrow, it will provide employment for at least 125 employees at the Real Property, exclusive of any employees hired by other tenants at the Real Property. The dedication to continued employment and the benefit to the local economy in Fall River is a factor in the business judgment of the Debtor to move forward with a Plan that allows continuity in the community.

6.6 Execution of Necessary Documents.

(a) Confirmation of the Plan shall constitute authorization by the Bankruptcy Court for the Debtor and/or the Reorganized Debtor to enter into all documents, instruments and agreements necessary to effectuate the terms of the Plan, including without limitation any of the foregoing that may be necessary to transfer the Real Property to Merrow. 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 Debtor and/or the Reorganized Debtor and Merrow.

(b) All matters provided for in the Plan involving any corporate action required by the Debtor or Reorganized Debtor 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 Debtor, its agents, representatives, members, managers, officers, directors or Affiliates.

6.7 Organization Documents and Good Standing.

As of the Effective Date, the Debtor's Organization Documents shall be amended as necessary to effectuate the terms of the Plan and shall become the Organization Documents of the Reorganized Debtor. 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 Debtor 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 Debtor and/or the Reorganized Debtor, 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. Upon Confirmation, the Organization Documents shall be deemed amended to prohibit the Reorganized Debtor from issuing any non-voting securities.

6.8 Vesting of Property.

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

6.9 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 Final Order, or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, the Reorganized Debtor will exclusively retain and may enforce, and the Debtor expressly reserves and preserves 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 Debtor or the Estate 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 or consummation of the Plan.

6.10 Debtor' Continued Existence.

Following the Effective Date, the Reorganized Debtor shall remain in existence for the purpose of effectuating the Plan, including: (a) selling Real Property, (b) distributing the Net Proceeds of the sale of the Real Property in accordance with the Plan, (c) reviewing and objecting to Claims against the Debtor, and (d) conducting an orderly wind down of the Reorganized Debtor' business and affairs. Gene Laudon will continue as manager of the Reorganized Debtor in order to effectuate the Plan and wind-down of the Reorganized Debtor, as well as filing the final decree. Mr. Laudon will receive no compensation for this work. In addition, Christine Laudon will continue to timely complete all operating reports due to the US Trustee. She will receive no compensation for this work. Upon the Effective Date, the Reorganized Debtor shall each be vested with the standing of and with all rights, powers and benefits afforded to a "trustee" under the Bankruptcy Code. Upon the substantial completion of the administration of the Plan, and the closing of the chapter 11 case, the Reorganized Debtor shall be dissolved. To the extent provided in the Plan, all obligations to Class 1, 2 and 3 as well as the administrative claims, including legal fees and fees owed to the United States Trustee, shall be the responsibility of Merrow.

6.11 Default.

No event of default under the Plan shall occur unless, in the event of a breach of the Debtor's or the Reorganized Debtor's obligations under the Plan, the holder of the Allowed Claim asserting the default shall provide written notice of such breach to the Reorganized Debtor 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 Debtor's receipt of such notice; and (ii) for any other breach, within thirty (30) days of the Reorganized Debtor's receipt of such notice, provided that, if such non-monetary breach cannot reasonably be cured within such 30-day period and the Reorganized Debtor has commenced curing such breach and continues to cure such breach, the thirty (30) day period shall be extended for such time as is reasonably necessary to cure such breach.

6.12 Objections to Disputed Claims.

Prior to the Effective Date, any objections to Claims against the Debtor shall be prosecuted by the Debtor. On and after the Effective Date, any objections to Claims against the Debtor shall be prosecuted by the Reorganized Debtor; provided that Merrow may object to any Claim that is secured by a Lien on the Real Property and/or is associated with the Real Property.

6.13 Deadline for Objecting to Disputed Claims.

Except as otherwise provided by order of the Bankruptcy Court, the Debtor, or the Reorganized Debtor as the case may be, may file an objection to a Claim against the Debtor until the later of: (a) the date that such Claim becomes due and payable in accordance with its terms, or (b) sixty (60) days after the Effective Date.

6.14 Assumption of Executory Contracts and Unexpired Leases.

The Debtor shall assume executory contracts and unexpired leases as set forth in Sections 5.2 of the Plan. Any executory contracts and unexpired leases not assumed by the Debtor shall be rejected as of the Effective Date. The entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumption and assignment or rejection of such executory contracts and unexpired leases. Upon the Effective Date: (i) the Assumed Leases shall be deemed valid, binding and in full force and effect in accordance with their terms; (ii) Merrow shall succeed to the entirety of the applicable Debtor's rights and obligations in the Assumed Lease first arising and attributable to the time period occurring on or after the Effective Date; (iii) all defaults (monetary and non-monetary) under the Assumed Leases through the Effective Date shall be deemed cured and satisfied through the payment of the applicable Allowed Cure Claim, if any, for such Assumed Lease; (iv) no other amounts will be owed by the Debtor, their Estate or Merrow with respect to amounts first arising or accruing during, or attributable or related to, the period before the Effective Date with respect to the Assumed Leases; (v) any and all persons or entities shall be forever barred and estopped from asserting a Claim against the Debtor, its Estate, and/or Merrow under, arising from or related to the Assumed Leases that arose or accrued, or relate to or are attributable to the period before the Effective Date; and (vi) any provision of the Assumed Leases or applicable non-bankruptcy law that purport to prohibit, restrict, or condition, or could be construed as prohibiting, restricting, or conditioning assignment of any of the Assumed Leases shall be deemed to have been satisfied or otherwise unenforceable under Section 365 of the Bankruptcy Code. Presently, the Debtor intends to assume and assign

the contracts for elevator maintenance (freight & passenger) with an estimated cure payment of approximately \$1100.00. Also, the Debtor intends to assume and assign the contract with OmniPoint Communications for a cell phone & communication antenna sited on the building's roof. There is no cure payment,

6.15 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 and at the election of Merrow, either: (i) payment in the ordinary course of business as and when such Allowed Claims become due pursuant to such executory contract or unexpired lease, or (ii) payment as agreed between Merrow and the counter-party to the assumed contract or 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 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 Final Order resolving the dispute and approving the assumption.

6.16 Rejection Damage Claims.

If the rejection of an executory contract or unexpired lease by the Debtor 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 Estate, the Reorganized Debtor 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 Debtor 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 Debtor or the Reorganized Debtor, as the case may be, shall have the right to object to any such Claim for rejection damages in accordance with the Plan.

6.17 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 discharge as against the Debtor and the Reorganized Debtor of any debt or obligation of the Debtor that arose before the Effective Date, and any debt of the Debtor of a kind specified in Section 502(g), 502(h), or 502(i) of the Bankruptcy Code, and all Claims against the Debtor or their Estate of any nature, including, without limitation, any setoff claims and/or any interest accrued on any Claim from and after the Petition Date, whether or not: (a) a proof of claim based on such debt, obligation or Equity Interest is filed or deemed

filed under Section 501 of the Bankruptcy Code, (b) such Claim is Allowed under Section 502 of the Bankruptcy Code, or (c) the holder of such Claim has accepted the Plan.

6.18 Injunction Relating to the Plan.

As of the Effective Date, all Persons are hereby permanently 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 the Debtor, the Estate or the Reorganized Debtor, on account of, or respecting any Claims, debts, rights, obligations, Causes of Action or liabilities discharged pursuant to the Plan, except to the extent expressly permitted under the Plan.

6.19 Releases.

Except as otherwise set forth in the Plan, as of the Effective Date, in consideration for, among other things, the obligations of the Debtor under the Plan and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, (a) each holder of a Claim or Interest that votes in favor of the Plan and (b) **to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each Person that has held, holds or may hold a Claim or Equity Interest or at any time was a creditor or equity holder of the Debtor and that does not vote on the Plan or votes against the Plan, in each case will be deemed to forever release, waive and discharge all claims (including any derivative claims), obligations, suits, judgments, damages, demands, rights, causes of action and liabilities (other than the right to enforce the Reorganized Debtor's obligations under the Plan and the contracts, instruments, releases, agreements and documents delivered under the Plan), 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 the Debtor, the Bankruptcy Case or the Plan that such entity has, had or may have against the Debtor, the Estate, the Estate's Assets, the Reorganized Debtor and/or the Reorganized Debtor's Assets.**

Nothing in the Plan shall be construed or interpreted to discharge or release any non-Debtor guarantors to creditors of the Debtor.

6.20 Cancellation of Existing Indebtedness and Liens.

Except as is otherwise 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 Debtor, together with any and all Liens securing same, including without limitation all Liens against the Real Property and any rights of setoff, 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 Debtor 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 Debtor. To the extent deemed necessary or advisable by the Reorganized Debtor, any holder of a Claim shall promptly provide the Reorganized Debtor 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.

6.21 Exculpation.

Except as otherwise set forth in the Plan, neither the Debtor, the Reorganized Debtor, Merrow 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 this Bankruptcy Case, 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 terms of this Section 6.21 shall not apply to any liability for willful misconduct or ultra vires acts.

6.22 Setoffs.

Except as otherwise provided in the Plan, nothing contained in the Plan shall constitute a waiver or release by the Debtor, the Estate and/or the Reorganized Debtor of any rights of setoff each may have against any Person or entity.

6.23 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 "IRC"), 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, administration 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 Debtor has not requested a ruling from the Internal Revenue Service (the "IRS") with respect to these matters and no opinion of counsel has been sought or obtained by the Debtor 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 consequence 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 DEBTOR IS NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY CREDITOR NOR IS THE DEBTOR RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX CONSEQUENCES.**

A. Federal Income Tax Consequences to the Debtor.

Cancellation of Indebtedness. Generally, the Debtor will realize cancellation of debt (“COD”) income to the extent, if at all, that the Debtor pays a creditor pursuant to the Plan an amount of consideration in respect of a Claim against the Debtor 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 Debtor will be in a bankruptcy case at the time the COD income is realized (if any is realized), the Debtor 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 therefor (other than basis attributable to accrued but unpaid interest previously included in the holder’s taxable income). Any gain recognized generally may 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 may 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 (i) 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 URGED TO CONSULT WITH HIS OWN TAX ADVISOR REGARDING SUCH TAX CONSEQUENCES.

VII. FEASIBILITY AND LIQUIDATION ANALYSES

7.1 Feasibility of the Plan

The Plan contemplates the transfer of the Real Property to Merrow, with Merrow funding the amounts necessary to make the payments to the holders of Allowed Claims in Classes 1 through 3. Merrow has obtained financing in an amount sufficient to fund these payments (see Exhibit B). Payments to the holders of Allowed Administrative Claims will be made from the Debtor’s cash on hand, or by Merrow.

7.2 Best Interests of Creditors and Comparison with Chapter 7 Liquidation.

As a condition to confirmation of the Plan, Section 1129(a)(7)(A)(ii) of the Bankruptcy Code requires that each holder of a claim or an interest in an impaired Class of Claims or Equity Interests must either accept the Plan or receive or retain at least the amount or value it would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

Upon conversion to Chapter 7, or any other type of auction or foreclosure sale, the Debtor’s operations would cease and a trustee would be appointed to liquidate the Debtor’s assets. The liquidation of the Debtor’s assets in Chapter 7 would result in substantial additional administrative costs as the Chapter 7 trustee would need to hire new professionals to analyze the Debtor’s assets and, if necessary, liquidate any assets. This would likely delay payment of creditors and add additional administrative cost, all of which would likely reduce the dividend to

creditors. Certain costs from the sale of the Real Property, such as stamp taxes, that will not need to be paid under the Plan, would have to be paid in a Chapter 7 proceeding. Accordingly, in a Chapter 7 liquidation of the Debtor's assets, the Debtor believes that only Fall River (for real estate taxes which will continue to accrue) and MDFA would receive a dividend on account of its claims and no funds would be available to pay the General Unsecured Creditors, including deficiency claims of undersecured claimants. In addition, it is likely that Merrow would move its operations resulting in job loss and economic hardship in the local economy.

Sale Price	\$1,800,000
Less: Transfer taxes	-\$ 8,208
Less: City of Fall River	-\$ 203,000
Less: MDFA	-\$3,247,744
Less: Administrative Expenses (ch.11)-\$	75,000
Less: Ch. 7 Administrative	-\$ 10,000
Total Expenses:	\$3,533,952
Net Amount:	(-\$1,733,952)
Total Available to General Unsecured Creditors:	\$0.00

The Plan provides for a dividend to the holders of General Unsecured Claims. Since no money would be available to the holders of these claims in a Chapter 7, the return to General Unsecured Creditors will be more beneficial under that Plan compared to the result if the case were converted to Chapter 7.

The Debtor, therefore, believes that the conditions in Section 1129(a)(7) of the Bankruptcy Code have been satisfied.

PEPPERELL MILLS LIMITED
PARTNERSHIP

/s/ Christine Laudon

By: Christine Laudon

Its: President – General Partner

Counsel for the Debtor,

/s/ John M. McAuliffe

John M. McAuliffe, Esq.

McAULIFFE & ASSOCIATES,

Professional Corporation

430 Lexington Street

Newton, MA 02466

John M. McAuliffe, Esq. (BBO #555109)

Kathryn Pellegrino, Esq. (BBO #654743)

Telephone: (617) 558-6889

E-mail: john@jm-law.net

Dated: December 20, 2018

EXHIBIT A

Plan of Reorganization

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS
(Eastern Division)**

In re:

**PEPPERELL MILLS LIMITED
PARTNERSHIP,**

Debtor.

Chapter 11

Case No. 18-11804-JNF

**SECOND AMENDED PLAN OF REORGANIZATION OF PEPPERELL MILLS
LIMITED PARTNERSHIP AND MERROW SEWING MACHINE COMPANY**

McAULIFFE & ASSOCIATES, P.C.
430 Lexington Street
Newton, MA 02466
John M. McAuliffe, Esq.
Kathryn Pellegrino, Esq.

Email: john@jm-law.net
Telephone: (617) 558-6889
Facsimile: (617) 559- 6882

MURPHY & KING, P.C.
One Beacon Street
Boston, MA 02108
D. Ethan Jeffery, Esq.

Email: EJeffery@murphyking.com
Telephone: (617) 423-0400
Facsimile: (617) 423-0498

Dated: December 20, 2018

Pepperell Mills Limited Partnership (the “Debtor”) and Merrow Sewing Machine Company (“Merrow”) hereby propose the following plan of reorganization under Section 1121 of the United States Bankruptcy Code.

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

For purposes of the Plan, the following terms shall have the meanings specified in this Article I. A capitalized term used but not defined in the Plan that is also used in the Bankruptcy Code shall have the meaning ascribed to that term in the Bankruptcy Code. Wherever from the context it appears appropriate, each term stated shall include both the singular and the plural, and pronouns shall include the masculine, feminine and neuter, regardless of how stated. The words “in the Plan,” “the Plan,” “hereto,” “herein”, “hereunder” and other words of similar import refer to the Plan as a whole and not to any particular Section, sub-Section or clause contained in the Plan. The rules of construction contained in Section 102 of the Bankruptcy Code shall apply to the terms of the Plan. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions the Plan.

1.1 “Administrative Expense Claim” shall mean a Claim that is Allowed under Section 503(b) of the Bankruptcy Code and that is entitled to priority under Section 507(a)(1) of the Bankruptcy Code, including Professional Fee Claims.

1.2 “Affiliate” shall mean any Person that is an affiliate of the Debtor or the Reorganized Debtor under the Bankruptcy Code.

1.3 “Allowed” shall mean, with reference to any Claim or Equity Interest:

- (a) a Claim or Equity Interest that has been listed by the Debtor in its Schedules and (i) is not listed as disputed, contingent or unliquidated, and (ii) is not a Claim or Equity Interest as to which a proof of claim or interest has been filed;
- (b) a Claim or Equity Interest as to which a timely proof of claim or interest has been filed by the Bar Date and either (i) no objection thereto, or application to estimate, equitably subordinate or otherwise limit recovery, has been made on or before any applicable deadline, or (ii) if an objection thereto, or application to estimate, equitably subordinate or otherwise limit recovery has been interposed, the extent to which such Claim has been allowed (whether in whole or in part) by a Final Order;
- (c) a Claim arising from the recovery of property under Section 550 or 553 of the Bankruptcy Code and allowed in accordance with Section 502(h) of the Bankruptcy Code; or

- (d) any Claim or Equity Interest expressly allowed under the Plan or pursuant to the Confirmation Order or pursuant to a Final Order of the Bankruptcy Court.

1.4 “Asset(s)” shall mean any real or personal property of the Debtor, whether tangible or intangible and wherever situated, together with the proceeds thereof.

1.5 “Assumed Lease(s)” shall mean, in the singular, the Debtor’s unexpired leases and executory contracts that are designated by Merrow, within fourteen (14) days of the Confirmation Date by a document filed with the Bankruptcy Court, to be assumed and assigned to Merrow upon the closing of the transfer of the Real Property contemplated in Section 5.2 of the Plan, and in the plural shall mean all such contracts and leases.

1.6 “Bankruptcy Case” shall mean the chapter 11 bankruptcy proceedings pending in the Bankruptcy Court under docket numbers 18-11804-JNF.

1.7 “Bankruptcy Code” shall mean Title 11 of the United States Code, as amended from time to time.

1.8 “Bankruptcy Court” shall mean the United States Bankruptcy Court for the District of Massachusetts in which the Bankruptcy Case is pending and, to the extent of any reference under 28 U.S.C. §157, the unit of such District Court specified pursuant to 28 U.S.C. §151.

1.9 “Bankruptcy Rules” shall mean the Federal Rules of Bankruptcy Procedure as promulgated under 28 U.S.C. § 2075, and any local rules of the Bankruptcy Court.

1.10 “Bar Date” shall mean July 31, 2018, the date fixed by orders of the Bankruptcy Court as the last date by which Persons asserting certain Claims against the Debtor must file a proof of claim or interest or be forever barred from asserting a Claim against the Debtor or its property, from voting on the Plan and/or sharing in distributions under the Plan.

1.11 “Business Day” shall mean any day other than a Saturday, Sunday or legal holiday recognized in the Commonwealth of Massachusetts.

1.12 “Cash” shall mean lawful currency of the United States of America (including wire transfers, cashier’s checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks and money orders).

1.13 “Cash Equivalents” shall mean equivalents of Cash in the form of readily marketable securities or instruments issued by a Person other than the Debtor or an Affiliate, including, without limitation, readily marketable direct obligations of, or obligations guaranteed by, the United States of America, commercial paper of domestic corporations carrying a Moody’s Rating of “A” or better, or equivalent rating of any other nationally recognized rating service, interest-bearing certificates of deposit, or other similar obligations of domestic banks or other financial institutions having a shareholders’ equity or equivalent capital of not less than Two Hundred Million Dollars (\$200,000,000).

1.14 “Causes of Action” shall mean, without limitation, any and all actions, causes of action, choses in action, defenses, liabilities, obligations, rights, suits, debts, sums of money, damages, judgments, Claims or proceedings to recover money or property and demands of any nature whatsoever, whether known or unknown, in law, equity or otherwise including, without limitation, Avoidance Actions.

1.15 “Claim” shall mean a claim against a Person or its property as defined in Section 101(5) of the Bankruptcy Code, including, without limitation, (a) any right to payment, whether or not such right is reduced to judgment, and whether or not such right is liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) any right to an equitable remedy for breach of performance, if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, or is fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

1.16 “Class” shall mean those classes designated in Article III of the Plan.

1.17 “Collateral” shall mean any property or interest in property of the Estate subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable law.

1.18 “Confirmation Date” shall mean the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket in these Bankruptcy Case.

1.19 “Confirmation Hearing” shall mean the hearing before the Bankruptcy Court on confirmation of the Plan, and if necessary, final approval of the Disclosure Statement in the event the hearing on the Disclosure Statement and Plan are consolidated.

1.20 “Confirmation Order” shall mean the order of the Bankruptcy Court confirming the Plan pursuant to the provisions of the Bankruptcy Code, and any supplementary orders of the Bankruptcy Court issued in furtherance of the Plan.

1.21 “Contingent or Unliquidated Claim” shall mean any Claim for which a proof of claim has been filed with the Bankruptcy Court but which was not filed in a sum certain, or for which the event that would give rise to such a liability or debt has not occurred and is dependent upon a future event that has not occurred or may never occur, and which has not been Allowed.

1.22 “Cure Claim” shall mean the amount necessary to cure any defaults in an executory contract or unexpired lease so that such contract or lease may be assumed pursuant to Section 365(b)(1) of the Bankruptcy Code.

1.23 “Debtor” shall mean, Pepperell Mills Limited Partnership.

1.24 “Disclosure Statement” shall mean the disclosure statement relating to the Plan, including, without limitation, all exhibits and schedules thereto, in the form approved by the Bankruptcy Court pursuant to Section 1125 of the Bankruptcy Code.

1.25 “Disputed Claim” shall mean:

- (a) if no proof of claim relating to a Claim has been filed, a claim that is listed in the Schedules as unliquidated, disputed or contingent; or
- (b) if a proof of claim relating to a Claim has been filed, a Claim as to which a timely objection or request for estimation, or request to equitably subordinate or otherwise limit recovery in accordance with the Bankruptcy Code and the Bankruptcy Rules, has been made, or which is otherwise disputed by the Debtor in accordance with applicable law, which objection, request for estimation, action to limit recovery or dispute has not been withdrawn or determined by Final Order; or
- (c) a Claim that is a Contingent or Unliquidated Claim.

1.26 “Disputed Claim Amount” shall mean the amount set forth in the proof of claim relating to a Disputed Claim or an amount estimated pursuant to an order of the Bankruptcy Court in respect of a Disputed Claim in accordance with Section 502(c) of the Bankruptcy Code.

1.27 “Distribution Record Date” shall mean fifteen (15) days prior to the first scheduled hearing on the approval of the Disclosure Statement or such other date established by the Bankruptcy Court.

1.28 “Effective Date” shall mean the first Business Day after the later to occur of (a) the fifteenth day following the Confirmation Date, provided that no stay pending appeal of the Confirmation Order has been granted, or (b) the date that all conditions precedent to the effectiveness of the Plan have been satisfied or waived by the Debtor; or (c) fourteen days after the closing date of the transfer of the real estate.

1.29 “Equity Interest” shall mean the interest of any holder of any general or limited partnership interest in or voting or non-voting shares of the Debtor, and all options and/or rights, contractual or otherwise, to acquire at any time any general or limited partnership interest in or voting or non-voting shares of the Debtor, as such interests exist immediately prior to the Effective Date.

1.30 “Estate” shall mean the estate created in the Debtor’s Bankruptcy Case pursuant to Section 541 of the Bankruptcy Code.

1.31 “Fall River” shall mean the City of Fall River.

1.32 “Final Order” shall mean an order or judgment which has not been reversed, stayed, modified or amended and, as to which (a) the time to appeal or seek review or rehearing has expired and as to which no appeal or petition for certiorari, review or rehearing is pending, or (b) if appeal, review, re-argument or certiorari of the order has been sought, the order has been affirmed or the request for review, re-argument or certiorari has been denied and the time to seek a further appeal, review, re-argument or certiorari has expired, and as a result of which such order shall have become final and non-appealable in accordance with applicable law; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil

Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not cause such order not to be a Final Order.

1.33 “General Unsecured Claim” shall mean a Claim that is: (a) not a Secured Claim, (b) not entitled to priority of payment under Section 507 of the Bankruptcy Code, and (c) not a Claim for an Equity Interest.

1.34 “Internal Revenue Code” shall mean Title 26 of the United States Code, as amended from time to time.

1.35 “Insider” shall have the meaning set forth in Section 101(31) of the Bankruptcy Code, provided that it shall not include the Debtor.

1.36 “Lien” shall have the meaning set forth in Section 101(37) of the Bankruptcy Code; except that (a) a lien that has been avoided in accordance with Sections 544, 545, 546, 547, 548, 549 or 553 of the Bankruptcy Code shall not constitute a Lien, and (b) no lien shall be valid unless approved by a Non-Appealable order of the Bankruptcy Court or by agreement of the Debtor.

1.37 “Loan Documents” shall mean all documents evidencing a Secured Claim and/or the Lien securing such Claim, executed by the Debtor prior to or after the Petition Date, including, without limitation, notes, loan agreements, mortgages, security agreements, financing statements, guarantees, and such other documents executed in connection with such Secured Claim and/or Lien.

1.38 “MDFA” shall mean the Massachusetts Development Finance Agency, successor by assignment to Mass Development New Markets CDE #1, LLC.

1.39 “Merrow” shall mean Merrow Sewing Machine Company.

1.40 “Net Proceeds” shall mean the gross proceeds of any sale, transfer or other liquidation of any of the Assets, including the prosecution of Causes of Action, less the aggregate of, as applicable: (a) the costs and expenses of selling, transferring, prosecuting and/or liquidating the Assets, including, without limitation, professional fees and expenses related to the recovery and disposition of the Assets; (b) taxes; (c) accrued and unpaid real estate taxes and municipal liens; and (d) closing costs and other usual and ordinary recording and/or settlement charges.

1.41 “Organization Documents” shall mean, as applicable, the Debtor’s partnership agreements and such other documents evidencing the Debtor’s formation and/or operation in such jurisdictions in which the Debtor is authorized to conduct business.

1.42 “Person” shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated association or organization, governmental agency or political subdivision.

1.43 “Personalty” shall mean, collectively, any and all personal property and fixtures owned by the Debtor and at any time attached to, located in or on, or used in connection with, the

ownership or operation of the Debtor's Assets, including, without limitation, Causes of Action, mechanical, electrical, lighting and plumbing systems, fixtures and equipment, ventilating, air conditioning and heating systems, fixtures and equipment, water and power systems, engines boilers, generators, furnaces, motors, landscaping and sprinkler systems and equipment, furniture, furnishings, appliances, supplies and other personal property (tangible or intangible) of every nature and description, all maintenance equipment, tools and supplies, and all master keys, office keys and other keys used in connection with such Assets.

1.44 "Petition Date" shall mean May 15, 2018.

1.45 "Plan" shall mean this *Plan of Reorganization of Pepperell Mills Limited Partnership and Merrow Sewing Machine Company*, including, without limitation, all exhibits, supplements, appendices and schedules to the Plan, either in their present form or as the same may be altered, amended or modified from time to time.

1.46 "Plan Fund" shall mean: (a) the sum of \$50,000, to be contributed to the Plan by Merrow in equal quarterly installments over five (5) years from the Effective Date, and (b) the Net Proceeds of the prosecution of any Causes of Action, other than Causes of Action transferred to Merrow.

1.47 "Potter's Printing" shall mean Potter's Printing Realty, LLC.

1.48 "Priority Claims" shall mean all Claims, if any, entitled to priority under Section 507(a) of the Bankruptcy Code other than Priority Tax Claims and Administrative Expense Claims.

1.49 "Priority Tax Claims" shall mean any unsecured Claim of a governmental unit entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

1.50 "Professionals" shall mean those Persons (a) employed pursuant to an order of the Bankruptcy Court in accordance with Sections 327 or 1103 of the Bankruptcy Code and to be compensated for services pursuant to Sections 327, 328, 329, 330 and 331 of the Bankruptcy Code, or (b) for which compensation and reimbursement is allowed by the Bankruptcy Court pursuant to Section 503(b)(4) of the Bankruptcy Code.

1.51 "Professional Fee Claims" shall mean the fees and expenses of Professionals under Sections 330, 331, or 503 of the Bankruptcy Code approved by an Order of the Bankruptcy Court.

1.52 "Property" shall mean collectively the Real Property, improvements and Personalty owned by the Debtor. All references to the "Property" shall be deemed to mean all or any portion of such Property.

1.53 "Pro Rata" shall mean when used with reference to a distribution of property under the Plan, proportionately so that with respect to a particular Allowed Claim, the ratio of (a)(i) the amount of property distributed on account of such Claim to (ii) the amount of such Claim, is the same as the ratio of (b)(i) the amount of property distributed on account of all

Allowed Claims of the Class in which such Claim is included to (ii) the amount of all Allowed Claims in that Class.

1.54 “Real Property” shall mean the real property located at 502 Bedford Street, Fall River, Massachusetts, together with all Personalty associated with such real property, including, without limitation, any Causes of Action related to the Real Property and/or Personalty associated with the Real Property.

1.55 “Reorganized Debtor” shall mean the Debtor, from and after the Effective Date, as recapitalized, reconstituted and reorganized pursuant to the Plan and any associated documents.

1.56 “Schedules” shall mean the schedules of assets and liabilities, the list of holders of interests and the statements of financial affairs filed by the Debtor under Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules, lists and statements have been or may be supplemented or amended from time to time.

1.57 “Secured Claim” shall mean any Claim that is secured by a Lien on Collateral to the extent of the value of such Collateral, as determined in accordance with Section 506(a) of the Bankruptcy Code, or, in the event that such Claim is a claim of setoff under Section 553 of the Bankruptcy Code, to the extent of such setoff.

1.58 “Senior” shall mean (a) with respect to an Allowed Claim, any other Allowed Claim that is entitled to a priority of distribution under the Bankruptcy Code over the subject Allowed Claim, and (b) with respect to a Lien, any other Lien on the same Collateral that is entitled to precedence over the subject Lien with respect to such Collateral.

ARTICLE II

TREATMENT OF ALLOWED UNCLASSIFIED CLAIMS

2.1 Non-Classification.

As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims against each Debtor 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 this Article II.

2.2 Administrative Expense Claims.

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

(b) 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.

(c) 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 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, the Debtor or Reorganized Debtor, and Merrow. This shall not prevent any Professional from filing an interim application for approval of fees and reimbursement of expenses which shall be paid on or before the Effective Date.
- (ii) All fees and expenses of Professionals for services rendered after the Effective Date shall be paid by Merrow on such terms as such Professional and Merrow may reasonably agree. No further order or authorization from the Bankruptcy Court shall be necessary to permit Merrow to pay the fees and expenses of Professionals for services rendered after the Effective Date.
- (iii) Allowed Professional Fee Claims shall be paid first from the Debtor's cash on hand as of the Effective Date (or the closing date of the transfer of the real estate), and second from funds contributed by Merrow.

2.3 Priority Tax Claims.

At the sole election of the Debtor and Merrow, 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 Debtor, Merrow 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 Case 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, and (ii) over a period ending not later than five (5) years from the Petition Date,.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

The Claims against and Equity Interests in the Debtor are categorized below for all purposes under the Plan including voting, confirmation and distribution pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. 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, and 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.

3.1 Claim and Equity Interest Categories.

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

Class	Designation	Impairment	Entitled to Vote
1	M DFA Secured Claim	Impaired	Yes
2	Fall River Secured Claims	Impaired	Yes
3	General Unsecured Claims	Impaired	Yes
4	Equity Interests	Impaired	Yes

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS

4.1 Class 1 – MDFA Secured Claim.

- (a) Classification. Class 1 consists of the MDFA Secured Claim.
- (b) Impairment and Voting. The MDFA Secured Claim is impaired under the Plan. The holder of the MDFA Allowed Secured Claims shall be entitled to vote to accept or reject the Plan.
- (c) Claim Treatment. In full satisfaction and discharge of the MDFA Allowed Secured Claim, the holder of the MDFA Allowed Secured Claim shall receive, from the transfer of the Real Property set forth in Section 5.2 of the Plan, the sum of (i) \$1,613,000, if the Effective Date occurs on or before November 30, 2018 or such other date agreed to by MDFA in writing, or (ii) \$1,658,000, if the Effective Date occurs after the date set forth in Section 4.1(c)(i) but on or before February 15, 2019. MDFA shall receive the applicable amount at the closing of the transfer of the Real Property contemplated by Section 5.2 of the Plan.
- (d) Liens. The Liens securing the MDFA Allowed Secured Claim shall be treated as follows.

- (i) Retention of Liens. The holder of the MDFA Allowed Secured Claim shall retain the Liens securing such Claim until the MDFA has received the amount set forth in Section 4.1(c) of the Plan.
- (ii) Release of Liens. With respect to the transfer of the Real Property set forth in Section 5.2 of the Plan, the Liens securing the MDFA Allowed Secured Claim shall be discharged and released as follows:
 - (1) Notice of Closing. The Debtor and/or Merrow shall provide the holder of the MDFA Allowed Secured Claim with at least four (4) Business Days' notice of the scheduled closing of the transfer of the Real Property.
 - (2) Delivery of Discharge. At least two (2) Business Days prior to the scheduled closing of the transfer of the Real Property, the holder of the MDFA Allowed Secured Claim shall deliver to the closing attorney for such transfer a discharge and release of its Liens on the Real Property. MDFA may require such discharge and release to be held in escrow pending the closing of such transfer.
 - (3) Payment/Recording of Discharge. Within one (1) Business Day after the closing of the transfer of the Real Property, the Debtor and/or Merrow shall deliver to the holder of the MDFA Allowed Secured Claims, in immediately available funds, the amount required to be paid pursuant to Section 4.1(c) of the Plan.
- (e) Discharge of Liens. Upon the delivery of the amount required to be paid pursuant to Section 4.1(c) of the Plan to the holder of the MDFA Allowed Secured Claim, MDFA's Lien on the Real Property shall be deemed discharged and released.
- (f) MDFA Loan Documents and Rights Thereunder. As of the Effective Date, the MDFA's Loan Documents shall be deemed amended and restated, without further action, as necessary to reflect and incorporate the terms of the Plan. To the extent that there is any inconsistency between the Plan and any of the MDFA's Loan Documents, the terms of the Plan shall control.
- (g) In the event the closing of the real estate transaction contemplated in Section 5.2 of the Plan does not occur prior to February 15, 2019, then, at the election of MDFA, (a) MDFA shall be granted, without further Court order, relief from the injunction contained in the Plan and the Confirmation Order to pursue its remedies under state law; or (b) the Debtor shall be authorized to transfer the Real Property not later than

March 15, 2019, free and clear of liens, claims and interests, to Potter Printing for the sum of \$2,100,000.00; plus all administrative costs and fees of the Chapter 11 Estate, including all sums owed to the United States Trustee provided that, Potter Printing has demonstrated to MDFA and the Debtor that (i) Potter Printing is capable of closing on the sale of the Real Property, and (ii) any contingencies to such sale have been waived.

4.2 Class 2 – Fall River Secured Claims.

- (a) Classification. Class 2 consists of Fall River’s Secured Claims.
- (b) Impairment and Voting. The Fall River’s Secured Claims are impaired under the Plan. The holder of Fall River’s Allowed Secured Claims shall be entitled to vote to accept or reject the Plan.
- (c) Claim Treatment. In full and complete satisfaction, settlement, discharge and release of Fall River’s Allowed Secured Claims, the holder of such Allowed Claims shall receive the following treatment:
 - (i) Real Estate Taxes. Fall River’s Allowed Secured Claim for municipal real estate taxes due with respect to the Real Property shall be paid in full as follows: (1) a payment in cash, from the proceeds of the transfer of the Real Property contemplated in Section 5.2 of the Plan, of a total value, as of the Effective Date of the Plan, equal to the Allowed amount such Allowed Secured Claim; (2) in installment payments in cash, paid by Merrow, over a period ending not later than five (5) years after the Petition Date; (3) in installment payments in cash, paid by Merrow, in a manner not less favorable than the most favored non-priority unsecured claim provided for by the Plan, other than payments to the Class 3 Claims; or (4) as agreed in writing between Fall River and Merrow.
 - (ii) Municipal Charges. Fall River’s Allowed Secured Claim for municipal charges shall be paid in full: (a) in four (4) quarterly payments of principal and interest based on an interest rate of eight percent (8%) per annum, such other rate agreed to between Merrow and the holder of such Claim, or such other rate determined by the Bankruptcy Court to permit the holder of such Claim to receive deferred cash payments totaling such Claim, of a value, as of the as of the Effective Date, of at least the value of such holder’s interest in the Estate’s interest in the property subject to such holders valid and perfected Liens, (b) as agreed between the holder of such Claim and Merrow, or (c) as determined by the Bankruptcy Court to provide the holder of such Claim with the indubitable equivalent of such Claim. The payments to the holder

of the Allowed Secured Claim for municipal charges shall be made by Merrow.

- (d) Liens. The Liens securing Fall River's Allowed Secured Claims shall be treated as follows.
- (i) Retention of Liens. The holder of Fall River's Allowed Secured Claims shall retain the Liens securing such Claims until it has received the amount set forth in Section 4.2(c)(i) and (ii) of the Plan; provided that, the holder of Fall River's Allowed Secured Claims shall subordinate its Lien, if requested to do so, to any financing obtained by Merrow to assist in funding the Plan.
- (ii) Discharge of Liens. Upon the delivery of the full amount required to be paid pursuant to Section 4.2(c)(i) and (ii) of the Plan to the holder of Fall River's Allowed Secured Claims: (1) the Lien on the Real Property that secures the Allowed Secured Claim for municipal charges shall be deemed discharged and released, and (2) the holder of such Claim shall, at the request of the Reorganized Debtor or Merrow, deliver to Merrow, within three (3) Business Days of the request, executed versions of the documents necessary to effect the discharge and release of the Liens securing such Claim.

4.3 Class 3 – General Unsecured Claims.

- (a) Classification. Class 3 consists of the General Unsecured Claims against the Debtor.
- (b) Impairment and Voting. Class 3 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) Claim Treatment. In full and complete satisfaction, settlement, release and discharge, each holder of an Allowed General Unsecured Claim shall receive, commencing upon the later to occur of the Effective Date or the date such Claim becomes an Allowed Claim, one of the following: (i) a Pro Rata share of the Plan Fund; or (ii) treatment as agreed between the Debtor or the Reorganized Debtor and the holder of the Allowed General Unsecured Claim. If MDFA does not waive its deficiency, the Debtor estimates that General Unsecured Creditors will receive an approximate 1.112% dividend. If MDFA agrees to waive its deficiency claim, the Debtor estimates that General Unsecured Claimants will receive an approximate 1.785% dividend. To the extent the Equity Interests hold unsecured claims (approximately \$200,000), those claims shall be waived.

- (d) Claims of Insiders. No Insiders of the Debtor shall receive any distributions on account of their Allowed Claims until the Allowed Claims of all non-Insider creditors have been paid in full.
- (e) Holder of Pre-Petition Liens Not Otherwise Classified. Except for Secured Claims for real estate taxes, any Claim that was secured by a Lien on the Real Property as of the Petition Date and that is not otherwise separately classified, shall be treated as a General Unsecured Claim, and such Liens shall be deemed discharged. The holder(s) of such Claim(s) shall provide a discharge of such Liens to the Debtor within two days of a request for such discharge.

4.4 Class 4 – Equity Interests.

- (a) Classification. Class 4 consists of the Allowed Equity Interests in the Debtor.
- (b) Impairment and Voting. Class 4 is impaired under the Plan and shall be entitled to vote to accept or reject the Plan.
- (c) Treatment. On the Effective Date, the Equity Interests the Debtor shall be cancelled.

4.5 Reservation of Rights.

The Debtor and Merrow reserve the right to, among other things, (a) contest the right of the holder of any Claim to vote on the Plan, or designate the vote of the holder of any Claim (b) contest the right of the holder of any Claim to receive distributions under the Plan, (c) seek to subordinate any Claim for inequitable conduct or otherwise, and (d) seek Court approval to estimate any claim for voting purposes.

ARTICLE V

MEANS FOR IMPLEMENTATION OF THE PLAN

5.1 Plan Implementation.

The Plan will be funded from the Debtor's cash on hand at the Effective Date, from financing provided by Merrow via a loan facility with Bristol County Savings Bank in conjunction with the transfer of the Real Property, and from other funds provided by Merrow from its operations.

5.2 Transfer of the Real Property.

(a) Transfer of Real Property. Confirmation of the Plan shall constitute authority for the Debtor to transfer all of its right, title and interest in the Real Property to Merrow, or an affiliate of Merrow (unrelated to this Debtor and its principals), free and clear of all liens, claims

and interests. The transfer of the Real Property to Merrow shall occur as soon as practicable following the Effective Date. Upon the closing of the transfer of the Real Property to Merrow, the Debtor shall assume the Assumed Leases and assign them to Merrow. Any Cure Claim associated with such assumption and assignment shall be paid by Merrow. Within five (5) Business Days of the approval of the Disclosure Statement, Merrow shall post a deposit of \$30,000.00, which shall be held in escrow by counsel for the Debtor, and will be forfeited only in the event that Merrow does not close on the transfer of the Real Property through no fault of the Debtor.

(b) Guarantee of Jobs. Merrow guarantees that, for a period of not less than two (2) years following the closing of the transfer of the Real Property to Merrow, it will provide employment for at least 125 employees at the Real Property, exclusive of any employees hired by other tenants at the Real Property.

5.3 Execution of Necessary Documents.

(a) Confirmation of the Plan shall constitute authorization by the Bankruptcy Court for the Debtor and/or the Reorganized Debtor to enter into all documents, instruments and agreements necessary to effectuate the terms of the Plan, including without limitation any of the foregoing that may be necessary to transfer the Real Property to Merrow or its nominee which shall participate with Merrow in the implementation 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 Debtor and/or the Reorganized Debtor and Merrow.

(b) All matters provided for in the Plan involving any corporate action required by the Debtor or Reorganized Debtor 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 Debtor, its agents, representatives, members, managers, officers, directors or Affiliates.

5.4 Organization Documents and Good Standing.

As of the Effective Date, the Debtor's Organization Documents shall be amended as necessary to effectuate the terms of the Plan and shall become the Organization Documents of the Reorganized Debtor. 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 the Debtor 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 Debtor and/or the Reorganized Debtor, 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. Upon Confirmation, the Organization Documents shall be deemed amended to prohibit the Reorganized Debtor from issuing any non-voting securities.

5.5 Revesting of Property.

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

5.6 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 Final Order, or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, the Reorganized Debtor will exclusively retain and may enforce, and the Debtor expressly reserves and preserves 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 Debtor or the Estate 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 or consummation of the Plan.

5.7 Debtor's Continued Existence.

Following the Effective Date, the Reorganized Debtor shall remain in existence for the purpose of effectuating the Plan, including: (a) selling Real Property, (b) distributing the Net Proceeds of the sale of the Real Property in accordance with the Plan, (c) reviewing and objecting to Claims against the Debtor, and (d) conducting an orderly wind down of the Reorganized Debtor's business and affairs. Gene Laudon will continue as manager of the Reorganized Debtor in order to effectuate the Plan and wind-down of the Reorganized Debtor, as well as filing the final decree. Mr. Laudon will receive no compensation for this work. In addition, Christine Laudon will continue to timely complete all operating reports due to the US Trustee. She will receive no compensation for this work. Upon the Effective Date, the Reorganized Debtor shall each be vested with the standing of and with all rights, powers and benefits afforded to a "trustee" under the Bankruptcy Code. Upon the substantial completion of the administration of the Plan, and the closing of the chapter 11 case, the Reorganized Debtor shall be dissolved.

5.8 Default.

No event of default under the Plan shall occur unless, in the event of a breach of the Debtor's or the Reorganized Debtor's obligations under the Plan, the holder of the Allowed Claim asserting the default shall provide written notice of such breach to the Reorganized Debtor 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 Debtor's receipt of such notice; and (ii) for any other breach, within thirty (30) days of the Reorganized Debtor's receipt of such notice, provided that, if such non-monetary breach cannot reasonably be cured within such 30-day period and the Reorganized Debtor has commenced curing such breach and continues to cure such breach, the thirty (30) day period shall be extended for such time as is reasonably necessary to cure such breach.

ARTICLE VI

DISTRIBUTIONS ON CLAIMS AND RESOLUTION OF DISPUTED CLAIMS

6.1 Method of Distributions Under the Plan.

(a) In General. Subject to Bankruptcy Rule 9010, and except as otherwise provided in the Plan, all distributions under the Plan to be made by, or on behalf of, the Reorganized Debtor to the holder of each Allowed Claim shall be mailed by first class mail, postage prepaid, to the address of such holder as listed on the Schedules unless the Reorganized Debtor has been notified in writing of a change of address as of the Distribution Record Date, including, without limitation, by the filing of a proof of claim or notice of transfer of claim filed by such holder that provides an address for such holder different from the address reflected on the Schedules. The Reorganized Debtor shall have no obligation to locate such holders whose distributions or notices are properly mailed but nevertheless returned.

(b) Form of Distributions. Except as otherwise provided in the Plan, any payment of Cash made by, or on behalf of, the Reorganized Debtor pursuant to the Plan shall be made by check or, upon agreement of the parties, by wire transfer.

(c) Distributions to be on Business Days. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

(d) Fractional Dollars. Whenever any payment of a fraction of a dollar would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (rounding down in the case of \$0.50 or less, and rounding up in the case of more than \$0.50).

(e) Distributions to Holders as of the Distribution Record Date. As of the close of business on the Distribution Record Date, the claims register shall be closed. The Reorganized Debtor shall have no obligation to recognize any transfer of any Claims occurring after the close of business on the Distribution Record Date, and shall instead be entitled to recognize and deal for all purposes under the Plan with only those holders of record as of the close of business on the Distribution Record Date.

6.2 Objections to Disputed Claims.

Within sixty (60) days of the Effective Date, any objections to Claims against the Debtor shall be prosecuted by the Debtor. On and after the Effective Date, any objections to Claims against the Debtor shall be prosecuted by the Reorganized Debtor; provided that Merrow may object to any Claim that is secured by a Lien on the Real Property and/or is associated with the Real Property, except the claims of MDFA.

Deadline for Objecting to Disputed Claims.

Except as otherwise provided by order of the Bankruptcy Court, the Debtor, or the Reorganized Debtor as the case may be, may file an objection to a Claim against the Debtor until

the later of: (a) the date that such Claim becomes due and payable in accordance with its terms, or (b) sixty (60) days after the Effective Date.

6.3 Estimation of Claims.

The Debtor or the Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtor or the Reorganized Debtor have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court shall have jurisdiction to estimate a Disputed Claim at any time, including, without limitation, during litigation concerning such Claim or an objection to such Claim. All of the aforementioned Claims objections, estimation and resolution procedures are cumulative and not exclusive remedies. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

6.4 Disputed Claims Reserve.

(a) Establishment. The Reorganized Debtor shall maintain a reserve (the “Disputed Claims Reserve”) equal to 100% of the distributions to which holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims or such lesser amount as required by a Final Order.

(b) Investment of Cash. Cash in the Disputed Claims Reserve may be invested by the Reorganized Debtor only in Cash Equivalents having maturities sufficient to enable the Reorganized Debtor to make all necessary payments to holders of Disputed Claims if, and when, such Disputed Claims become Allowed Claims. Any interest, income, distributions or accretions on account of such investment in Cash Equivalents shall be for the sole benefit and account of the Reorganized Debtor, and the Reorganized Debtor shall be solely responsible for the payment of any income or other taxes arising therefrom.

(c) Distributions Upon Allowance of Disputed Claims. The holder of a Disputed Claim that becomes an Allowed Claim after the Effective Date shall receive distributions of Cash from the Disputed Claims Reserve as soon as practicable following the date on which such Disputed Claim becomes an Allowed Claim pursuant to a Final Order. Such distributions shall be made in accordance with the Plan based upon the distributions that would have been made to the holder of such a Claim under the Plan if the Disputed Claim had been an Allowed Claim on or prior to the Effective Date. No holder of a Disputed Claim shall have any claim against the Disputed Claims Reserve or a Reorganized Debtor with respect to such Claim until the Disputed Claim shall become an Allowed Claim.

6.5 Reversion of Unclaimed Checks and Disputed Claims Reserve.

The following amounts shall revert and be vested in the Reorganized Debtor free and clear of any claim or interest of any holder of a Claim under the Plan: (a) the amount of any checks issued for distributions under the Plan that remain uncashed for a period of 180 days after the date of such distribution; (b) to the extent that a Disputed Claim is not Allowed or becomes an Allowed Claim in an amount less than the Disputed Claim Amount, the excess of the amount of Cash or Cash Equivalents in the Disputed Claims Reserve attributable to such Disputed Claim

over the amount of Cash actually distributed on account of such Disputed Claim; and (c) any Allowed Claim that is disallowed and expunged pursuant to Section 6.7 of the Plan.

6.6 Obligation to Provide Tax Documents.

No Person entitled to a payment or distribution under the Plan shall receive such distribution or payment until the Person provides the Reorganized Debtor with: (a) a W-9 or similar federal or state tax form, and (b) such other tax forms as are reasonably requested by the Reorganized Debtor (collectively the "Tax Forms"). If any Person holding an Allowed Claim fails to provide a Tax Form to the Reorganized Debtor after two written requests for a Tax Form, such Person's Allowed Claim shall be disallowed and expunged without further order of the Bankruptcy Court.

ARTICLE VII

VOTING ON THE PLAN AND CRAMDOWN

7.1 Voting of Claims.

Each holder of an Allowed Claim in an impaired Class that retains or receives property under the Plan shall be entitled to vote separately to accept or reject the Plan. Each holder of the foregoing Allowed Claims electing to vote shall do so on a duly executed and delivered ballot and in accordance with procedures set forth in the applicable order of the Bankruptcy Court establishing Plan voting procedures.

7.2 Acceptance by Impaired Classes.

An impaired class of Claims or Equity Interests shall have accepted the Plan if (a) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims or Allowed Equity Interests actually voting in such Class have voted to accept the Plan and (b) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims or Allowed Equity Interests actually voting in such Class have voted to accept the Plan.

7.3 Nonconsensual Confirmation.

If any impaired Class entitled to vote does not accept the Plan by the requisite majorities provided in Sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any impaired class is deemed to have rejected the Plan, the Debtor reserve the right (a) to seek confirmation of the Plan under Section 1129(b) of the Bankruptcy Code; and/or (b) to amend the Plan in accordance with Section 12.3 of the Plan.

ARTICLE VIII

EXECUTORY CONTRACTS, UNEXPIRED LEASES, POST-PETITION CONTRACTS AND RETIREE AND COMPENSATION BENEFITS

8.1 Assumption of Executory Contracts and Unexpired Leases.

The Debtor shall assume executory contracts and unexpired leases as set forth in Sections 5.2. Any executory contracts and unexpired leases not assumed by the Debtor shall be rejected as of the Effective Date. The entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumption and assignment or rejection of such executory contracts and unexpired leases. Upon the Effective Date: (i) the Assumed Leases shall be deemed valid, binding and in full force and effect in accordance with their terms; (ii) Merrow shall succeed to the entirety of the applicable Debtor's rights and obligations in the Assumed Lease first arising and attributable to the time period occurring on or after the Effective Date; (iii) all defaults (monetary and non-monetary) under the Assumed Leases through the Effective Date shall be deemed cured and satisfied through the payment of the applicable Allowed Cure Claim, if any, for such Assumed Lease; (iv) no other amounts will be owed by the Debtor, their Estate or Merrow with respect to amounts first arising or accruing during, or attributable or related to, the period before the Effective Date with respect to the Assumed Leases; (v) any and all persons or entities shall be forever barred and estopped from asserting a Claim against the Debtor, their Estate, and/or Merrow under, arising from or related to the Assumed Leases that arose or accrued, or relate to or are attributable to the period before the Effective Date; and (vi) any provision of the Assumed Leases or applicable non-bankruptcy law that purport to prohibit, restrict, or condition, or could be construed as prohibiting, restricting, or conditioning assignment of any of the Assumed Leases shall be deemed to have been satisfied or otherwise unenforceable under Section 365 of the Bankruptcy Code.

8.2 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 and at the election of Merrow, either: (i) payment in the ordinary course of business as and when such Allowed Claims become due pursuant to such executory contract or unexpired lease, or (ii) payment as agreed between Merrow and the counter-party to the assumed contract or 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 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 Final Order resolving the dispute and approving the assumption.

8.3 Rejection Damage Claims.

If the rejection of an executory contract or unexpired lease by the Debtor 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 Estate, the Reorganized Debtor 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 Debtor 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 Debtor or the Reorganized Debtor, as the case may be, shall have the right to object to any such Claim for rejection damages in accordance with the Plan.

ARTICLE IX

RELEASE AND DISCHARGE OF CLAIMS

9.1 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 discharge as against the Debtor and the Reorganized Debtor of any debt or obligation of the Debtor that arose before the Effective Date, and any debt of the Debtor of a kind specified in Section 502(g), 502(h), or 502(i) of the Bankruptcy Code, and all Claims against the Debtor or their Estate of any nature, including, without limitation, any setoff claims and/or any interest accrued on any Claim from and after the Petition Date, whether or not: (a) a proof of claim based on such debt, obligation or Equity Interest is filed or deemed filed under Section 501 of the Bankruptcy Code, (b) such Claim is Allowed under Section 502 of the Bankruptcy Code, or (c) the holder of such Claim has accepted the Plan.

9.2 Injunction Relating to the Plan.

As of the Effective Date, all Persons are hereby permanently 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 the Debtor, the Estate, its professionals and the Reorganized Debtor, on account of, or respecting any Claims, debts, rights, obligations, Causes of Action or liabilities discharged pursuant to the Plan, except to the extent expressly permitted under the Plan.

9.3 Releases.

Except as otherwise set forth in the Plan, as of the Effective Date, in consideration for, among other things, the obligations of the Debtor under the Plan and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, (a) each holder of a Claim or Interest that votes in favor of the Plan and (b) to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each Person that has held, holds or may hold a Claim or Equity

Interest or at any time was a creditor or equity holder of the Debtor and that does not vote on the Plan or votes against the Plan, in each case will be deemed to forever release, waive and discharge all claims (including any derivative claims), obligations, suits, judgments, damages, demands, rights, causes of action and liabilities (other than the right to enforce the Reorganized Debtor's obligations under the Plan and the contracts, instruments, releases, agreements and documents delivered under the Plan), 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 the Debtor, the Bankruptcy Case or the Plan that such entity has, had or may have against the Debtor, the Estate, the Estate's Assets, the Reorganized Debtor, and/or the Reorganized Debtor's Assets.

Nothing in this Plan shall be construed or interpreted to discharge or release any non-Debtor guarantors that may be liable to creditors of the Debtor and the Debtor's Estate.

9.4 Cancellation of Existing Indebtedness and Liens.

Except as is otherwise 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 Debtor, together with any and all Liens securing same, including without limitation all Liens against the Real Property and any rights of setoff, 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 Debtor 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 Debtor. To the extent deemed necessary or advisable by the Reorganized Debtor, any holder of a Claim shall promptly provide the Reorganized Debtor 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 or funds securing such Claim.

9.5 Exculpation.

Except as otherwise set forth in the Plan, neither the Debtor, the Reorganized Debtor, Merrow 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 Bankruptcy Case, 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 terms of this Section 9.5 shall not apply to any liability for willful misconduct or ultra vires acts.

9.6 Setoffs.

Except as otherwise provided in the Plan, nothing contained in the Plan shall constitute a waiver or release by the Debtor, the Estate and/or the Reorganized Debtor of any rights of setoff each may have against any Person.

ARTICLE X

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE OF THE PLAN

10.1 Conditions Precedent to Effectiveness.

Subject to Section 10.2 of the Plan, the following are conditions precedent to the occurrence of the Effective Date:

- (a) The Confirmation Order, in form and substance reasonably acceptable to the Debtor shall have been entered by the Bankruptcy Court and shall not be subject to any stay;
- (b) The Confirmation Order shall have become a Final Order;
- (c) All actions, other documents and agreements necessary to implement the Plan and to transfer the Real Property as contemplated in Section 5.2 of the Plan shall have been executed, delivered and, if necessary, properly recorded, and shall have become effective.

10.2 Waiver of Conditions.

Except for the condition set forth in Sections 10.1(a) of the Plan, the Debtor and Merrow may, in their discretion, mutually waive, by a written agreement executed by the Debtor and Merrow, one or more of the conditions precedent to the effectiveness of the Plan set forth in Section 10.1, without notice to any creditors or parties in interest and without Bankruptcy Court approval. The failure to satisfy or waive any condition precedent to the occurrence of the Effective Date may be asserted by the Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied.

10.3 Effect of Non-occurrence of Conditions to the Effective Date.

If the Effective Date does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or Disclosure Statement shall: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtor, or (b) prejudice in any manner the rights of the Debtor or any other Person or constitute an admission, acknowledgement, offer or undertaking by the Debtor or any other Person.

ARTICLE XI

RETENTION OF JURISDICTION

11.1 From and after the occurrence of the Effective Date, the Bankruptcy Court shall have jurisdiction over the matters arising out of, and related to, the Bankruptcy Case and the Plan, as legally permissible, pursuant to, and for the purposes of, Sections 105(a) and 1142 of the Bankruptcy Code including, without limitation:

(a) To hear and determine any and all objections to the allowance, disallowance, determination, liquidation, classification or estimation of any Claims or Equity Interests or any controversies as to the priority and classification of any Claims (or any security with respect thereto) or Equity Interests or to estimate any Disputed Claim;

(b) To hear and determine any and all applications by Professionals for compensation and reimbursement of expenses, authorized pursuant to the Plan or the Bankruptcy Code;

(c) To hear and determine any and all applications (whether or not pending at or on the Confirmation Date) related to the rejection, assumption or assumption and assignment of executory contracts and unexpired leases to which the Debtor is a party, and to hear, determine and allow any Claims resulting therefrom;

(d) To enforce and adjudicate the provisions of the Plan subject to the terms of the Plan;

(e) To correct any defect, cure any omission, or reconcile any inconsistency in the Plan or in the Confirmation Order as may be necessary to carry out the purpose and the intent of the Plan;

(f) To determine any Claim or liability to a governmental unit which may be asserted as a result of the transactions contemplated in the Plan;

(g) To hear and determine matters concerning state, local, and federal taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code;

(h) To determine such other matters as may be necessary if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

(i) To resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, enforcement or vacatur of the Plan or any Person's obligations incurred in connection with the Plan;

(j) To issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation or enforcement of the Plan, except as otherwise provided herein;

(k) To determine any other matters that may arise in connection with the Plan, the Disclosure Statement, the Confirmation Order or any other contract, instrument, release, indenture or other agreement or document created in connection with the foregoing;

(l) To resolve any cases, controversies, suits or disputes with respect to releases, injunctions and other provisions contained in Article IX hereof and enter such orders as may be necessary or appropriate to implement such releases, injunctions or other provisions;

(m) To hear and determine any Claims, rights, demands and Causes of Action arising prior to the Effective Date preserved pursuant to the Plan; and

(n) To enter an order and/or final decree concluding the Bankruptcy Case.

ARTICLE XII

MISCELLANEOUS

12.1 Continuation of Injunctions or Stays Until Effective Date.

All injunctions or stays provided for in the Bankruptcy Case under Sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

12.2 Exemption from Transfer Taxes.

In accordance with Section 1146(c) of the Bankruptcy Code: (a) the issuance, transfer or exchange of any security under the Plan or the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan, including any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan, or the re-vesting, transfer or sale of any real or personal property of the Debtor pursuant to, in implementation of, or as contemplated by the Plan, (b) the making, delivery, creation, assignment, amendment or recording of any note or other obligation for the payment of money or any mortgage, deed of trust or other security interest under, in furtherance of, or in connection with the Plan, and the issuance, renewal, modification or securing of indebtedness by such means, and (c) the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including, without limitation, with respect to all of the foregoing, the transfer of the Real Property contemplated by Section 5.2 of the Plan, shall not be 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. Each recorder of deeds or similar official for any county, city or governmental unit in which any instrument under the Plan is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, transfer tax, intangible tax or similar tax.

12.3 Amendment or Modification of the Plan.

Alterations, amendments or modifications of the Plan may be proposed in writing by the Debtor and Merrow jointly at any time prior to the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the conditions of Sections 1122 and 1123 of the Bankruptcy Code, and the Debtor shall have complied with Section 1125 of the Bankruptcy Code. The Plan may be altered, amended or modified at any time before or after the Confirmation Date and before substantial consummation, provided that the Plan, as altered, amended or modified, satisfies the requirements of Sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended or modified, under Section 1129 of the Bankruptcy Code. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder. The Debtor or the Reorganized Debtor may, without notice to holders of Claims insofar as it does not materially and adversely affect the interests of any such holders, correct any defect or omission in the Plan and any exhibit to the Plan or in any Plan Document.

12.4 Severability.

If, prior to the Confirmation Date, any term or provision of the Plan is determined by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court may, upon the request of the Debtor and Merrow, alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable according to its terms.

12.5 Revocation or Withdrawal of the Plan.

The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void.

12.6 Binding Effect.

The rights, duties and obligations of any Person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the successors and assigns of such Person.

12.7 Notices.

All notices, requests and demands to or upon the Debtor or the Reorganized Debtor shall only be effective if in writing and, unless otherwise expressly provided in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and confirmed, addressed as follows:

If to the Debtor:

Pepperell Mills Limited Partnership
502 Bedford Street
Fall River, MA 02720
Attention: Mr. Gene Laudon

With a copy to:

McAULIFFE & ASSOCIATES, Professional Corporation
430 Lexington Street
Newton, MA 02466
John M. McAuliffe, Esq.
Kathryn Pellegrino, Esq.
Telephone: (617) 558-6889
E-mail: john@jm-law.net

If to Merrow:

Merrow Sewing Machine Company
502 Bedford Street
Fall River, MA 02720
Attn: Mr. Charles Merrow

With a copy to:

MURPHY & KING, Professional Corporation
One Beacon Street
Boston, MA 02108
D. Ethan Jeffery, Esq.
Telephone: (617) 423-0400
Email: EJeffery@murphyking.com

12.8 Governing Law.

Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, or to the extent the Plan provides otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Massachusetts, without giving effect to the principles of conflicts of law of such jurisdiction.

12.9 Withholding and Reporting Requirements.

In connection with the consummation of the Plan, the Reorganized Debtor shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

12.10 Post-Confirmation Fees, Final Decree.

The Reorganized Debtor will be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6), and Merrow shall, to the extent necessary, provide the funds for such payments if the Reorganized Debtor does not have sufficient funds to do so. Merrow is authorized to request the entry of a final decree. After confirmation, the Reorganized Debtor will serve the United States Trustee with a monthly financial report for each month (or portion thereof) the case remain open. The monthly financial report shall include the following:

- (a) A statement of all disbursements made during the course of the month, whether or not pursuant to the plan;
- (b) A summary, by class, of amounts distributed or property transferred to each recipient under the plan, and an explanation of the failure to make any distributions or transfers of property under the plan;
- (c) The Reorganized Debtor's projections as to its continuing ability to comply with the terms of the plan;
- (d) A description of any other factors which may materially affect the Reorganized Debtor's ability to consummate the plan; and
- (e) An estimated date when an application for final decree will be filed with the court (in the case of the final monthly report, the date the decree was filed).

12.11 Headings.

Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

[this space intentionally left blank]

12.12 Inconsistency.

In the event of any inconsistency between the Plan and the Disclosure Statement or any other instrument or document created or executed pursuant to the Plan, the terms of the Plan shall govern.

PEPPERELL MILLS LIMITED
PARTNERSHIP,

MERROW SEWING MACHINE
COMPANY,

/s/ Christine Laudon

By: Christine Laudon
Its: President – General Partner

Counsel for the Debtor,

/s/ _____

By:
Its:

Counsel for Merrow,

/s/ John M. McAuliffe

McAULIFFE & ASSOCIATES,
Professional Corporation
430 Lexington Street
Newton, MA 02466
John M. McAuliffe, Esq. (BBO
#555109)
Kathryn Pellegrino, Esq. (BBO #654743)
Telephone: (617) 558-6889
E-mail: john@jm-law.net

/s/ D. Ethan Jeffery

MURPHY & KING, Professional
Corporation
One Beacon Street
Boston, MA 02108
D. Ethan Jeffery, Esq.
Telephone: (617) 423-0400
Email: EJeffery@murphyking.com

Dated: December 20, 2018