

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re: CHAPTER 11

**EARTH PRIDE ORGANICS, LLC
LANCASTER FINE FOODS, INC.**

Debtors

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Bky No. 17-13816(ELF)

JOINTLY ADMINISTERED

**3rd AMENDED
PLAN OF REORGANIZATION
PROPOSED BY
DEBTORS-IN-POSSESSION**

Date: June 1, 2018, 2018

Earth Pride Organics, LLC and Lancaster Fine Foods, Inc., Debtors-in-Possession (“Debtors”), hereby propose the following Plan of Reorganization (the “Plan”) under Chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1532.

ARTICLE I **DEFINITIONS**

For the purposes of this Plan, the following terms shall have the respective meanings hereinafter set forth, such meanings to be equally applicable to the singular and plural forms of the terms defined except as the context otherwise requires. Any term defined in the Bankruptcy Code and not otherwise defined herein shall have the meaning specified in the Bankruptcy Code unless the context otherwise requires.

1.1 “ACCOUNTS RECEIVABLE” means any account as that term is defined in the Uniform Commercial Code, and includes any right of the Debtors to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper (as those terms are defined in the U.C.C.), whether or not it has been earned by performance.

1.2 “ADMINISTRATIVE CLAIM” means a Claim incurred by the Debtors on or after the Petition Date and before the Confirmation Date for a cost or expense of administration of the Chapter 11 case allowable under § 503(b) of the Bankruptcy Code and entitled to priority under § 507(a)(1) of the Bankruptcy Code.

1.3 “ADMINISTRATIVE CLAIMANT” means the holder of an Administrative Claim.

1.4 “ALLOWANCE DATE” means the date a Claim or Interest becomes an Allowed Claim or Allowed Interest, respectively.

1.5 “ALLOWED” The use of the term “Allowed” with reference to a Claim or Interest (e.g., “Allowed Unsecured Claim”) shall mean one which (a) is listed in the bankruptcy schedules

or list of equity security holders (including any amendments thereto) filed in these cases as of the Confirmation Date and (I) not listed therein as disputed, contingent or unliquidated or (ii) not objected to by the Debtors; (b) is set forth in a Proof of Claim or Interest properly filed in these cases on or before the date fixed by the Bankruptcy Court (or by applicable rule or statutes as the last day for filing such proof, and as to which no objection is filed; or (c) is determined to be allowed in a Final Order.

1.6 “ALLOWED CLAIM” means (a) a Claim that has been allowed by a Final Order; (b) a Claim which is specified herein to be an Allowed Claim; or (c) a Claim timely filed with the Office of the Clerk of the Court or scheduled by the Debtors in their Schedules as neither unliquidated, disputed or contingent and as to which Claim (i) no objection with respect to the allowance thereof has been or shall be interposed within the period of time fixed by the Bankruptcy Code, the Bankruptcy Rules or orders of the Court, or (ii) as to which Claim either an objection to the Claim or an application to amend the Schedules with respect to a scheduled Claim has been interposed, which objection or application has been resolved by a Final Order to the extent such objection or application is determined in favor of the holder of such Claim. Unless otherwise specified, “Allowed Claim” shall not include interest on the principal amount of such Claim accruing from or after the Petition Date.

1.7 “ALLOWED INTEREST” shall mean an Interest (a) in respect to which proof of interest has been filed with the Court within the applicable period of limitation fixed by Rule 3003 or (b) scheduled in the list of equity security holders prepared and filed with the Court pursuant to Rule 1007(b), in either case as to which no objection to the allowance thereof has been interposed within any applicable period of limitation fixed by Rule 3003 or an Order of the Court, or as to which any such objection has been determined by an order or judgment which is no longer

subject to appeal or certiorari proceeding and as to which no appeal or certiorari proceeding and as to which no appeal or certiorari proceeding pending.

1.8 “ASSETS” means all of the Debtors’ property, tangible and intangible, including without limitation Accounts Receivable, goods, chattel paper, documents, instruments, money, real estate, fixtures, inventory, equipment, contract rights, Causes of Action, claims and rights of any kind, wherever situated, together with the proceeds thereof.

1.9 “BANKRUPTCY CODE” means Title 11 of the United States Code, as amended from time to time, applicable to this case as of the Petition Date.

1.10 “BANKRUPTCY COURT” or “COURT” means the United States Bankruptcy Court for the Eastern District of Pennsylvania.

1.11 “BANKRUPTCY RULES” means the Federal Rules of Bankruptcy Procedure, as amended from time to time promulgated by the Supreme Court of the United States.

1.12 “BAR DATE” means September 11, 2017, the last date fixed by Order of the Court for the filing of proofs of claim.

1.13 “BUSINESS DAY” means any day except a Saturday, Sunday, or other day on which commercial banks located in Philadelphia, are authorized by law to close.

1.14 “CASE” means the case of the Debtors under Chapter 11 of the Bankruptcy Code presently captioned

1.15 “CAUSES OF ACTION” means all claims and causes of action now owned or hereafter acquired by the Debtors, whether arising under the Bankruptcy Code or other federal or state law, including, without limitation, any causes of action arising under §§ 544, 547, 548, 550, 551, 553 or other sections of the Bankruptcy Code.

1.16 “CHANGE” means Change Capital Partners Fund, I.

1.17 “CLAIM” means a claim against the Debtors within the meaning of § 101(5) of the Bankruptcy Code and is intended to include, without limitation, any claim, suit, demand, note, liability, setoff, recoupment or charge, and any claim for reimbursement, contribution, indemnity or exoneration.

1.18 “CLAIMANT” means a person or entity holding a Claim or Interest (including, his, her or its successors, assigns, heirs, executors, or personal representatives).

1.19 “CLASS” means a group of Claims, consisting of Claims which are substantially similar to each other, as classified pursuant to this Plan.

1.20 “CONFIRMATION DATE” means the date on which the Confirmation Order confirming the Plan at or after a hearing convened pursuant to § 1129 of the Bankruptcy Code becomes a Final Order.

1.21 “CONFIRMATION HEARING” means the hearing at which the Court considers confirmation of this Plan.

1.22 “CONFIRMATION ORDER” means the Order of the Court confirming the Plan pursuant to § 1129 of the Bankruptcy Code.

1.23 “CONTESTED CLAIM” means any Claim as to which the Debtors or any other party in interest has interposed an objection, in accordance with the Bankruptcy Code and Bankruptcy Rules, which objection has not been determined by a final order or a claim which is scheduled as contingent or disputed.

1.24 “CREDITOR” means the holder of a Claim against either Debtor.

1.25 “DEBTORS” means Earth Pride Organics, LLC and Lancaster Fine Foods, Inc.

1.26 “DISPUTED CLAIM” means any Claim which is scheduled as disputed, contingent or unliquidated, or which is objected to in whole or in part before the Effective Date.

1.27 “DISTRIBUTION” means any payment by the Debtors to a Creditor on account of a Claim.

1.28 “DLL” means DLL Finance, LLC.

1.29 “EFFECTIVE DATE” means fourteen (14) days after the date which the Confirmation Order becomes a Final Order. However, at the option of the Debtors, a Confirmation Order subject to a pending appeal or certiorari proceeding may be considered a Final Order provided no order has been entered by any court of competent jurisdiction staying the effect of the Confirmation Order.

1.30 “FEE CLAIM” means a claim under § 330 or 503 of the Bankruptcy Code for allowance of compensation and reimbursement of expenses in these Chapter 11 cases.

1.31 “FINAL DISTRIBUTION DATE” means the date that Class 9 and Class 10 claims are paid in full in accordance with the Plan.

1.32 “FINAL ORDER” means (a) a judgment, order or other decree issued and entered by the Court, which judgment, order or other decree (i) has not been reversed or stayed and as to which the time to appeal has expired and as to which no appeal or petition for review, rehearing or certiorari is pending or (ii) with respect to which any appeal has been finally decided and no agreement entered into which as the effect of any such judgment, order or other decree described in clause (a) above.

1.32(a) “FOX” means Fox Rothschild LLP

1.33 “IMPAIRED CLASS” means any Class of Claims which is impaired within the meaning of § 1124 of the Bankruptcy Code.

1.34 “INSIDER” means any “insider” as that term is defined in Paragraphs (B), (E) or (F) of § 101(31) of the Bankruptcy Code.

1.35 “**INTEREST**” means Interest in the Debtors of a holder of common stock issued by the Debtors prior to the Petition Date.

1.36 “**IRS**” means Internal Revenue Service.

1.37 “**JOINT CLAIM**” means a claim against both Earth Pride Organics, LLC and Lancaster Fine Foods, Inc.

1.38 “**LIEN**” means, with respect to any of the Assets of the Debtors, any mortgage, lien, pledge, charge, security interest, or other security device (including a lease which is not a true lease) or encumbrance of any kind affecting such Asset.

1.39 “**LOEB**” means Loeb Term Solutions, LLC.

1.40 “**MIDTOWN**” means Midtown Capital Partners, LLC.

1.41 “**PERSON**” means a person within the meaning of § 101(41) of the Bankruptcy Code.

1.42 “**PETITION DATE**” means May 31, 2017, the date upon which the Debtors filed its petitions.

1.43 “**PETITION**” means the Petition for Relief, filed by the Debtors with the Court pursuant to Chapter 11 of the Bankruptcy Code commencing this proceeding.

1.44 “**PLAN**” means this Plan of Reorganization, as it may be further amended, modified or supplemented from time to time, and any exhibits and schedules thereto.

1.45 “**PLAN PROPONENT**” means the Debtors.

1.46 “**PRIORITY NON-TAX CLAIM**” shall mean a Claim or a portion of a Claim for which priority is asserted under § 507(a) (3), (4), (5), (6) or (7) of the Bankruptcy Code.

1.47 “PROFESSIONAL PERSON” shall mean attorneys, accountants, appraisers, auctioneers, or other professionals within the meaning of §327 of the Bankruptcy Code employed by Order of the Bankruptcy Court.

1.48 “PRIORITY TAX CLAIM” shall mean a Claim or a portion of a Claim for which priority is asserted under § 507(a) (8) of the Bankruptcy Code.

1.49 “PRO RATA” means with respect to any distribution to the holder of an Allowed Claim of a particular Class of the Plan on a particular date, the same proportion that the amount of such Allowed Claim bears the aggregate amount of all Claims of such Class, including Contested Claims.

1.50 “PROPONENT” means the Debtors.

1.51 “REJECTION CLAIM” means any claim for amounts due as a result of the rejection of any executory contract or lease which is rejected by the Debtors by Final Order.

1.52 “SCHEDULES” means the schedules of assets and liabilities heretofore filed by the Debtors with the Office of the Clerk of the Court pursuant to Bankruptcy Rule 1007, as they might be amended from time to time.

1.53 “SECURED CLAIM” shall mean a Claim that is (a) secured by a valid, perfected and enforceable Lien on Assets of the Debtors, to the extent of the value of the interest of the holder of such Secured Claim in such Assets; or (b) a claim which is specified herein as an Allowed Secured Claim, to the extent of the value of the interest of the holder of such secured claim in such assets.

1.54 “UNIMPAIRED CLASS” means any Class of Claims which is not impaired within the meaning of § 1124 of the Bankruptcy Code.

1.55 “UNSECURED CLAIM” means any Claim, whether or not disputed, liquidated or contingent, including a Rejection claim or a deficiency Claim arising out of any default of the Debtors under a contract entered into by the Debtors prior to the Petition Date and all state court judgment creditors against the Debtors other than an Administrative Claim, Priority Non-Tax Claim, Priority Tax Claim or Secured Claim.

ARTICLE II **CLASSIFICATION OF CLAIMS**

For the purpose of this Plan, Claims are divided into the following classes. A Proof of Claim asserting a claim which is properly included in more than one class is included in each such class to the extent that it qualifies within the description of such class.

2.1 Class 1. Claim of Change. Class 1 consists of the Allowed Secured Claim of Change. Class 1 is impaired under the Plan.

2.2 Class 2. Claim of Midtown. Class 2 consists of the Allowed Secured Claims of Midtown. Class 2 is impaired under the Plan.

2.3 Class 3. Claim of Loeb. Class 3 consists of the Allowed Secured Claim of Loeb. Class 3 is impaired under the Plan.

2.4 Class 4. Claim of Fox. Class 4 consists of the Allowed Secured Claim of Fox. Class 4 is impaired under the Plan.

2.5 Class 5. Claim of Dalmatia. Class 5 consists of the Allowed Claim of Dalmatia. Class 5 is unimpaired under the Plan **2.6 Class 6. Claim of DLL.** Class 6 consists of the allowed secured claim of DLL. Class 4 is impaired under the Plan.

2.7 Class 7. Claim of Hurst Produce Inc. Class 7 consists of the Allowed Secured Claim of Hurst Produce. Class 5 is unimpaired under the Plan.

2.8 Class 8. Priority Non-Tax Claims Class 8 consists of all the Allowed Priority Non-Tax Claims. Class 6 claims are not impaired under the Plan.

2.9 Class 9. General Unsecured Claims Class 9 consists of all Allowed Unsecured Claims of Earth Pride Organics, LLC not otherwise classified herein.

2.10 Class 10. General Unsecured Claims Class 10 consists of all Allowed Unsecured Claims of Lancaster Fine Foods, Inc. not otherwise classified herein.

2.11 Class 11. Equity Interest Class 11 consists of the rights of the equity security holders of the Debtors.

2.12 Administrative and Priority Tax Claims As provided in § 1123(a) (1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims shall not be classified for purposes of voting or receiving distributions under the Plan. Rather, all such Claims shall be treated separately as unclassified Claims pursuant to the terms set forth in Article IV of this Plan.

ARTICLE III **TREATMENT OF CLASSES OF CLAIMS**

3.1 Class 1. Allowed Claim of Change Class 1 is impaired. Change holds a claim represented in their proof of claim in the amount of \$792,777.92. This claim is a joint secured claim by a general lien on all the assets of the Debtors.

A. Payment of Allowed Claim of Change Change shall be paid from the proceeds of a loan by Big Shoulder Capital, the proposed post-petition lender, in an amount of \$1,000,000.00 at closing on the Big Shoulder Capital loan, plus a \$100,000 subordinated note from the Debtors. This payment from Big Shoulder Capital will resolve all amounts owed to Change and Midtown pursuant Class 1 and Class 2.

3.2 Class 2. Allowed Claim of Midtown. Class 2 is impaired. Midtown holds two allowed claims represented in their proof of claim the amount of 649,684.45. This joint claim is secured by a lien on all assets of the Debtors.

A. Payment of Allowed Claim of Midtown. Midtown shall be paid from the proceeds of a loan by Big Shoulder Capital for the purposes of funding this Plan in an amount pursuant to Article III Paragraph 3.1A above.

3.3 Class 3. Allowed Claim of Loeb. Class 3 is impaired. Class 3 consists of the Allowed Secured Claim of Loeb This joint claim is secured by, inter alia, a lien on the equipment located at 501 Richardson Drive, Lancaster, PA.

A. Payment of Allowed Claim of Loeb On the Effective Date or such other date otherwise agreed to by the Debtors and Loeb, Loeb shall, in full satisfaction, release, settlement, discharge of and in exchange for such Allowed Class 3 Claim, be paid, in full and in cash, all amounts due and owing under the Term Promissory Note dated September 9, 2016 and related loan documents (the “Loeb Loan Documents”), on the Effective Date or such later date that the amounts owed under the Loeb Loan Documents are paid in full.

3.4 Class 4. Allowed Claim of Fox . Class 4 is impaired. Fox holds an allowed claim in the amount of \$2,446,839.94. This Claim is secured by a lien on all assets of the Debtors

A. Payment of Allowed Claim of Fox. This claim is disputed as to the value of the Secured Interest in the assets of the Debtor and the value of the underlying claim.

This claim will be paid 15% of its claim over five years at 3% per year.

3.5 Class 5 Allowed Claim of Dalmatia. Class 5 is unimpaired. Dalmatia holds an allowed claim in the amount of \$ \$1,758,871 pursuant to a settlement stipulation approved by the Bankruptcy Court on March 2, 2018. Dalmatia will be paid 10% of its claim as per the stipulation

between the Debtors and Dalmatia. These payments will be paid quarterly in 4.5 years. The other obligations of the stipulation will stay in force against the parties to the stipulation.

A. **Payment of Allowed Claim of Dalmatia.** Class 5 is unimpaired. Dalmatia will be paid 10% of its claim as per the stipulation approved on March 2, 2018 in full satisfaction of its claim.

3.5 Class 6. **Allowed Claim of DLL.** Class 6 is impaired. DLL holds an allowed claim in the amount of \$25,005.53. This claim of Lancaster Fine Foods, Inc. only is secured by a general lien on a tractor, loader and mowers of the Debtors located at 501 Richardson Drive, Lancaster, PA.

A. **Payment of Allowed Secured Claim of DLL.** The Debtors will start making a monthly principal and interest payment of \$503.69 on the outstanding balance of \$25,005.53 (calculated at an 8% rate and 5 year amortization). No pre-payment penalty.

3.6 Class 7. **Allowed Claim of Hurst Produce Inc.** Class 7 is not impaired. Hurst Produce Inc. holds an Allowed Claim secured by a Paca lien on all the assets of the Debtors pursuant to Federal Law in the amount of \$12,951.50, with the lien amount being \$6,065.50 of this amount

B. **Payment of Allowed Claim of Hurst Produce Inc.** This Paca lien amount shall be paid in full at closing, with the rest of the allowed claim being treated as an Unsecured Creditor under Class 9.

3.7 Class 8. **Priority Non-Tax Claims.** Class 8 is not impaired. Payment on a Class 6 Claim shall be made as soon as practical after the later (a) the “Effective Date” or (b) the entry of an order of the Bankruptcy Court allowing a Class 6 Claim.

3.9 Class 9 and 10. Allowed Unsecured Claims of Lancaster Fine Food, Inc. and Earth Pride Organics. Class 9 and 10 are impaired. Class 9 and 10 creditors shall receive a payment equal to fifteen (15%) percent of their allowed claim payable in years 1 through 5 at 3% per year. These payments will start 120 days after confirmation and then all payments will be paid out on a monthly basis. In Years 6, 7 and 8, creditors shall be paid 8% of their claims on a monthly basis. These payments may be increased in addition to being paid sooner depending on a tax enhancement in which any income the debtor saves pursuant to the application of Net Operating Losses available to the Debtor which will be split 50/50 between the Debtor and Class 9/10 claims. Joint Creditors of Classes 9 and 10 shall receive one single satisfaction for their claim. .

3.10 Class 11. Equity Interest. Class 11 Claims consist of the rights of equity security holders in the Debtors. Upon confirmation, the membership interests of the Debtors shall remain intact in its present form.

ARTICLE IV TREATMENT OF UNCLASSIFIED CLAIMS

4.1 Administrative Claims. All Administrative Claims shall be treated as follows:

(a) **Time for Filing Administrative Claims.** The holder of an Administrative Claim, other than (i) a Fee Claim or (ii) a liability incurred and paid in the ordinary course of business by the Debtors, must file with the Bankruptcy Court and serve on the Debtors and its counsel, notice of such Administrative Claim within sixty (60) days after the Effective Date. This includes all § 503(b) (9) claims. Such notice must include at minimum (i) the name of the holder of the claim, (ii) the amount of the claim and (iii) the basis of the claim. Failure to file this notice timely and properly shall result in the Administrative Claim being forever barred and discharged.

(b) **Time for Filing Fee Claims.** Each professional person who holds or asserts an Administrative Claim that is a Fee Claim incurred before the Effective Date shall be required to file with the Bankruptcy Court a fee application within sixty (60) days after the Effective Date. Failure to file the fee application timely shall result in the fee claim being forever barred and discharged.

(c) **Allowance of Administrative Claims.** An Administrative Claim with respect to which notice has been properly filed pursuant to Section 4.1(a) of this Plan, shall become an Allowed Administrative Claim if no objection is filed within thirty (30) days of the filing and service of notice of such Administrative Claim. If an objection is filed within such thirty (30) day period, the Administrative Claim shall become an Allowed Administrative Claim only to the extent allowed by Final Order. An Administrative Claim that is a Fee Claim, and with respect to its fee application has been properly filed pursuant to Section 4.1(b) of the Plan, shall become an Allowed Administrative Claim only to the extent allowed by Final Order.

(d) **Payment of Allowed Administrative Claim.** Each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder's Allowed Claim upon the later of the Effective Date or such a date as when allowed by Final Order of the Bankruptcy Court, or (ii) such other treatment as may be agreed upon in writing by the Debtors and such holder as long as no payment is made thereon prior to the Effective Date, or (iii) as may be otherwise ordered by the Court, provided that an Administrative Claim representing a liability incurred in the ordinary course of business by the Debtors may be paid in the ordinary course of business.

(e) **Professionals Fees Incurred After the Confirmation.** Following the Confirmation Date, any professional fees incurred shall be paid in the ordinary course of business of the Debtors.

4.2 Treatment of Priority Tax Claims. Each holder of an Allowed Priority Tax Claim shall be paid pursuant to § 1129(a) (9) (C) or as agreed to by the parties. The IRS and the Commonwealth of Pennsylvania have claims pursuant to this Paragraph that will be paid pursuant to this Plan.

ARTICLE V
PROVISIONS FOR EXECUTION OF THE PLAN

5.1 The Debtors shall continue in possession of all its property and assets after the Effective Date.

5.2 Prior to the Effective Date, the Debtors are authorized and directed to execute and deliver all documents and to take and to cause to be taken all action necessary or appropriate to execute and implement the provisions of this Plan.

5.3 This Plan may be altered, amended, or modified by the Proponent before or after the Confirmation Date, as provided in § 1127 of the Bankruptcy Code.

5.4 The Debtors' corporate charter will be amended after the Effective Date to any extent necessary to permit the Debtors to implement the terms of this Plan.

5.5 Final Decree. After the Effective Date and substantial consummation of the Plan, the Debtors shall file a Motion to close the case and request that a final decree be issued.

5.6 Retention and Enforcement of Claims. Pursuant to § 1123(b)(3)(B) of the Bankruptcy Code, the Debtors shall retain and may enforce any and all claims of the Debtors and pursue all Causes of Action on behalf of, and as a representative of, the Debtors or its estate, including, without limitation, all claims arising or assert able at any time under the Bankruptcy Code.

5.7 Tax Returns. The Debtors' accountant shall prepare or cause to be prepared, and shall file on behalf of the Debtors and its estate, all state and federal tax returns required to be filed by each of them under applicable law, and shall pay from estate assets, taxes due, if any, in connection with such returns. All state and federal tax returns relating to periods of time subsequent to the Effective Date of the Plan shall be executed by the Debtors.

5.8 Exit Financing. The Debtors have agreed to borrow from Big Shoulder Capital approximately \$1.5 million in the form of a term loan for purposes of financing the Plan of reorganization. The proceeds shall be used to fund payments to Midtown, Change and Loeb, and to the extent funds are left over, to the Internal Revenue Service. This financing is subject to confirmation of this Plan and will not be enforceable, effective or funded if this Plan does not get confirmed on the Confirmation Date set by the Court. Additionally, the \$1.5 million loan amount proceeds is subject to adjustment based on the Accounts Receivable available at the closing along with other miscellaneous closing costs. The Big Shoulders Capital loan is also subject to the requirement that both Debtors sign off of said loan. This loan will be approved by the Court at the Confirmation Hearing. The loan agreement will be filed with the Court when executed and, to the extent possible, will go into effect as soon as possible after the court enters the Confirmation Order approving the Plan and the loan agreement.

ARTICLE VI

ADDITIONAL PROVISIONS APPLICABLE TO ALL CLASSES

6.1 The payments, distributions and other treatments provided in respect of each Allowed Claim and Allowed Interest in the Plan shall be in full settlement and complete satisfaction discharge and release of such Allowed Claim and Allowed Interest.

6.2 Notwithstanding any of the provisions of the Plan specifying a date or time for the payment or distribution of consideration hereunder, payments and distributions in respect of any

Claim or Interest which at such date or time are disputed, unliquidated or contingent shall not be made until such Claim or Interest becomes an Allowed Claim or an Allowed Interest, whereupon such payment and distribution shall be made promptly pursuant to and in accordance with this Plan.

6.3 Subsequent to confirmation, the Debtors intend to have the same management as of the filing date which was disclosed in the Notice of Intention to Compensate Officers which. Statement for review by the creditors. These officers will be paid at the same amount post confirmation as set forth in the notice.

ARTICLE VII

PROVISIONS GOVERNING DISTRIBUTIONS AND GENERAL PROVISIONS

7.1 Distributions pursuant to this Plan shall be made by the Debtors as provided herein and shall be made, unless otherwise provided herein, on the Effective Date, or as soon as practicable thereafter, or as may be otherwise ordered by the Court.

(a) **Delivery of Distributions.** Distributions and deliveries to holders of Allowed Claims will be made at the addresses set forth on the proofs of claim filed by the holders (or at the last known address). If any holder's distribution is returned as undeliverable, no further distributions to the holder will be made unless and until the Debtors are notified of the holder's then current address, at which time all missed distribution will be made to the holder without interest. All claims for undeliverable distributions must be made to the Debtors within one hundred and twenty (120) days after the respective distribution was made. After that date, all unclaimed property will become property of the Debtors, and the Claim of any holder with respect to such property will be discharged and forever barred.

(b) **Means of Cash Payment.** Cash payments made pursuant to the Plan will be in United States funds, by check drawn on a domestic bank or by wire transfer from a domestic bank. All cash distributions will be made by the Debtors.

(c) **Time Bar to Cash Payments.** Checks issued by the Debtors in respect of Allowed Claims will be null and void if not cashed within one hundred and twenty (120) days of the date of their issuance. Requests for reissuance of any check shall be made to the Debtors by the holder of the Allowed Claim with respect to which the check originally was issued. Any claim in respect of such a voided check must be made on or before one hundred and twenty (120) days after the date of issuance of the check. After the date, all claims in respect of void checks will be discharged and forever barred and the cash, including interest earned shall be revested in the Reorganized Debtors.

(d) **Setoffs.** The Debtors may, but will not be required to, set off against any Claim and the payments to be made pursuant to the Plan in respect of the Claim, any claims of any nature whatsoever the Debtors may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder will constitute a waiver of release by the Debtors of any such claim the Debtors may have against such claimant.

(e) **De Minimis Distributions.** Notwithstanding anything herein to the contrary, the following provisions shall apply to Classes 9 and -10, Allowed Unsecured Claims. The Debtors shall have no obligation to make a distribution to a Holder of an Allowed Claim if such distribution would be less than \$15.00 (or such other amount ordered by the Bankruptcy Court) (the "Threshold Amount").

(f) **Saturday, Sunday or Legal Holiday.** If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such

payment or the performance of such act may be completed on the next succeeding Business Day, but will be deemed to have been completed as of the required date.

7.2 Any notice described in or required by the terms of this Plan or the Bankruptcy Code and the Bankruptcy Rules shall be deemed to have been properly given when actually received, or if mailed, five (5) days after the date of mailing as such may have been sent by certified mail, return receipt requested.

If to the Debtors:

**Paul B. Maschmeyer, Esquire
Maschmeyer Marinas P.C.
350 South Main Street
Suite 105
Doylestown, PA 18901**

7.3 No default shall be declared under this Plan unless any payment due under this Plan shall not have been made within thirty (30) days after written notice to the Debtors and counsel for the Debtors, of its failure to make payment when due under the Plan.

**ARTICLE VIII
EFFECT OF CONFIRMATION**

8.1 Injunction. Except as otherwise expressly provided in this Plan, the confirmation of the Plan shall act to permanently enjoin on or after the Confirmation Date, all Persons who have held, hold or may hold Claims of or Interests in or against the Debtors (a) from commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Interest against the Debtors, (b) from the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree, or order against the Debtors or the Assets of the Debtors with respect to any such Claim or Interest, (c) from creating, perfecting or enforcing any encumbrance of any kind against the Debtors thereof, or against the Assets of the Debtors with respect to any such Claim or Interest, (d) from asserting any setoff, right of subrogation, or

recoupment of any kind against any obligation due from the Debtors thereof, or against the property of the Debtors, with respect to any such Claim or Interest.

8.2 Term of Injunctions or Stays. Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to § 105 or 362 of the Bankruptcy Code or otherwise and extent on the Confirmation Date shall remain in full force and effect, until such time as the Bankruptcy Court orders otherwise. Upon the occurrence of a default hereunder, creditors shall have the right to seek relief from the stays and/or termination of the injunctions provided for herein.

8.3 Injunction against Interference with the Plan. No entity may commence or continue any action or proceeding, or perform any act to interfere with the implementation and consummation of this Plan and the payments to be made hereunder.

8.4 Unsecured Creditors Committee. Upon confirmation of the Plan, the Unsecured Creditors Committee shall be dissolved and no longer in existence. Any outstanding fees owed to its professionals shall be subject to Paragraph 4.1, b.

ARTICLE IX EXECUTORY CONTRACTS

9.1 Assumption and Rejection. All executory contracts and unexpired leases that are not assumed as of the Confirmation Hearing or rejected during this case shall be deemed assumed pursuant to § 365 of the Bankruptcy Code.

ARTICLE X CRAMDOW PROVISIONS AND CONFIRMATION REQUEST

10.1 In the event that sufficient votes to confirm said Plan are not received, the Debtors may request confirmation of the Plan pursuant to the provision of § 1129(b) of the Bankruptcy Code. The proponent of a Chapter 11 plan designates the classes of claims and interests in the proposed plan. See, 11 U.S.C. § 1123(a) (1). See also, 11 U.S.C. § 1122. Voting for or against

the proposed plan is by class. See, e.g., 11 U.S.C. §§ 1126(c) and (d). A class of claims generally accepts the proposed plan if “at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors ... have accepted or rejected such plan.” See, 11 U.S.C. § 1126(c). A class of interests, i.e., equity holders, generally accepts the proposed plan if “such plan has been accepted by holders of such interests ... that hold at least two-thirds in amount of the allowed interests of such class held by holders of such interests ... that have accepted or rejected such plan. See, 11 U.S.C. § 1126(d).

10.2 A “cramdown” plan in Chapter 11 is a plan that one or more impaired classes of claims voted to reject, but that at least one impaired class of claims voted to accept. See, e.g., 11 U.S.C. §§ 1129(a) (10) and (b). A “consensual” plan is a plan that all impaired classes of claims and interests have voted to accept. See, 11 U.S.C. § 1129(a) (8). Both cramdown plans and consensual plans are confirmable by the Bankruptcy Court in a Chapter 11 case. See, 11 U.S.C. §§ 1129(a) (1)-(9), (11)-(16). The primary difference is that a cramdown plan is confirmable only if the plan follows the absolute priority rule with respect to each holder in the dissenting class or classes. See, 11 U.S.C. § 1129(b). The absolute priority rule does not apply, though, to the holders of claims in a consensual plan, or to the dissenters in a voting class that has accepted a cramdown plan. See, e.g., 11 U.S.C. §§ 1129(a)-(b).

ARTICLE XI

MODIFICATION OF THE PLAN

11.1 Pre-Confirmation Modification. At any time before the Confirmation Date, the Plan may be modified by the Debtors upon approval of the Bankruptcy Court and after notice to the Interested Parties, provided that the Plan, as modified, does not fail to meet the requirements of §§ 1122 and 1123 of the Bankruptcy Code. In the event that there is a modification of the Plan, then the Plan as modified, shall become the Plan.

11.2 Pre-Consummation Modification. At any time after the Confirmation Date, but before substantial consummation of the Plan, the Plan may be modified by the Debtors upon approval of the Bankruptcy Court and after notice to the interested parties, provided that the Plan, as modified, does not fail to meet the requirements of §§ 1122 and 1123 of the Bankruptcy Code. The Plan, as modified under this section, becomes a Plan only if the Court, after notice and hearing, confirms such Plan, as modified, under § 1129 of the Bankruptcy Code.

11.3 Non-Material Modifications. At any time, the Debtors may, without the approval of the Court, so long as it does not materially or adversely affect the interest of Creditors, remedy any defect or omission, or reconcile any such inconsistencies in the Plan or in the Confirmation Order, as such matters may be necessary to carry out the purposes, intent and effect of this Plan.

ARTICLE XII **RETENTION OF JURISDICTION**

12.1 The Court may retain jurisdiction of the case after the Confirmation Date for the following purposes:

- (a) To determine any and all objections in the allowance of claims and amendments to schedules;
- (b) To classify the Claim of any Creditor and to re-examine Claims which have been allowed for purposes of voting, to determine such objections as may be filed to Claims;
- (c) To determine any and all disputes arising under or in connection with the Plan, the sale of any of the Debtors' assets, collection or recovery of any assets;
- (d) To determine any and all applications for allowance of compensation and reimbursement of expenses herein;

(e) To determine any and all pending applications for rejections of executory contracts and unexpired leases and the allowance of any claims resulting from the rejection thereof or from the rejection of executory contracts or unexpired leases pursuant to the Plan;

(f) To determine any and all applications, adversary proceedings and contested and litigated matters pending in the case as of, or after, the Confirmation Date;

(g) To determine any and all proceedings for recovery of payments pursuant to any Cause of Action;

(h) To modify any provision of the Plan to the full extent permitted by the Bankruptcy Code;

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

(j) To determine such other matters which may be provided for in the Confirmation Order as may be authorized under the provisions of the Bankruptcy Code;

(k) To enforce all discharge provisions under the Plan;

(l) To enter any order, including injunctions, necessary to enforce the terms of the Plan, the powers of the Debtors under the Bankruptcy Code, this Plan and as the Court may deem necessary.

ARTICLE XIII **CAUSES OF ACTION**

13.1 Suits, Etc. Except as otherwise provided in this Plan or the Disclosure Statement, the Debtors reserve the right to initiate or continue any litigation or adversary proceeding permitted under the Bankruptcy Code and applicable Bankruptcy Rules with respect to any Cause of Action. Notwithstanding the foregoing, the Debtors do release all parties from avoidance litigation as

mentioned in the Disclosure Statement regarding payments made in ninety days and money received by insiders within a year.

13.2 Powers. The Debtors shall have the right to settle, compromise, sell, assign, terminate, release, discontinue or abandon any Cause of Action from time to time in its discretion subject to confirmation of the Plan of Reorganization.

ARTICLE XIV **MISCELLANEOUS**

14.1 Choice of Law. Except to the extent superseded by the Bankruptcy Code or other federal law, the rights, duties and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to the choice of law rules thereof.

14.2 Payment of Statutory Fees. All fees payable pursuant to § 1930 of Title 28 of the United States Code, will be paid on or before the Effective Date.

14.3 Discharge of Debtors. Except as otherwise provided in this Plan, the rights afforded in the Plan and the treatment of all Claims and Equity Interests in the Plan shall be in exchange for and in complete satisfaction, discharge, and release of Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors, any of its assets or properties and the Debtors' Estate. Except as otherwise provided in this Plan (i) on the Effective Date, all Claims against the Debtors will be satisfied, discharged and released in full and (ii) all Persons shall be precluded from asserting against Debtors, its successors, or its assets or properties any other or further Claims or Equity Interests based upon any act or omission, transaction, or other activity of any kind or nature that occurred before the Confirmation Date. Notwithstanding the forgoing, the discharge granted by 11 U.S.C. § 1141 (d) is modified as to the secured or priority tax debt provided for in this plan, and

the discharge of any secured or priority tax debt under this plan shall not be effective until all secured and priority taxes provided for in the plan have been paid in full.”

14.4 Discharge of Claims; Injunction. Except as otherwise provided in this Plan, the rights afforded in this Plan and the payments and distributions to be made under the Plan shall be in complete exchange for, and in full satisfaction, discharge and release of, all existing debts and Claims of any kind, nature or description whatsoever against the Debtors, the estate or any of their Assets, and upon the Effective Date, all existing Claims against the Debtors, the estate and all of their assets and properties will be, and be deemed to be, exchanged, satisfied, discharged and released in full; and all holders of claims shall be precluded and enjoined from asserting against the Debtors, their successors or their respective Assets or properties any other or further Claim based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, whether or not the holder filed a proof of claim.

14.5 Effect of Confirmation Order. Except as provided in § 1141(d) of the Bankruptcy Code and except as otherwise provided in this Plan, the provisions of the Plan and the Confirmation Order shall bind the Debtors and all holders of claims or interests and will be a judicial determination of discharge of the Debtors from all debts that arose before the Confirmation Date and any liability on a Claim that is determined under § 502 of the Bankruptcy Code as if such Claim had arisen before the Confirmation Date, whether or not a proof of claim based on any such debt or liability is filed under § 501 of the Bankruptcy Code and whether or not a Claim based on such debt or liability is allowed under § 502 of the Bankruptcy Code and whether or not such holder is impaired under the Plan and whether or not such holder has accepted the Plan, and shall terminate all rights, claims and interests of such holder, except as provided in the Plan.

14.6 Releases by the Debtors. On the Effective Date, effective as of the Confirmation Date, the Debtors shall release and be permanently enjoined from any prosecution or attempted prosecution of any and all claims, obligations, suits, judgments, damages, rights, remedies, causes of action and liabilities of any nature, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, matured or unmatured, contingent or non-contingent, existing or hereafter arising, in law, equity or otherwise, including any claims or causes of action under Chapter 5 of the Bankruptcy Code which they have or may have against any of their respective members, managers, officers, directors, insiders, along with any of the unsecured creditors in this case.

14.7 Severability. Should any provision in this Plan be determined to be unenforceable, that determination will in no way limit or affect the enforceability and operative effect of any provision of the Plan.

14.8 Successors and Assigns. The rights 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 that Person.

14.9 Binding Effect. The Plan will be binding upon and inure to the benefit of the Debtors, its Creditors, the holders of Equity Interests, and their respective successors and assigns.

14.10 Withholding and Reporting Requirements. In connection with the Plan and all instruments issued and distributions made pursuant to the Plan, the Debtors will comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions made pursuant to the Plan will be subject to any such withholding and reporting requirements.

ARTICLE XV
PROVISIONS FOR RESOLVING AND TREATING CLAIMS

15.1 Objections. Within one hundred and twenty (120) days after the Confirmation Date, all objections to Claims will be filed with the Court and served on the holders of each of the Claims to which objections are made. If no objection to a claim is filed within one hundred and twenty (120) days after the Confirmation Date, the claim will be deemed allowed.

15.2 Prosecution of Objections. After the date of entry of the Confirmation Order, only the Debtors will have authority to file objections, litigate to judgment, settle or withdraw objections to Contested Claims.

15.3 No Distributions Pending Allowance. No payments or distributions will be made with respect to any Contested Claim except to the extent that the Contested Claim becomes an Allowed Claim. If only a portion of a claim is disputed (and in the absence of a basis for set off or counterclaim), the distribution will be made on a pro rata basis on the uncontested portion of the claim, pending resolution of the portion which is disputed.

15.4 Distributions after Allowance. Payments and distribution to each holder of a Contested Claim, to the extent that the Contested Claim becomes an Allowed Claim, will be made in accordance with the provisions of the Plan governing the Class of Claims to which the respective holder belongs as soon as practicable after the date that the order or judgment of the Court allowing the Claim becomes a Final Order.

**EARTH PRIDE ORGANICS, LLC and LANCASTER
FINE FOODS, INC.**

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