

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF RHODE ISLAND**

**In re:**

**CITY OF CENTRAL FALLS,  
RHODE ISLAND**

**Debtor**

**Case No. 11-13105**

**Chapter 9**

**FOURTH AMENDED PLAN FOR  
THE ADJUSTMENT OF DEBTS OF  
THE CITY OF CENTRAL FALLS,  
RHODE ISLAND**

**Dated: July 27, 2012**

**NOTE THAT THE EXHIBITS TO THE FOURTH AMENDED PLAN OF DEBT  
ADJUSTMENT ARE POSTED ON THE CITY'S WEBSITE AT: [www.centralfallsri.us](http://www.centralfallsri.us)**

<b>TABLE OF CONTENTS</b>		<b>Page</b>
<b>I.</b>	<b>DEFINITIONS, INTERPRETATION AND RULES OF CONSTRUCTION . . .</b>	<b>1</b>
	A.    Definitions .....	1
	B.    Rules of Construction .....	7
<b>II.</b>	<b>TREATMENT AND DEADLINE FOR THE ASSERTION OF ADMINISTRATIVE CLAIMS AND PROFESSIONAL CLAIMS .....</b>	<b>7</b>
	A.    Treatment of Administrative Claims .....	7
	B.    Treatment of Professional Claims.....	8
	C.    Priority Claims In Chapter 9.....	8
	D.    Deadline for the Filing and Assertion of Administrative Claims (Other Than Ordinary Course Administrative Claims) and Professional Claims .....	8
<b>III.</b>	<b>DESIGNATION OF CLASSES OF CLAIMS .....</b>	<b>9</b>
<b>IV.</b>	<b>TREATMENT OF CLAIMS .....</b>	<b>13</b>
<b>V.</b>	<b>ACCEPTANCE OR REJECTION; CRAM DOWN.....</b>	<b>30</b>
<b>VI.</b>	<b>TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES .....</b>	<b>30</b>
	A.    Rejection of Executory Contracts and Unexpired Leases.....	30
	B.    Assumed Executory Contracts and Unexpired Leases .....	31
<b>VII.</b>	<b>IMPLEMENTATION AND MEANS FOR IMPLEMENTATION OF THIS AMENDED PLAN .....</b>	<b>32</b>
	A.    Claims and Causes of Action .....	32
	B.    Compliance with Amended Plan Terms by Elected Officials or Fiduciary with the Power of Elected Officials .....	33
	C.    Termination of Receiver .....	36
<b>VIII.</b>	<b>DISTRIBUTIONS.....</b>	<b>37</b>
	A.    Delivery of Distributions .....	37
	B.    Undeliverable Distributions .....	37
	C.    Distributions of Cash .....	38
	D.    Timeliness of Payments .....	38
	E.    Compliance With Tax Requirements.....	38
	F.    Time Bar to Cash Payments.....	39
	G.    No Distributions on Account of Disputed Claims .....	39
	H.    No Postpetition Accrual.....	39
	I.    Bar Date for Attorney Fees .....	40
	J.    Incorporation of Agreements and Documents .....	40
	K.    Administrative Claims of Professionals.....	41

<b>IX.</b>	<b>DISPUTED CLAIMS; OBJECTIONS TO CLAIMS; PROSECUTION OF OBJECTIONS TO DISPUTED CLAIMS</b> .....	42
A.	Claims Objection Deadline; Prosecution of Objections .....	42
B.	Reserves, Payments, and Distributions With Respect to Disputed Claims ....	42
<b>X.</b>	<b>EFFECT OF CONFIRMATION</b> .....	43
A.	Discharge of the City .....	43
B.	Injunction .....	44
C.	Term of Existing Injunctions or Stays .....	44
<b>XI.</b>	<b>RETENTION OF AND CONSENT TO JURISDICTION</b> .....	44
<b>XII.</b>	<b>CONDITIONS PRECEDENT</b> .....	46
<b>XIII.</b>	<b>MISCELLANEOUS PROVISIONS</b> .....	46
A.	Severability .....	46
B.	Governing Law .....	47
C.	Effectuating Documents and Further Transactions.....	47
D.	Notice of Effective Date .....	47

## **Exhibit List to Fourth Amended Plan of Debt Adjustment**

- A. Holders of \$12,000,000 City of Central Falls, Rhode Island General Obligation School Bonds, dated July 15, 1999
- B. Holders of \$8,700,000 City of Central Falls, Rhode Island General Obligation Municipal Facility Bonds, dated October 1, 2007
- C. Comparison Table of Restructured Health Care Benefits
- D. List of Class 7 Retiree Health Insurance Claims
- E. Comparison Table of Restructured Pension Benefits
- F. List of Class 8 Retiree \$10,000 and Under Pension Claims
- G. List of Class 9 Retiree Reduced to \$10,000 Pension Claims
- H. List of Class 10 Retiree 45% Pension Claims
- I. List of Class 11 Retiree Pension Claims
- J. List of Class 12 Retiree Accidental Disability Pension Claims
- K. List of Class 13 Employees Covered by the Collective Bargaining Agreement and R.I. Council 94, AFSCME, AFL-CIO, Local 1627
- L. List of Class 14 Employees Covered by the Collective Bargaining Agreement between the City and the Fraternal Order of Police, Lodge 2
- M. List of Class 15 Employees Covered by the Collective Bargaining Agreement between the City and Local 1485, International Association of Fire Fighters, AFL-CIO
- N. List of Class 16 General Unsecured Claims
- O. List of Class 17 General Unsecured Convenience Claims
- P. List of Class 18 Property Tax Overpayment Claims
- Q. Revised Payment Schedule for Rescue Lease
- R. Retiree Appendices of Benefits
- S. Attestation Forms

- T. Agreement Between R.I. Council 94, AFSCME, AFL-CIO, Local 1627 And The City Of Central Falls, November 23, 2011 To June 30, 2016
- U. City Of Central Falls Rhode Island And Fraternal Order Of Police Lodge 2 Collective Bargaining Agreement For November 23, 2011 To June 30, 2016
- V. Collective Bargaining Agreement Between The City Of Central Falls And Local 1485, International Association Of Fire Fighters, AFL-CIO, November 23, 2011 To June 30, 2016
- W. Settlement And Release Agreement With Central Falls Retirees

**NOTE THAT THE EXHIBITS TO THE FOURTH AMENDED PLAN OF DEBT ADJUSTMENT ARE NOT ANNEXED HERETO BUT ARE POSTED ON THE CITY'S WEBSITE AT: [www.centrfallsri.us](http://www.centrfallsri.us)**

The City of Central Falls, Rhode Island (the "City"), a debtor under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"), hereby proposes the following Fourth Amended Plan of Adjustment of Debts (the "Amended Plan") pursuant to § 941 of the Bankruptcy Code and § 1129 of the Bankruptcy Code as incorporated into Chapter 9 by § 901 of the Bankruptcy Code.

**I. DEFINITIONS, INTERPRETATION AND RULES OF CONSTRUCTION.**

**A. Definitions.**

1. **Administrative Claim** means any Claim for an administrative expense of the kind described in §§ 503(b) or 507(a)(2) of the Bankruptcy Code.

2. **Allowed Claim** means a Claim that:

a. is asserted in a proof of claim filed in compliance with § 501 of the Bankruptcy Code and any applicable orders of the Bankruptcy Court and as to which: (i) no objection has been filed within the deadline established pursuant to Article IX, § A of the Amended Plan; (ii) the Bankruptcy Court has entered a Final Order allowing all or a portion of such Claim (but only in the amount so allowed); or (iii) the Bankruptcy Court has entered a Final Order under § 502(c) of the Bankruptcy Code estimating the amount of the Claim for purposes of allowance;

b. is subject to a stipulation between the City and the Holder of such Claim providing for the allowance of such Claim;

c. is deemed "allowed" pursuant to this Amended Plan;

d. is designated as "allowed" in a pleading to be entitled "Designation of Allowed Claims" (or a similar title of the same import) to be filed with the Bankruptcy Court by the City on or after the Effective Date; or

e. is an Administrative Claim as to which the Bankruptcy Court has entered a Final Order allowing all or a portion of such Claim (but only in the amount so

allowed).

3. **Amended Disclosure Statement** means the Fourth Amended Disclosure Statement, and all exhibits and schedules incorporated therein, that relates to this Amended Plan and that is approved by the Bankruptcy Court pursuant to § 1125 of the Bankruptcy Code as incorporated into Chapter 9 by § 901 of the Bankruptcy Code, as the same may be amended, modified or supplemented in accordance with the Bankruptcy Code.

4. **Amended Plan** means this Fourth Amended Plan for the Adjustment of Debts of the City of Central Falls, Rhode Island dated July 27, 2012 (amending the plan filed on June 15, 2012 as amended July 10, 2012 as amended on July 23, 2012), together with any exhibits and schedules incorporated herein, each in their present form or as they may be altered, amended or modified from time to time in accordance with the provisions of this Amended Plan, the Confirmation Order, the Bankruptcy Code, the Bankruptcy Rules, and Orders of the Bankruptcy Court.

5. **Ballot** means the ballot(s), in the form(s) approved by the Bankruptcy Court in the Plan Solicitation Order, accompanying the Amended Disclosure Statement and provided to each Holder of a Claim entitled to vote to accept or reject this Amended Plan. Each such ballot shall also provide creditors who hold Allowed Class 16 General Unsecured Claims that exceed \$5,000 with the option of reducing their claims to \$5,000 in order to become classified as part of the **Class 17 General Unsecured Convenience Claims**.

6. **Bankruptcy Code** means Title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 9 Case.

7. **Bankruptcy Court** means the United States Bankruptcy Court for the District of Rhode Island, or such other court that lawfully exercises jurisdiction over the Chapter 9 Case.

8. **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure, as

amended from time to time, as applicable to the Chapter 9 Case, together with the local rules of the Bankruptcy Court applicable to the Chapter 9 Case. Unless otherwise indicated, references in this Amended Plan to “Bankruptcy Rule \_\_\_\_\_” are to the specifically identified rule of the Federal Rules of Bankruptcy Procedure.

9. **Bar Date** means the applicable date by which particular proofs of claim must be filed, as established by the Bankruptcy Court or under the terms of this Amended Plan.

10. **Capital Fund** means a fund established by the City for the payment of capital expenditures that may be needed during the term of the Amended Plan.

11. **Cash** means cash and cash equivalents, including withdrawable bank deposits, wire transfers, checks, and other similar items.

12. **Chapter 9 Case** means the case under Chapter 9 of the Bankruptcy Code commenced by the City, styled as *In re City of Central Falls, Rhode Island*, Case No. 11-13105, currently pending in the Bankruptcy Court.

13. **City** means the City of Central Falls, Rhode Island, the debtor in the Chapter 9 Case.

14. **Claim** means a Claim against the City or the property of the City within the meaning of § 101(5) of the Bankruptcy Code.

15. **Class** means one of the classes of Claims established under § 1122 of the Bankruptcy Code.

16. **Confirmation Date** means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

17. **Confirmation Order** means the order of the Bankruptcy Court confirming this Amended Plan pursuant to § 943 of the Bankruptcy Code.

18. **Disallowed Claim** means a Claim or portion thereof that has been disallowed by an Order of the Bankruptcy Court.

19. **Disputed Claim** means any Claim or portion thereof that has not been allowed or disallowed and is disputed by the City. In the event that any part of a Claim is Disputed, except as otherwise provided in this Amended Plan, such Claim shall be deemed Disputed in its entirety for purposes of distribution under this Amended Plan, unless the City otherwise agrees in writing in its sole discretion. Without limiting the foregoing, a Claim that is the subject of a pending application, motion, complaint, objection, or any other legal proceeding seeking to disallow, limit, reduce, subordinate, or estimate such Claim shall be deemed to be Disputed.

20. **Effective Date** means the thirtieth (30<sup>th</sup>) day after the Court enters a Final Order confirming this Amended Plan.

21. **Final Order** means a judgment, order, ruling, or other decree issued and entered by the Bankruptcy Court or by any state or other federal court or other tribunal having jurisdiction over the subject matter thereof which judgment, order, ruling, or other decree has not been reversed, stayed, modified, or amended and as to which: (a) the time to appeal or petition for review, rehearing or certiorari has expired and no appeal or petition for review, rehearing or certiorari is then pending; or (b) any appeal or petition for review, rehearing or certiorari has been finally decided and no further appeal or petition for review, rehearing or certiorari can be taken or granted.

22. **General Fund** means the City's chief operating fund, which is used to account for all financial resources except those required to be accounted for in another fund (such as the Restricted Funds).

23. **General Unsecured Claim** means a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim.

24. **General Unsecured Convenience Claims** means a General Unsecured Claim, in the amount of \$5,000 or less, and any Class 16 General Unsecured Claims in an amount exceeding \$5,000 in which the Holder has exercised the option to reduce the amount of the Claim to \$5,000.

25. **General Unsecured Claims Pool** means the aggregate of \$600,000 for *pro rata* distribution to Holders of Allowed General Unsecured Claims.

26. **General Unsecured Claims Payment Dates** means June 30, 2013, June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 or such earlier date(s) on which the City determines to make its annual distribution to Holders of Allowed Class 16 General Unsecured Claims. The City shall make its distribution to the Holder of Allowed Class 17 General Unsecured Convenience Claims on or before June 30, 2013.

27. **Holder** means a creditor that holds a Claim.

28. **Impaired** means a Claim or Interest that is impaired within the meaning of § 1124 of the Bankruptcy Code as incorporated into Chapter 9 by § 901 of the Bankruptcy Code.

29. **Notice of Effective Date** shall have the meaning ascribed to such phrase in Article II, Section D of the Amended Plan.

30. **Ordinary Course Administrative Claim** means an Administrative Claim, other than a Professional Claim, that represents an obligation incurred post-petition in the ordinary course of business of the City (as determined by the City in its sole discretion).

31. **Retirees' Restricted 5-Year Account** shall mean a restricted account established by the City to administer trust funds that have been received from the State of Rhode Island pursuant to the Appropriation Legislation as described in the Settlement and Release Agreement approved by the Bankruptcy Court on January 9, 2012 and approved by the Rhode Island General Assembly on June 12, 2012. The trust funds from said account are not property of the City. They may only be used to pay retirees in accordance with the Settlement and Release Agreement attached hereto as **Exhibit W** and its Retiree Appendices of Benefits, **Exhibit R** filed herewith.

32. **Petition Date** means August 1, 2011.

33. **Plan Solicitation Order** means an Order issued by the Bankruptcy Court

approving the Amended Disclosure Statement, providing information for the purpose of dissemination and solicitation of votes on and confirmation of this Amended Plan, and establishing certain rules, deadlines, and procedures for the solicitation of votes with respect to and the balloting on this Amended Plan.

34. **Pre-Effective Date Claims** shall have the meaning ascribed to such phrase in Article X, Section 1.

35. **Professional Claim** means a Claim required to be filed pursuant to Article II, Section D of the Amended Plan for approval of amounts, if any, to be paid on or after the Effective Date for services or expenses in the Chapter 9 Case or incident to this Amended Plan rendered by professionals employed by the City or rendering services on behalf of the City.

36. **Receiver** means, singularly, jointly, and/or collectively, Mark A. Pfeiffer, Robert G. Flanders III, and John F. McJennett III, each in their respective legal capacities as state-appointed receiver for the City of Central Falls and any successor state-appointed receiver for the City of Central Falls.

37. **Rejection Motion** means a motion which may be filed by the City pursuant to § 365(a) of the Bankruptcy Code, as incorporated into Chapter 9 by § 901 of the Bankruptcy Code pursuant to which the City shall seek approval and authorization for the rejection of an executory contract and unexpired lease, as shall be identified in said Rejection Motion.

38. **Restricted Funds** means special purpose and enterprise funds administered by the City and/or trust funds, the use of which is restricted by, among other things, grants, federal law, the Rhode Island Constitution, another Rhode Island law, or City ordinance such that the assets of the Restricted Funds may not lawfully be used to pay obligations of the General Fund.

39. **Rights of Action** means any rights, claims, or causes of action owned by, accruing to, or assigned to the City pursuant to the Bankruptcy Code or pursuant to any contract,

statute, or legal theory, including without limitation any rights to, claims, or causes of action for recovery under any policies of insurance issued to or on behalf of the City.

40. **Secured Claim** means a Claim that is subject to a valid, perfected and enforceable lien, statutory lien or security interest, in whole or in part, to the extent of the value of such creditor's interest in the City's property, determined in accordance with § 506(a) of the Bankruptcy Code, as incorporated into Chapter 9 under § 901 of the Bankruptcy Code.

41. **Unclaimed Property** shall have the meaning ascribed to such phrase in Article XIII, Section B(1) of the Amended Plan.

42. **Unimpaired** means a Claim that is not Impaired within the meaning of § 1124 of the Bankruptcy Code, as incorporated into Chapter 9 under § 901 of the Bankruptcy Code.

**B. Rules of Construction.**

The following rules of construction apply to this Amended Plan: (a) unless otherwise specified, all references in this Amended Plan to "Sections" (or "§" or "§§") and "Exhibits" are to the respective Section in or Exhibit to this Amended Plan, as the same may be amended or modified from time to time; (b) the headings in this Amended Plan are for convenience of reference only and do not limit or otherwise affect the provisions of this Amended Plan; (c) words denoting the singular number include the plural number and vice versa; (d) the rules of construction set forth in § 102 of the Bankruptcy Code, as incorporated into Chapter 9 under § 901 of the Bankruptcy Code apply; (e) in computing any period of time prescribed or allowed by this Amended Plan, the provisions of Bankruptcy Rule 9006(a) apply; and (f) the words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to this Amended Plan as a whole and not to any particular section, subsection, or clause contained in this Amended Plan.

**II. TREATMENT AND DEADLINE FOR THE ASSERTION OF ADMINISTRATIVE CLAIMS AND PROFESSIONAL CLAIMS.**

**A. Treatment of Administrative Claims.**

Except to the extent that the Holder of an Allowed Administrative Claim agrees to a

different treatment or to which a different treatment is provided for in the Amended Plan, the City shall pay to each Holder of an Allowed Administrative Claim, in full satisfaction, release and discharge of such Claim, Cash in an amount equal to such Allowed Administrative Claim on the later of (i) the Effective Date, or (ii) the date on which such Claim becomes an Allowed Administrative Claim.

**B. Treatment of Professional Claims.**

Pursuant to § 943(a)(3) of the Bankruptcy Code, all amounts paid following the Effective Date for services or expenses in the Chapter 9 Case or incident to this Amended Plan must be disclosed to the Bankruptcy Court and must be reasonable. There shall be paid to each Holder of a Professional Claim, in full satisfaction, release and discharge of such Claim, Cash in an amount equal to that portion of such Claim that the Bankruptcy Court approves as reasonable, on or as soon as reasonably practicable following the date on which the Bankruptcy Court enters an Order determining such reasonableness. The City, in the ordinary course of its business, and without the requirement for Bankruptcy Court approval, may pay for those attorney services rendered and those costs incurred following the Effective Date.

**C. Priority Claims in Chapter 9.**

The only type of priority Claims expressly incorporated into Chapter 9 through § 901 of the Bankruptcy Code are Administrative Claims allowed under § 507(a)(2) of the Bankruptcy Code. The treatment of all such Administrative Claims is set forth above in Article II, Section A. No other types of priority Claims set forth in § 507 of the Bankruptcy Code are recognized in Chapter 9 cases, and Claims that would constitute priority Claims in a case under another chapter of the Bankruptcy Code are treated in Chapter 9 and in this Amended Plan as General Unsecured Claims.

**D. Deadline for the Filing and Assertion of Administrative Claims (other than Ordinary Course Administrative Claims) and Professional Claims.**

**Except as otherwise provided herein, all requests for payment or any other means of preserving and obtaining payment of Administrative Claims (other than Ordinary Course Administrative Claims) that have not been paid, released, or otherwise settled, and all requests for approval of Professional Claims, must be filed with the Bankruptcy Court and served upon the City no later than thirty (30) days after the date on which the Notice of Effective Date is mailed.** Any request for payment of an Administrative Claim or a Professional Claim that is not timely filed by such date will be forever barred, and Holders of such Claims shall be barred from asserting such Claims in any manner against the City.

### **III. DESIGNATION OF CLASSES OF CLAIMS.**

A. **Class 1** – Claims of Holders of \$12,000,000 City of Central Falls, Rhode Island General Obligation School Bonds, dated July 15, 1999, bearing the CUSIP numbers filed herewith as **Exhibit A**. (Registered owner for notice purposes as of the date of the filing of this Amended Plan: The Depository Trust Company (“DTC”).) These Claims will hereinafter be referred to as the “Class 1 \$12,000,000 General Obligation School Bonds Claims.”

Note that any claim for reasonable attorney fees and costs incurred by the Holder, if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the Bankruptcy Court, shall be treated as a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim, as the case may be.

B. **Class 2** – Claims of Holders of \$8,700,000 City of Central Falls, Rhode Island General Obligation Municipal Facility Bonds, dated October 1, 2007, bearing the CUSIP numbers filed herewith as **Exhibit B**. (Registered owner for notice purposes as the date of the filing of this Amended Plan: DTC.) These Claims will hereinafter be referred to as the “Class 2 \$8,700,000 General Obligation Municipal Facility Bonds Claims.”

Note that any claim for reasonable attorney fees and costs incurred by the Holder, if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the

Bankruptcy Court, shall be treated as a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim, as the case may be.

C. **Class 3** – Claims of Holders of \$1,300,000 City of Central Falls, Rhode Island General Obligation School Bonds, dated August 15, 2007. (Registered owner for notice purpose as of the date of the filing this Amended Plan: the Rhode Island Health and Educational Building Corporation (“RIHEBC”). (These “borrower” bonds are part of a pool securing publicly offered bonds issued by RIHEBC—DTC is Registered Owner for notice purposes of bonds issued by RIHEBC). These Claims will hereinafter be referred to as the “Class 3 \$1,300,000 General Obligation School Bonds Claims.”

Note that any claim for reasonable attorney fees and costs incurred by the Holder, if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the Bankruptcy Court, shall be treated as a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim, as the case may be.

D. **Class 4** – Claims of Holders of \$750,000 City of Central Falls, Rhode Island General Obligation Qualified School Construction Bonds, 2010 Series 1, dated June 29, 2010. (Registered owner for notice purpose as of the date of the filing this Amended Plan: RIHEBC.) These Claims will hereinafter be referred to as the “Class 4 \$750,000 General Obligation School Bonds.”

Note that any claim for reasonable attorney fees and costs incurred by the Holder, if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the Bankruptcy Court, shall be treated as a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim, as the case may be.

E. **Class 5** – Claims of Holders of \$4,250,000 Central Falls, Rhode Island General

Obligation School Bonds, 2010 Series 2, dated June 30, 2010. (Registered owner for notice purpose as of the date of the filing this Amended Plan: RIHEBC.) These “borrower bonds” secure qualified school construction bonds issued by RIHEBC which were privately placed with The Washington Trust Company (the “RIHEBC Bonds”). These Claims will hereinafter be referred to as the “Class 5 \$4,250,000 General Obligation School Bonds.”

Note that any claim for reasonable attorney fees and costs incurred by the Holder, if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the Bankruptcy Court, shall be treated as a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim, as the case may be.

F. **Class 6** – Claim of lessor of Lease dated April 10, 2009 by and between First Municipal Leasing Corporation and the City (the “Rescue Lease”). This Claim will hereinafter be referred to as the “Class 6 April 10, 2009 Lease Claim.”

G. **Class 7** – The Class 7 Claimants are specifically identified in **Exhibit D** filed herewith. These Claims will hereinafter be referred to as the “Class 7 Retiree Health Insurance Claims.”

H. **Class 8** - The Class 8 Claimants are specifically identified in **Exhibit F** filed herewith. These Claims will hereinafter be referred to as the “Class 8 Retiree \$10,000-and-Under Pension Claims.”

I. **Class 9** – The Class 9 Claimants are specifically identified in **Exhibit G** filed herewith. These Claims will hereinafter be referred to as the “Class 9 Retiree Reduced-to-\$10,000 Pension Claims.”

J. **Class 10** - The Class 10 Claimants are specifically identified in **Exhibit H** filed herewith. These Claims will hereinafter be referred to as the “Class 10 Retiree 45% Pension Claims.”

K. **Class 11** – The Class 11 Claimants are specifically identified in **Exhibit I** filed herewith. These Claims will hereinafter be referred to as the “Class 11 Retiree Pension Claims.”

L. **Class 12** – The Class 12 Claimants are specifically identified in **Exhibit J** filed herewith. These Claims will hereinafter be referred to as the “Class 12 Retiree Accidental Disability Pension Claims.”

M. **Class 13** – The Class 13 Claimants are specifically identified in **Exhibit K** filed herewith. These Claims will hereafter be referred to as the “Class 13 Council 94 Claims.”

N. **Class 14** – The Class 14 Claimants are specifically identified in **Exhibit L** filed herewith. These Claims will hereinafter be referred to as the “Class 14 FOP Claims.”

O. **Class 15** – The Class 15 Claimants are specifically identified in **Exhibit M** filed herewith. These Claims will hereinafter be referred to as the “Class 15 Local 1485 Claims.”

P. **Class 16** – The Class 16 Claimants are specifically identified in **Exhibit N** filed herewith. These Claims will hereinafter be referred to as the “Class 16 General Unsecured Claims.”

Q. **Class 17** – The Class 17 Claimants are specifically identified in **Exhibit O** filed herewith; provided however, that any Holder of a Class 16 General Unsecured Claim (**Exhibit N**) may become a Holder of a Class 17 General Unsecured Convenience Claim, defined below, by agreeing to reduce his/her/its General Unsecured Claim to Five Thousand Dollars (\$5,000) when said Holder submits his/her/its Ballot to the City. (Said Ballots shall have a section providing for such an election.) This class is being established for convenience purposes so that

the City is not required to pay these small claims in separate distributions over a period of years. These Claims, inclusive of Class 16 General Unsecured Convenience Claims converted to Class 17 General Unsecured Convenience Claims, will hereinafter be referred to as the “Class 17 General Unsecured Convenience Claims.”

R. **Class 18** – The Class 18 Claimants are specifically identified in **Exhibit P** filed herewith. These Claims will hereinafter be referred to as the “Class 18 Property Tax Overpayment Claims.”

S. **Class 19** – Claim of the State of Rhode Island for fees and costs incurred for the proper administration of the Receiver, his staff and his professionals. This Claim will hereinafter be referred to as the “Class 19 State of Rhode Island Claim.”

#### **IV. TREATMENT OF CLAIMS.**

##### **A. Class 1 \$12,000,000 General Obligation School Bonds Claims.**

###### **1. Impairment and Voting.**

The bonds are general obligations of the City, and all taxable property in the City is subject to *ad valorem* taxation without limitation as to rate or amount to pay the bonds and the interest thereon. Pursuant to Rhode Island General Laws § 45-12-1, bonds, notes, and obligations securing bonds, notes or certificates are secured by a Rhode Island statutory lien on property taxes and general fund revenues. The lien covers only amounts representing principal of, interest on, and redemption premium on the City’s Bonds, and does not include costs of collection. Subject to an annual appropriation by the Rhode Island General Assembly, the City receives state aid reimbursements for 97% of principal and interest on the Bonds.

This Class is Unimpaired by the Amended Plan. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Holders of Claims in this Class are not entitled to vote to accept or reject this Amended Plan. Under Bankruptcy Code § 1126(f), this Class is conclusively presumed to have accepted the Amended Plan.

**2. Treatment.**

The City shall honor its legal, equitable and contractual obligations to Holders of Claims in this Class. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Note that any reasonable attorney fees and costs incurred by the Holder, if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the Bankruptcy Court shall be treated as a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim, as the case may be.

**B. Class 2 \$8,700,000 General Obligation Municipal Facility Bonds Claims.**

**1. Impairment and Voting.**

The bonds are general obligations of the City, and all taxable property in the City is subject to *ad valorem* taxation without limitation as to rate or amount to pay the Bonds and the interest thereon. Pursuant to Rhode Island General Laws § 45-12-1, bonds, notes, and obligations securing bonds, notes or certificates are secured by a Rhode Island statutory lien on property taxes and general fund revenues. The lien covers only amounts representing principal of, interest on, and redemption premium on the City's Bonds, and does not include costs of collection.

This Class is Unimpaired by the Amended Plan. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Holders of Claims in this Class are not entitled to vote to accept or reject this Amended Plan. Under Bankruptcy Code § 1126(f), this Class is conclusively presumed to have accepted the Amended Plan.

**2. Treatment.**

The City shall honor its legal, equitable and contractual obligations to Holders of Claims in this Class. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Note that any reasonable attorney fees and costs incurred by the Holder,

if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the Bankruptcy Court shall be treated as a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim, as the case may be.

**C. Class 3 \$1,300,000 General Obligation School Bonds Claims.**

**1. Impairment and Voting.**

The borrower bonds are general obligations of the City, and all taxable property in the City is subject to *ad valorem* taxation without limitation as to rate or amount to pay the bonds and the interest thereon. Pursuant to R.I. Gen. Laws § 45-12-1, bonds, notes, and obligations securing bonds, notes or certificates are secured by a Rhode Island statutory lien on property taxes and general fund revenues. The lien covers only amounts representing principal of, interest on, and redemption premium on the City's Bonds, and does not include costs of collection. Subject to annual appropriation by the Rhode Island General Assembly, the City receives state aid reimbursement for 97% of principal and interest on the borrower bonds which are intercepted by the General Treasurer and paid directly to the RIHEBC bond trustee to pay the borrower bonds.

This Class is Unimpaired by the Amended Plan. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Holders of Claims in this Class are not entitled to vote to accept or reject this Amended Plan. Under Bankruptcy Code § 1126(f), this Class is conclusively presumed to have accepted the Amended Plan.

**2. Treatment.**

The City shall honor its legal, equitable and contractual obligations to Holders of Claims in this Class. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Note that any reasonable attorney fees and costs incurred by the Holder, if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the Bankruptcy Court shall be treated as a Class 16 General Unsecured Claim or a Class 17 General

Unsecured Convenience Claim, as the case may be.

**D. Class 4 \$750,000 General Obligation School Bonds.**

**1. Impairment and Voting.**

The bonds are general obligations of the City, and all taxable property in the City is subject to *ad valorem* taxation without limitation as to rate or amount to pay the bonds and the interest thereon. Pursuant to R.I. Gen. Laws § 45-12-1, bonds, notes, and obligations securing bonds, notes or certificates are secured by a Rhode Island statutory lien on property taxes and general fund revenues. The lien covers only amounts representing principal of, interest on, and redemption premium on the City's Bonds, and does not include costs of collection. Subject to appropriation by the federal government and certain other conditions, the City receives an interest rate subsidy to pay interest on the bonds. Subject to annual appropriation by the Rhode Island General Assembly, the City receives state aid reimbursements for 97% of the principal on the bonds which is intercepted by the General Treasurer and paid directly to the paying agent to pay the bonds. Pursuant to R.I. Gen. Laws § 45-12-32, the City has directed that additional state aid be intercepted to pay the remaining 3% of principal.

This Class is Unimpaired by the Amended Plan. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Holders of Claims in this Class are not entitled to vote to accept or reject this Amended Plan. Under Bankruptcy Code § 1126(f), this Class is conclusively presumed to have accepted the Amended Plan.

**2. Treatment.**

The City shall honor its legal, equitable and contractual obligations to Holders of Claims in this Class. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Note that any reasonable attorney fees and costs incurred by the Holder, if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the Bankruptcy Court shall be treated as a Class 16 General Unsecured Claim or a Class 17 General

Unsecured Convenience Claim, as the case may be.

**E. Class 5 \$4,250,000 General Obligation School Bonds.**

**1. Impairment and Voting.**

The borrower bonds are general obligations of the City, and all taxable property in the City is subject to *ad valorem* taxation without limitation as to rate or amount to pay the bonds and the interest thereon. Pursuant to R.I. Gen. Laws § 45-12-1, bonds, notes, and obligations securing bonds, notes or certificates are secured by a Rhode Island statutory lien on property taxes and general fund revenues. The lien covers only amounts representing principal of, interest on, and redemption premium on the City's Bonds, and does not include costs of collection. Subject to an appropriation by the federal government and certain other conditions, RIHEBC receives an interest rate subsidy to pay interest on the RIHEBC bonds which is applied to reduce the payment required from the City on the borrower bonds. Subject to an annual appropriation by the Rhode Island General Assembly, the City receives state aid reimbursements for 97% of principal on the borrower bonds, which is intercepted by the General Treasurer and paid directly to the RIHEBC bond trustee to pay the borrower bonds. Pursuant to R.I. Gen. Laws § 45-12-32, the City has directed that additional state aid be intercepted to pay the remaining 3% of principal on the borrower bonds.

This Class is Unimpaired by the Amended Plan. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Holders of Claims in this Class are not entitled to vote to accept or reject this Amended Plan. Under Bankruptcy Code § 1126(f), this Class is conclusively presumed to have accepted the Amended Plan.

**2. Treatment.**

The City shall honor its legal, equitable and contractual obligations to Holders of Claims

in this Class. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Note that any reasonable attorney fees and costs incurred by the Holder, if legally entitled to payment of its reasonable attorney fees and expenses, and allowed by the Bankruptcy Court shall be treated as a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim, as the case may be.

**F. Class 6 April 10, 2009 Lease Claim.**

**1. Impairment and Voting.**

The Rescue Lease is secured by a Horton rescue vehicle Vin No. 1FDFX47R78EE39070. The fiscal year 2013 lease payment is secured by a Rhode Island statutory lien on property taxes and general fund revenues.

This Class is Impaired by this Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holder of the Claim. Accordingly, the Holder of the Claim in this Class is entitled to vote to accept or reject this Amended Plan.

**2. Treatment.**

On the Effective Date, the term of the Rescue Lease shall be extended by two (2) years, the annual principal payments shall be reduced by fifty percent (50%), and the annual interest rate shall be reduced by one percent (1%). The new payment schedule shall be as set forth in **Exhibit Q** filed herewith. All other terms and conditions of the Rescue Lease shall remain unaltered and in full force and effect. On or prior to the Effective Date, at either party's written election, the parties shall enter into a modified lease agreement reflecting these modifications.

**G. Class 7 Retiree Health Insurance Claims.**

**1. Impairment and Voting.**

This Class is Impaired by this Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holders of these Claims. Accordingly, the Holders of these Claims in this Class are entitled to vote to accept or reject this Amended Plan.

**2. Treatment.**

The Holders of these Claims will have their health care benefits modified in accordance with the restructured health benefits schedule set forth on **Exhibit C**, annexed hereto, and will be required to pay 20% co-share premium payments.

**H. Class 8 Retiree \$10,000-and-Under Pension Claims.**

**1. Impairment and Voting.**

This Class is Unimpaired by the Amended Plan. The legal, equitable and contractual rights of the Holders of Claims in this Class shall remain unaltered. Holders of Claims in this Class are not entitled to vote to accept or reject this Amended Plan. Under Bankruptcy Code § 1126(f), this Class is conclusively presumed to have accepted the Amended Plan.

**2. Treatment.**

The Holders of these Claims will not have their benefits reduced under the Central Falls Pension Plan as set forth in **Exhibit E**, annexed hereto. The City has determined, as a matter of governmental policy, that because the annual pension benefits in this group are relatively low, and the average age of the individuals in this group is older than the average age of the individuals in the other retiree classes, there is a smaller unliquidated benefit and therefore a lesser impact on the City and the Amended Plan. Moreover, the City has further determined, as a matter of governmental policy, that because these individuals have less ability to adjust and absorb a reduction in benefits, the City will not impact its most vulnerable retirees by reducing their benefits.

**I. Class 9 Retiree-Reduced-to-\$10,000 Pension Claims.**

**1. Impairment and Voting.**

This Class is Impaired by this Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holders of these Claims. Accordingly, the Holders of these Claims in this Class are entitled to vote to accept or reject this Amended Plan.

**2. Treatment.**

The Holders of these Claims will have their annual pension benefits reduced to \$10,000 under the Central Falls Pension Plan as set forth in **Exhibit E**. Although the strict application of the new pension plan formula would reduce these individuals' benefits to less than \$10,000 annually, the City has determined, as a matter of governmental policy, that it will not reduce benefits below this \$10,000 threshold. The City determined that because the annual pension benefits in this group are relatively low, there is a smaller unliquidated benefit and therefore a lesser impact on the City and the Amended Plan. Moreover, the City has further determined, as a matter of governmental policy, that it would be unfair to reduce benefits below the \$10,000 threshold.

**J. Class 10 Retiree 45% Pension Claims.**

**1. Impairment and Voting.**

This Class is Impaired by this Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holders of these Claims. Accordingly, the Holders of these Claims in this Class are entitled to vote to accept or reject this Amended Plan.

**2. Treatment.**

The Holders of these Claims will have their annual pension benefits reduced by fifty-five percent (55%) under the Central Falls Pension Plan as set forth in **Exhibit E**. Although strict application of the new pension plan formula would reduce these individuals' benefits to an

amount which would be less than forty-five percent (45%) of the amount of their pre-petition pension benefit annually, the City has determined, as a matter of governmental policy, that it will not reduce benefits below this 45% threshold. The City has further determined, as a matter of governmental policy that it would be unfair to reduce benefits below 45% of pre-petition pension benefits, and therefore, the City would lessen the impact of the plan on this group of retirees.

**K. Class 11 Retiree Pension Claims.**

**1. Impairment and Voting.**

This Class is Impaired by this Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holders of these Claims. Accordingly, the Holders of these Claims in this Class are entitled to vote to accept or reject this Amended Plan.

**2. Treatment.**

The Holders of these Claims will have their benefits reduced in accordance with the formula set forth under the Central Falls Pension Plan. All reductions in this Class shall be less than a 55% reduction of the Holder's prior annual pension benefits. See **Exhibit E**.

**L. Class 12 Retiree Accidental Disability Pension Claims.**

**1. Impairment and Voting.**

This Class is Impaired by this Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holder of these Claims. Accordingly, the Holders of these Claims are entitled to vote to accept or reject the Amended Plan.

**2. Treatment.**

The Holders of these Claims will have their accidental disability retirement benefits modified in accordance with the restructured benefits schedule set forth on **Exhibit E** filed

herewith. Specifically, these Claimants will not have their benefits reduced by an Early Retirement Factor.

**M. Class 13 Council 94 Claims.**

1. **Impairment and Voting.**

This Class is Impaired by the Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holders of these Claims. Accordingly, the Holders of these Claims in this Class are entitled to vote to accept or reject this Amended Plan.

The Holders of these Claims had certain compensation and benefits reduced in accordance with the Pendency Plan instituted by the Receiver by Memorandum to “All Employees of the City of Central Falls” dated August 19, 2011, effective August 1, 2011. These Claims were settled by Memorandum of Agreement entered into between the City and the Local dated November 23, 2011 and approved by Order of this Court entered January 9, 2012. Pursuant to the Terms of the Memorandum of Understanding, these employees have agreed to vote to accept the Amended Plan, provided its terms comport with the terms of the Agreement between R.I. Council 94, AFSCME, AFL-CIO, Local 1627 and The City of Central Falls, November 23, 2011 to June 30, 2016, annexed hereto as **Exhibit T.**

2. **Treatment.**

The Holders of these Claims will have their compensation, health benefits and other benefits reduced under the Amended Plan in accordance with the Agreement between R.I. Council 94, AFSCME, AFL-CIO, Local 1627 and The City of Central Falls, November 23, 2011 to June 30, 2016, annexed hereto as **Exhibit T.**

**N. Class 14 FOP Claims.**

1. **Impairment and Voting.**

This Class is Impaired by the Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holders of these Claims. Accordingly, the Holders of these Claims are entitled to vote to accept or reject the Amended Plan.

The Holders of these Claims had certain compensation and benefits reduced in accordance with the Pendency Plan instituted by the Receiver by Memorandum to “All Employees of the City of Central Falls” dated August 19, 2011, effective August 1, 2011. These claims were settled by Memorandum of Agreement entered into between the City and FOP Lodge 2 dated November 23, 2011 and approved by Order of this Court entered January 9, 2012. Pursuant to the Terms of the Memorandum of Understanding, these employees have agreed to vote to accept the Amended Plan, provided its terms comport with the terms of the City of Central Falls Rhode Island and Fraternal Order of Police Lodge 2 Collective Bargaining Agreement for November 23, 2011 to June 30, 2016, annexed hereto as **Exhibit U**.

2. **Treatment.**

The Holders of these Claims will have their compensation, health benefits, retirement benefits and other benefits reduced under the Amended Plan in accordance with the terms of the City of Central Falls Rhode Island and Fraternal Order of Police Lodge 2 Collective Bargaining Agreement for November 23, 2011 to June 30, 2016, annexed hereto as **Exhibit U**.

O. **Class 15 Local 1485 Claims.**

1. **Impairment and Voting.**

This Claim is Impaired by the Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holders of these Claims. Accordingly, the Holders of these Claims are entitled to vote to accept or reject the Amended Plan.

The Holders of these Claims had certain compensation and benefits reduced in accordance with the Pendency Plan instituted by the Receiver by Memorandum to “All Employees of the City of Central Falls” dated August 19, 2011, effective August 1, 2011. These Claims were settled by Memorandum of Agreement entered into between the City and Local 1485 dated December 8, 2011 and approved by Order of this Court entered January 9, 2012. Pursuant to the Terms of the Memorandum of Understanding, these employees have agreed to vote to accept the Amended Plan, provided its terms comport with the terms of the Collective Bargaining Agreement between the City of Central Falls and Local 1485, International Association of Fire Fighters, AFL-CIO, November 23, 2011 to June 30, 2016, annexed hereto as **Exhibit V**.

2. **Treatment.**

The Holders of these Claims will have their compensation, health benefits, retirement benefits and other benefits reduced under the Amended Plan in accordance with the terms of the Collective Bargaining Agreement between the City of Central Falls and Local 1485, International Association of Fire Fighters, AFL-CIO, November 23, 2011 to June 30, 2016, annexed hereto as **Exhibit V**.

**P. Class 16 General Unsecured Claims.**

1. **Impairment and Voting.**

This Class is Impaired by this Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holders of these Claims. Accordingly, the Holders of these Claims in this Class are entitled to vote to accept or reject this Amended Plan.

2. **Treatment**

The Holders of these Claims shall share *pro rata* in the balance of the \$600,000 budget for Allowed General Unsecured after full payment of the distribution to Class 17 General

Unsecured Convenience Claims. The first distribution to the Holders of these Claims shall be made on or prior to June 30, 2013 from the balance of the General Unsecured Claims Pool after distributions are made to or reserves are created for the Holders of Allowed Class 17 General Unsecured Convenience Claims, and then the Holders of Allowed Class 16 General Unsecured Claims shall share *pro rata* on or prior to June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 from the General Unsecured Claims Pool. Notwithstanding anything set forth herein to the contrary, the total distribution to the Holders of these Claims will not exceed forty-five percent (45%) of the amount of their Allowed Claim. Any monies remaining in the General Unsecured Claims Pool after all distributions have been made shall be deposited in the City's Capital Fund.

**Q. Class 17 General Unsecured Convenience Claims.**

**1. Impairment and Voting.**

This Class is impaired by this Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holder of the Claim. Accordingly, the Holders of these Claims in this Class are entitled to vote to accept or reject this Amended Plan.

**2. Treatment.**

The Holders of these Allowed Claims shall receive a one-time single lump sum distribution of thirty-five percent (35%) of the amount of their Allowed Claim from the General Unsecured Claims Pool on or prior to June 30, 2013.

**R. Class 18 Property Tax Overpayment Claims**

**1. Impairment and Voting.**

This Class is Unimpaired by the Amended Plan. The legal, equitable and/or contractual rights of the Holder of Claims in this Class shall remain unaltered. Holders of Claims in this

Class are not entitled to vote to accept or reject this Amended Plan. Under Bankruptcy Code §1126(f), this Class is conclusively presumed to have accepted the Amended Plan.

**2. Treatment.**

The City shall honor its legal, equitable and/or contractual obligations to Holders of Claims in this Class. The City has determined, as a matter of governmental policy, that because these Claimants overpaid property taxes to the City in error, they are entitled to be fully refunded. The City has determined that for administrative convenience, the overpayments will be credited to each Claimant's fiscal year 2013 property tax bill.

**S. Class 19 State of Rhode Island Claim.**

**1. Impairment and Voting.**

This Class is Impaired by this Amended Plan since the treatment of this Class will affect the legal, equitable and/or contractual rights of the Holder of the Claim. Accordingly, the Holder of the Claim in this Class is entitled to vote to accept or reject this Amended Plan.

**2. Treatment.**

Under Rhode Island Gen. Laws § 45-9-3(f), the City is required to pay the amounts sufficient for the proper administration of the Receiver and his staff or the State may deduct those funds from the City's distribution of state aid. Thus, the State could insist on full payment of the Class 19 State of Rhode Island Claim in the current fiscal year. However, in order that the City be able to achieve balanced budgets during the term of the Amended Plan, the State has agreed to limit its distribution during the Amended Plan term to (i) the appropriations provided in the Six-Year Financial Projection in the aggregate amount of \$600,000, plus (ii) all amounts recovered by the Claim Recovery Trustee pursuant to the terms set forth in the following paragraph, net of the Claim Recovery Trustee's fees and costs. The balance of Class 19 State of

Rhode Island Claim shall be paid after the Amended Plan term as set forth in the Six-Year Financial Projection.

*Flanders vs. Moreau, et al.* P.B. No. 10-5615 is a lawsuit pending before the Providence County Business Calendar in the Rhode Island Superior Court. That suit involved, among other things, determination of the issue of whether the Act Relating to Cities and Towns – Providing Financial Stability, Rhode Island General Laws § 45-9-1 *et seq.* (the “Fiscal Stability Act”) is constitutional. The Superior Court and the Rhode Island Supreme Court each determined that the Fiscal Stability Act is constitutional. Subsequent to those rulings, the Superior Court ruled that the mayor of City and the members of the Central Falls City Council (with the exception of James Diossa) (the “Elected Officials”) are liable for the reasonable attorney fees and costs incurred by the City in litigating the lawsuit. Pursuant to a Superior Court order, the City has filed a Proof of Claim with the Superior Court seeking \$238,455.34 in attorney fees incurred in connection with the lawsuit. The Elected Officials have objected to the Proof of Claim. The issue of whether the fees and costs requested by the City in the Receiver’s Proof of Claim were reasonable is currently being litigated by the parties.

The Elected Officials would have a conflict of interest when they are returned to full authority if they are required to litigate the claims against the Elected Officials on behalf of the City. Accordingly, bankruptcy counsel Orson and Brusini Ltd., shall continue to act as counsel to the City in *Flanders vs. Moreau et al.*, P.B. No 10-5615, even if the Elected Officials return to full authority while said lawsuit remains pending. The State shall advance the reasonable fees and costs incurred by Orson and Brusini Ltd. in connection with said lawsuit, and the City shall reimburse the State for said costs pursuant to the terms of the plan.

On the Effective Date, a trust (the “Trust”) shall be deemed created for the benefit of the

State, and all of the City's claims against Elected Officials shall be deemed transferred into the Trust including, without limitation, the City's claims against Elected Officials under any Final Order in *Flanders vs. Moreau et al.*, P.B. No 10-5615 ("*Flanders vs. Moreau*").

Also, on the Effective Date, Allan M. Shine shall be deemed appointed as "Trustee" of the Trust. The Trustee (and successor Trustees, if any), shall be impressed with the duty to make a good faith effort to collect the maximum amount reasonably attainable from any Final Order against Elected Officials, including a Final Order in *Flanders vs. Moreau*. Notwithstanding anything set forth below, the Trustee, not the City's or State's counsel, shall be responsible for **collecting** any Final Order against any Elected Official. A true and accurate copy of the Trustee Agreement between the Receiver, the State of Rhode Island and the Trustee is attached hereto as Exhibit 14.

The Trustee shall be compensated at the rate of twenty percent (20%) of any recovery by the Trust, plus reasonable out of pocket expenses, and the Trustee shall be authorized to immediately pay himself (or if a successor Trustee is a woman, herself) said amount from any recovery, subject to final review and approval by the Bankruptcy Court as part of the Trustee's Final Report. The Trustee may seek instructions from the Bankruptcy Court regarding any issue relative to his trusteeship. Within fourteen (14) days of any recovery obtained by the Trustee, the Trustee shall pay the balance of said recovery to the State, and said payment shall be treated as a credit against the balance owing to the State on account of the State's Allowed Class 19 State of Rhode Island Claim.

In the event that the Trustee resigns or is no longer able to serve, the United States Bankruptcy Court may appoint a successor Trustee.

In that event that there has not been a Final Order in *Flanders vs. Moreau* on the

Effective Date, the City's attorney shall act as counsel to the Trust until a Final Order is obtained in *Flanders vs. Moreau*. The State shall advance the costs of City's counsel for such services subject to reimbursement of those costs pursuant to the treatment of the Class 19 State of Rhode Island Claim, as described aforesaid.

If the State believes that the City has additional claims against Elected Officials, it may send a letter to the Trustee requesting that the Trust pursue those claims. Depending upon the Trustee's evaluation of any such claims, the Trustee may cause the Trust to pursue those claims, to decline to pursue those claims, and/or seek instructions from the Bankruptcy Court as to whether the Trust should or should not pursue those claims.

If the Trust pursues claims pursuant to the terms of the preceding paragraph, the State may offer the use of its counsel to litigate those claims. If the Trust elects to use the State's counsel to litigate those claims, the State shall advance the costs of its counsel for such services subject to reimbursement by the City pursuant to the treatment of the Class 19 State of Rhode Island as described aforesaid.

When the Trustee determines that no further amounts can be reasonably attained from Elected Officials, the Trustee shall file a Final Report with the Bankruptcy Court. At such time as the Final Report is approved by the Bankruptcy Court, the Trustee shall be discharged and the Trust shall be deemed dissolved.

In the event that after dissolution of the Trust, the Trustee discovers that there may be additional funds to be recovered for the benefit of the State, or there are additional claims that may be pursued against Elected Officials, the Trustee may file a motion with the Bankruptcy Court seeking to revive the Trust for that purpose, subject to all of the same terms and conditions set forth above.

**V. ACCEPTANCE OR REJECTION; CRAM DOWN.**

Each Holder of an Allowed Claim classified into Classes 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17 and 19 shall be entitled to vote each such Claim to accept or reject this Amended Plan.

With respect to any Impaired Class of Claims that fails to accept this Amended Plan, if any, the City, as proponent of this Amended Plan, requests that the Bankruptcy Court nonetheless confirm this Amended Plan pursuant to the so-called “cram down” powers set forth in Bankruptcy Code § 1129(b).

**VI. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES.**

**A. Rejection of Executory Contracts and Unexpired Leases.**

Prior to the hearing on confirmation, the City shall file a “Rejection Motion” if there are any additional executory contracts and unexpired leases that the City seeks to reject. Any party whose executory contract or unexpired lease is rejected as the result of a Rejection Motion may have a General Unsecured Claim under Class 16 or Class 17, as the case may be. The Rejection Motion shall include the City’s recommendation as to the amount of allowance of said General Unsecured Claim, if any. The party to an executory contract or an unexpired lease that is the subject of a Rejection Motion shall have two (2) weeks to file an objection with the Court to said Rejection Motion on any legitimate basis including, without limitation, that the party believes that the executory contract or unexpired leases should not be rejected or that the party disagrees with the City’s recommendation as to the amount of allowance of its General Unsecured Claim. The Court shall then schedule a hearing on each Rejection Motion to the extent that the Court determines a hearing is necessary.

Parties whose executory contract or unexpired lease has already been rejected pursuant to a court order shall file a proof of claim with the Court as to the amount of their General

Unsecured Claim related to their rejected executory contract or unexpired lease prior to the hearing on confirmation. The City shall then have two (2) weeks to file an objection with the Court to said proof of claim. The Court shall then schedule a hearing on each such objection to the extent the Court determines a hearing is necessary. If the City does not file an objection to a proof of claim related to a rejected executory contract or unexpired lease, the proof of claim shall be deemed allowed.

All executory contracts and unexpired lease not rejected shall be deemed to be assumed by the City.

**B. Assumed Executory Contracts and Unexpired Leases.**

Prior to the hearing on confirmation, the City shall file a schedule of all assumed executory contracts and unexpired leases with the amounts, if any, that the City intends to pay the parties to the assumed contracts or leases as a cure payment. Simultaneous to filing said schedule, the City shall file motions to approve the amounts of each such cure payment (“Cure Payment Motion”). Any party whose executory contract or unexpired lease is the subject of a Cure Payment Motion, shall have two (2) weeks to file an objection with the Court to said Cure Payment Motion on any legitimate basis including, without limitation, that the party believes that the executory contract or unexpired should not be assumed or that the party disagrees with the amount that the City intends to pay as a cure payment. The Court shall then schedule a hearing on each such Cure Payment Motion to the extent that the Court determines a hearing is necessary.

Any party that believes that it has an executory contract or unexpired lease that is not the subject of a Rejection Motion or a Cure Payment Motion shall file a motion with the Court to require the City to assume or reject its executory contract or unexpired lease prior to the hearing

on confirmation (“Motion to Require Assumption or Rejection”). The City shall then have two (2) weeks to file an objection with the Court to each such Motion to Require Assumption or Rejection. The Court shall then schedule a hearing on each such Motion to Require Assumption or Rejection to the extent the Court determines a hearing is necessary.

**VII. IMPLEMENTATION AND MEANS FOR IMPLEMENTATION OF THIS AMENDED PLAN.**

Following the Effective Date, the City will continue to operate pursuant to the Central Falls Charter, the Constitution of the State of Rhode Island and other applicable laws. While the City has submitted a Six-Year Financial Projection with its Amended Disclosure Statement to allocate the City's unrestricted resources, annexed hereto as **Exhibit X** (the “Six-Year Financial Projection”), the City acknowledges and understands that financial plans and budgets are not fixed in stone, and that on-going adjustments will have to be made during the course of the six-year plan duration in order to enable the City to adjust to changing economic, operational needs and other conditions and contingencies. However, this Amended Plan and the City’s Six-Year Financial Projection represent the City's commitment to the binding treatment of the Holders of Claims in the various Classes as enumerated in this Amended Plan.

In the event that the City experiences an operating surplus at the end of a fiscal year, any surplus in excess of fifty thousand (\$50,000) dollars will be deposited into the City’s Capital Fund.

**A. Claims and Causes of Action.**

All of the City's claims, causes of action, rights of recovery, rights of offset, recoupment rights to refunds and similar rights shall be retained by the City, including, without limitation, any claims that the City may hold under Bankruptcy Code §§ 544, 547 and 548 and the other

avoidance provisions of the Bankruptcy Code. The failure to list in the Amended Disclosure Statement any potential or existing Right of Action retained by the City is not intended to and shall not limit the rights of the City to pursue any such action. Unless a Right of Action is expressly waived, relinquished, released, compromised or settled in this Amended Plan, the City expressly reserves all Rights of Action for later adjudication and, as a result, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Rights of Action upon or after the confirmation or consummation of this Amended Plan or the Effective Date. In addition, the City expressly reserves the right to pursue or adopt against any other entity any claims alleged in any lawsuit in which the City is a defendant or an interested party.

**B. Compliance with Amended Plan Terms by Elected Officials or Fiduciary with the Power of Elected Officials.**

**1. City's Budget Must Remain in Balance during the Plan Term.**

This Amended Plan is a contract between the City, on the one hand, and its creditors, including the State of Rhode Island, and its other major stakeholders, including its labor unions and its retirees, on the other hand. Although the City's elected officials, or a fiduciary acting with the powers of elected officials under the Act Relating to Cities and Towns – Providing Financial Stability, Rhode Island General Laws § 45-9-1 *et seq.*, shall continue to make policy decisions during the Amended Plan term, they may do so only to the extent that such policy decisions do not make the City's fiscal budgets unbalanced. So, for example, if in a given year, the City is required to pay more than it has budgeted for snow removal, or if the City replaces an employee creating an obligation to pay unemployment benefits, the City must find and demonstrate either additional revenues or reductions in expenditures to keep the City's budget in balance. It is the City's intention herein, to establish reporting requirements for the City so that

during the Amended Plan term, creditors, including the State of Rhode Island, and the City's other major stakeholders, including its labor unions and its retirees, will have adequate and timely financial information necessary to monitor whether the City remains in balance and whether the City is otherwise complying with the Amended Plan terms. It is also the City's intention herein to grant to creditors, including the State of Rhode Island, and the City's other major stakeholders, including its labor unions and its retirees, standing to seek specific enforcement from the Bankruptcy Court to comply with the Amended Plan terms if the City takes any action(s) which makes the Amended Plan not in Material Conformity with the Amended Plan terms.

## **2. Reporting Requirements.**

Within thirty (30) days after the City enacts a budget or an amended budget, each person acting with the powers of an elected official (i.e. the Mayor and each City Council member or a state-appointed fiduciary, as the case may be) shall be required to sign an "Annual Attestation Form," in the form set forth as **Exhibit S** annexed hereto, attesting, under oath, that to the best of his or her knowledge and belief, the budget is in "Material Conformity" with the terms of the Six-Year Financial Projection, **Exhibit X**, or to the extent that the budget is not in Material Conformity with the Six-Year Financial Projection, to identify the specific line items in the budget that are not in Material Conformity with the Six-Year Financial Projection. "Material Conformity" shall mean that the budget is consistent with the Six-Year Financial Projection and/or that any increase in expenditures in any line item is offset by increases in revenues based upon additional revenues and/or decreases in expenditures. Any assumptions regarding any such additional revenues and/or decreases in expenditures must be reasonable. Each Annual Attestation Form shall be electronically filed with the Bankruptcy Court and a copy shall be sent

by first class mail to the Rhode Island Director of Revenue at Rosemary Booth Gallogly, Director of Revenue, State of Rhode Island, Department of Revenue, One Capitol Hill, Providence, Rhode Island 02908.

In addition, within fourteen (14) days after each elected official files each Annual Attestation Form, the Administrative and Finance Officer appointed under R.I. Gen. Laws § 45-9-10 shall file an “Annual Administrative and Finance Officer Statement” in the form set forth as **Exhibit S** annexed hereto stating that he or she agrees or disagrees with the attestations of an elected official. If the Administrative and Finance Officer disagrees with the attestations of the Elected Official, he or she shall explain why. Each Annual Administrative and Finance Officer Statement shall be filed with the Bankruptcy Court and a copy shall be sent by first class mail to the Rhode Island Director of Revenue at Rosemary Booth Gallogly, Director of Revenue, State of Rhode Island, Department of Revenue, One Capitol Hill, Providence, Rhode Island 02908.

In addition, within thirty (30) days after the end of each fiscal quarter, the elected officials shall be required to sign a “Quarterly Attestation Form” in the form set forth as **Exhibit S** annexed hereto, stating under oath whether or not actual performance by the City during the prior quarter and year-to-date remains in Material Conformity with the terms of the Six-Year Financial Projection. To the extent that an elected official states that actual performance by the City during the prior quarter and year-to-date does not remain in Material Conformity with the terms of the Six-Year Financial Projection, the elected official shall identify the specific line items that do not remain in Material Conformity with the Six-Year Financial Projection. Each Quarterly Attestation Form shall be electronically filed with the Bankruptcy Court and a copy shall be sent by first class mail to the Rhode Island Director of Revenue at Rosemary Booth Gallogly, Director of Revenue, State of Rhode Island, Department of Revenue, One Capitol Hill,

Providence, Rhode Island 02908.

In addition, within fourteen (14) days after each elected officials files each Quarterly Attestation Form, the Administrative and Finance Officer shall file a “Quarterly Administrative and Finance Officer Statement” in the form set forth as **Exhibit S** annexed hereto stating that he or she agrees or disagrees with the attestations of the elected official. If the Administrative and Finance Officer disagrees with the attestations of the elected official, he or she shall explain why. Each Quarterly Administrative and Finance Officer Statement shall be filed with the Bankruptcy Court and a copy shall be sent by first class mail to the Rhode Island Director of Revenue at Rosemary Booth Gallogly, Director of Revenue, State of Rhode Island, Department of Revenue, One Capitol Hill, Providence, Rhode Island 02908.

### **3. Enforcement.**

Any creditor or stakeholder of the City under the Amended Plan, including the State of Rhode Island, the City’s labor unions, and the retirees, shall have power to seek specific enforcement from the Bankruptcy Court to require the City to comply with the Amended Plan terms and/or to require the City to make changes necessary for the City to be in Material Conformity with the Six-Year Financial Projection.

#### **C. Termination of Receiver.**

In the event that the Rhode Island Director of Revenue terminates the Receiver in conformity with the terms of the Act Relating to Cities and Towns – Providing Financial Stability, Rhode Island General Laws § 45-9-1 et seq., the rights and obligations of the Receiver under the Amended Plan and the Confirmation Order shall transfer to the appropriate Central Falls officials as authorized under Rhode Island General Laws, the Central Falls Charter and Central Falls ordinances.

## **VIII. Distributions**

### **A. Delivery of Distributions.**

All distributions to any Holder of an Allowed Claim shall be made at the address of such Holder as set forth in the Schedule of Claims filed with Bankruptcy Court, as amended, unless the City has been notified by such Holder in a writing that contains an address for such Holder different from the address reflected said Schedule of Claims.

### **B. Undeliverable Distributions.**

#### **1. Holding of Undeliverable Distributions.**

If any distribution to any Holders is returned to the City as undeliverable, no further distributions shall be made to such Holder unless and until the City is notified in writing of such Holder's then-current address. Unless and until the City is so notified, such distribution shall be deemed to be "Unclaimed Property" and shall be dealt with in accordance with the following subsection.

#### **2. Unclaimed Property.**

If any entity entitled to receive distributions pursuant to this Amended Plan does not present itself on the Effective Date or on such other date on which such entity becomes eligible for distribution, such distributions shall be deemed to be "Unclaimed Property." Unclaimed Property shall be set aside and held in a segregated account to be maintained by the City pursuant to the terms of this Amended Plan.

#### **3. Notification and Forfeiture of Unclaimed Property.**

At a reasonable time after the City has discovered that property has remained unclaimed, the City shall file with the Bankruptcy Court a list of Unclaimed Property, together with a schedule that identifies the name and last-known address of Holders of the Unclaimed Property;

the City otherwise shall not be required to attempt to locate any such entity. On January 1, 2018, all remaining Unclaimed Property and accrued interest or dividends earned thereon shall be remitted to and vest in the City, except as may be provided under the laws of the State of Rhode Island.

**C. Distributions of Cash.**

Any payment of Cash to be made by the City pursuant to this Amended Plan shall be made by check drawn on a domestic bank or by wire transfer, at the sole option of the City.

**D. Timeliness of Payments.**

Any payments or distributions to be made pursuant to this Amended Plan shall be deemed to be timely made if made within fourteen (14) days after the dates specified in this Amended Plan. Whenever any distribution to be made under this Amended Plan shall be due on a day that is a Saturday, Sunday, or legal holiday, such distribution instead shall be made, without interest, on the immediately succeeding day that is not a Saturday, Sunday, or legal holiday, but shall be deemed to have been timely made on the date due.

**E. Compliance With Tax Requirements.**

The City shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to this Amended Plan shall be subject to such withholding and reporting requirements. In connection with each distribution with respect to which the filing of an information return (such as Internal Revenue Service Forms W-2, 1099 or 1042) or withholding is required, the City shall file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such distribution, or effect any such withholding and deposit all monies so withheld to the extent required by law. With respect to any entity from

whom a tax identification number, certified tax identification number, or other tax information is required by law to avoid withholding has not been received by the City, the City at its sole option, may withhold the amount required and distribute the balance to such entity or decline to make such distribution until the information is received.

**F. Time Bar to Cash Payments.**

Checks issued by the City on account of Allowed Claims shall be null and void if not negotiated within ninety (90) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the City by the Holder of the Allowed Claim with respect to which such check originally was issued. Any Claim in respect of such a voided check shall be made on or before the second anniversary of the Effective Date. After such date, all Claims in respect of voided checks shall be discharged and forever barred and the City shall retain all monies related thereto.

**G. No Distributions on Account of Disputed Claims.**

Notwithstanding anything to the contrary in this Amended Plan, and consistent with Article IX, no distributions shall be made on account of any part of any Disputed Claim until such Claim becomes Allowed (and then only to the extent so Allowed). Distributions made after the Effective Date in respect of Claims that were not Allowed as of the Effective Date (but which later became Allowed) shall be deemed to have been made as of the Effective Date.

**H. No Postpetition Accrual.**

Except as specifically provided in this Amended Plan or Allowed by order of the Bankruptcy Court, the City shall not be required to pay to any Holder of a Claim any interest, penalty or late charge accruing with respect to such Claim on or after the Petition Date.

**I. Bar Date for Attorney Fees.**

Any holder of Class 1 \$12,000,000 General Obligation School Bonds Claims, Class 2 \$8,700,000 General Obligation Municipal Facility Bonds Claims, Class 3 \$1,300,000 General Obligation School Bonds Claims, Class 4 \$750,000 General Obligation School Bonds, of Class 5 \$4,250,000 General Obligation School Bonds, that seeks allowance of a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim for attorney fees, shall file a Proof of Claim with the Court no later than 30 days after the Court enters an Order confirming the Amended Plan or any such claim shall be deemed forever barred. The City reserves the right to object to any such claim.

**J. Incorporation of Agreements and Documents.**

The following agreements are incorporated into this Amended Plan by reference:

a. City of Central Falls Rhode Island and Fraternal Order of Police Lodge 2 Collective Bargaining Agreement for November 23, 2011 to June 30, 2016, annexed hereto as **Exhibit U**. The Court will retain jurisdiction over this matter. However, nothing in the Fourth Amended Plan shall impair any rights that the parties may have under the collective bargaining agreement or state law. In the event of a conflict between the Fourth Amended Plan and the collective bargaining agreement or state law, the collective bargaining agreement or state law shall prevail.

b. Collective Bargaining Agreement between the City of Central Falls and Local 1485, International Association of Fire Fighters, AFL-CIO, November 23, 2011 to June 30, 2016, annexed hereto as **Exhibit V**. The Court will retain jurisdiction over this matter. However, nothing in the Fourth Amended Plan shall impair any rights the parties may have under the collective bargaining agreement or state law. In the event of a conflict between the Fourth Amended Plan and the collective bargaining agreement or state law, the collective

bargaining agreement or state law shall prevail.

c. Agreement between R.I. Council 94, AFSCME, AFL-CIO, Local 1627 and The City of Central Falls, November 23, 2011 to June 30, 2016, annexed hereto as **Exhibit T**. The Court will retain jurisdiction over this matter. However, nothing in the Fourth Amended Plan shall impair any rights the parties may have under the collective bargaining agreement or state law. In the event of a conflict between the Fourth Amended Plan and the collective bargaining agreement or state law, the collective bargaining agreement or state law shall prevail.

d. Settlement and Release Agreement (with Central Falls retirees), annexed hereto as **Exhibit W**. Notwithstanding anything set forth herein to the contrary, to the extent that the terms of Settlement and Release Agreement are inconsistent with the terms of the Fourth Amended Plan, the terms of the Settlement and Release Agreement shall govern.

e. Six Year Financial Projection, annexed hereto as **Exhibit X**.

**K. Administrative Claims of Professionals.**

Bankruptcy Code section 943 requires disclosure of professional fees to be paid by the City or by any person for services or expenses in the case or incident to the plan. Annexed to the Amended Disclosure Statement as **Exhibit 15** is a schedule demonstrating the professional fees through June 30, 2012, incurred by the City and either advanced by the State or paid by the City since the appointment of the Receiver on July 16, 2010, and an estimation of future expenses. A portion of the amounts advanced by the State will be reimbursed by the City under the Plan's treatment of the Class 19 State of Rhode Island claim. The remainder of the State's claims will be paid outside of the terms of the City's Fourth Amended Plan in accordance with 2012 R.I. Pub. Laws No. 12-241 § 6 which recognizes "that the City of Central Falls does not currently have the financial ability to reimburse the State in full for said expenses and may need additional

time to reimburse the State for expenses reflected in future bills submitted by the State for such expenses, the City of Central Falls shall have up to June 30, 2021 to reimburse the State for all such expenses paid by the State and billed to the city.”

At the hearing on confirmation, the City shall offer expert evidence on the reasonableness of the fees.

**IX. DISPUTED CLAIMS; OBJECTIONS TO CLAIMS; PROSECUTION OF OBJECTIONS TO DISPUTED CLAIMS.**

**A. Claims Objection Deadline; Prosecution of Objections.**

The City shall have the right to object to the allowance of Claims filed with the Bankruptcy Court with respect to which liability or allowance is disputed in whole or in part. Unless otherwise ordered by the Bankruptcy Court, the City shall file and serve any such objections to Claims by the earlier of (i) the date such distribution would otherwise be due or (ii) not later than one hundred and eighty (180) days after the Effective Date (or, in the case of Claims lawfully filed after the Effective Date, by not later than one hundred and eighty (180) days after the date of filing of such Claims).

**B. Reserves, Payments, and Distributions with Respect to Disputed Claims.**

Prior to making a *pro rata* distribution to Holders of Class 16 General Unsecured Claims or Class 17 General Unsecured Convenience Claims, the City shall reserve from the amount of the distribution a reserve for such Class 16 General Unsecured Claims or Class 17 General Unsecured Convenience Claims to the extent that such Claims are Disputed Claims. The amount reserved for each such Claim shall be on the same *pro rata* basis as the distribution to Allowed Class 16 General Unsecured Claims and Allowed Class 17 General Unsecured Convenience Claims, as the case may be, based upon the lesser of (a) the amount asserted by the Holder of the Claim to be owing, and (b) such amount as the Bankruptcy Court may estimate for all distribution purposes upon motion of the City, which motion may be made initially or from time to time.

At such time as a Disputed Claim becomes an Allowed Claim, in whole or in part,

the City or its agent shall distribute to the Holder thereof the distributions, if any, to which such Holder is then entitled under this Amended Plan. Such distributions, if any, shall be made as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim becomes a Final Order (or such other date as the Claim becomes an Allowed Claim), but in no event more than sixty (60) days thereafter. Unless otherwise specifically provided in this Amended Plan or Allowed by order of the Bankruptcy Court, no interest shall be paid on Disputed Claims that later become Allowed Claims.

To the extent that a Disputed Claim is disallowed, the amounts held in escrow for that Disputed Claim shall be removed from escrow and re-allocated to the remaining Allowed Claims and Disputed Claims for pro rata distribution or escrowed for distribution on the next scheduled payment date.

**X. EFFECT OF CONFIRMATION.**

**A. Discharge of the City.**

Pursuant to § 944 of the Bankruptcy Code, upon the Effective Date, the City shall be discharged from all debts (as defined in the Bankruptcy Code) of the City and any claims against the City other than (a) any debt specifically and expressly excepted from discharge by this Amended Plan or the Confirmation Order, or (b) any debt owed to an entity that, before the Confirmation Date, had neither constructive notice, notice nor actual knowledge of the Chapter 9 Case.

The rights afforded in this Amended Plan and the treatment of all Holders of Claims, be they Claims Impaired or Unimpaired under this Amended Plan, shall be in exchange for and in complete satisfaction, discharge and release of all Claims of any nature whatsoever arising on or before the Effective Date, known or unknown, including any interest accrued or expenses incurred thereon from and after the Petition Date, whether against the City or any of its properties, assets or interests in property. Except as otherwise provided herein, upon the

Effective Date, all Claims against the City that arose prior to the Confirmation Date (“Pre-Effective Date Claims”) shall be deemed to be satisfied, discharged and released in full, be they Impaired or Unimpaired under this Amended Plan.

**B. Injunction.**

Except as otherwise expressly provided in this Amended Plan, all entities who have held, hold or may hold pre-Effective Date Claims shall be permanently enjoined from and after the Effective Date, from: (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such pre-Effective Date Claim against the City or its property; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree or order against the City or its property with respect to such pre-Effective Date Claims; (c) creating, perfecting, or enforcing any lien or encumbrance of any kind against the City or its property; and (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due to the City with respect to any such pre-Effective Date Claim, except as otherwise permitted by § 553 of the Bankruptcy Code.

**C. Term of Existing Injunctions or Stays.**

All injunctions or stays provided for in the Chapter 9 Case pursuant to §§ 105, 362, or 922 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

**XI. RETENTION OF AND CONSENT TO JURISDICTION.**

Following the Effective Date, the Bankruptcy Court shall retain and have exclusive jurisdiction over any matter arising under the Bankruptcy Code and relating to the City, arising in or related to the Chapter 9 Case or this Amended Plan, and otherwise, for the following:

1. To determine any request for specific performance against the City asserted under the terms of Articles VII above or under any other term of the Amended Plan

asserted by any creditor, including the State of Rhode Island, and any other stakeholder including any municipal union or retiree.

2. To resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the City is a party or with respect to which the City may be liable, and to hear, determine and, if necessary, liquidate, any Claims arising therefrom;

3. To enter such orders as may be necessary or appropriate to implement or consummate the provisions of this Amended Plan, and all other contracts, instruments, releases, and other agreements or documents related to this Amended Plan;

4. To determine any and all motions, adversary proceedings, applications and contested or litigated matters that may be pending on the Effective Date or that, pursuant to this Amended Plan, may be instituted by the City after the Effective Date or that are instituted by any Holder of a Claim before or after the Effective Date concerning any matter based upon, arising out of, or relating to the Chapter 9 Case, whether or not such action initially is filed in the Bankruptcy Court or any other court;

5. To ensure that distributions to Holders of Allowed Claims are accomplished as provided herein;

6. To hear and determine any objections to Claims or to proofs of claim filed, both before and after the Effective Date, including any objections to the classification of any Claim, and to allow, disallow, determine, liquidate, classify, estimate or establish the priority of or secured or unsecured status of any Claim, in whole or in part;

7. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed or vacated;

8. To issue such orders in aid of execution of this Amended Plan, to the extent authorized by § 1142(b) of the Bankruptcy Code;

9. To consider any modifications of this Amended Plan, to cure any defects or omissions, or reconcile any inconsistencies in any order of the Bankruptcy Court, including the Confirmation Order;

10. To hear and determine all applications for awards of compensation for

services rendered and reimbursement of expenses incurred prior to the Effective Date;

11. To hear and determine all disputes or controversies arising in connection with or relating to this Amended Plan or the Confirmation Order or the interpretation, implementation, or enforcement of this Amended Plan or the Confirmation Order or the extent of any entity's obligations incurred in connection with or released under this Amended Plan or the Confirmation Order;

12. To issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation or enforcement of this Amended Plan;

13. To determine any other matters that may arise in connection with or are related to this Amended Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document related to this Amended Plan or the Disclosure Statement;

14. To hear any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code; and

15. To enter a final decree closing the Chapter 9 Case.

## **XII. CONDITIONS PRECEDENT.**

The entry of the Confirmation Order in form and substance satisfactory to the City is a condition precedent to confirmation of this Amended Plan and the establishment of an Effective Date. The "effective date of the plan," as used in § 1129 of the Bankruptcy Code, shall not occur, and this Amended Plan shall be of no force and effect, until the said condition precedent is satisfied.

## **XIII. MISCELLANEOUS PROVISIONS.**

### **A. Severability.**

If, prior to the Confirmation Date, any term or provisions of this Amended Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, with the consent of the City, shall have the power to 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 this Amended 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 and shall provide that each term and provision of this Amended Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**B. Governing Law.**

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent that an Exhibit hereto or Amended Plan Document provides otherwise, the rights, duties and obligations arising under this Amended Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Rhode Island, without giving effect to principles of conflicts of laws.

**C. Effectuating Documents and Further Transactions.**

Each of the Receiver (or the appropriate Elected Official when the tenure of the Receiver is terminated) and employees of the City is authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and provisions of this Amended Plan.

**D. Notice of Effective Date.**

On or before ten (10) days after occurrence of the Effective Date, the City or its agent shall mail or cause to be mailed to all Holders of Claims a Notice that informs such Holders of: (a) entry of the Confirmation Order; (b) the occurrence of the Effective Date; (c) the assumption and rejection of the City's executory contracts and unexpired leases pursuant to this Amended Plan, as well as the deadline for the filing of Claims arising from such rejection; (d) the deadline established under this Amended Plan for the filing of Administrative Claims; (e) the procedures for changing an address of record pursuant to Article VII of the Amended Plan and such other matters as the City deems to be appropriate.

DATED: July 27, 2012

CITY OF CENTRAL FALLS

By: /s/ John F. McJennett III, as and only as  
Receiver of the City of Central Falls, and  
not individually

Submitted by:

CITY OF CENTRAL FALLS

/s/ Theodore Orson  
Theodore Orson, Esq. (No. 3871)  
Christine Curley, Esq. (No. 4529)  
Orson and Brusini Ltd.  
144 Wayland Avenue  
Providence, RI 02906  
(401) 861-0344  
[torson@orsonandbrusini.com](mailto:torson@orsonandbrusini.com)