

COPY

BONNEAU & GEISMAR, LLC

ATTORNEYS AT LAW

One Hundred Lisbon Street
Post Office Box 7230
Lewiston, Maine 04243-7230

John V. Bonneau
John W. Geismar
K. Alexander Visbaras
Shawn K. Bell
Susan E. Oram

Telephone
207-777-5200

Facsimile
207-777-0037

July 24, 1998

Via Fax: (617) 565-1141 & Certified Mail, Return Receipt Requested

Kathleen Woodward
Enforcement Counsel
U.S. Environmental Protection Agency
Office of Environmental Stewardship (SES)
JFK Federal Building
Boston, Massachusetts 02203-2211

Dear Ms. Woodward:

I write on behalf of Globaltex, LLC in response to the Notification of Potential Liability and Invitation to Perform or Finance Proposed Cleanup Activities dated July 15, 1998, a copy of which is enclosed. It is Globaltex's belief that you have contacted the wrong party with respect to your proposed cleanup activities. The following information may be of use.

Manufacturing has been carried on at the Bates Mill on Canal Street in Lewiston, Maine, in various forms, since 1850. From approximately 1850 through 1976, the operation was owned and operated by Bates Manufacturing. In 1976, Bates Fabrics began operation of the business. Bates Fabrics operated the business from approximately 1977 until approximately 1993. In 1993, ownership of the business changed again. The facility was then operated by Bates of Maine, Inc., from approximately 1993 to June 1, 1998.

Bates of Maine, Inc., experienced substantial financial difficulties and the business was placed in Chapter 11 Bankruptcy, which has since been converted to Chapter 7. The building that Bates of Maine, Inc, occupied at the time it filed for Bankruptcy protection was tax acquired by the City of Lewiston some time prior to Bates of Maine's bankruptcy. After the tax acquisition, Bates of Maine, Inc., became a tenant in the building.

After Bates of Maine, Inc., filed for bankruptcy protection, local businessmen who had not previously participated in the ownership or management of Bates of Maine, Inc., or any of the previous Bates Manufacturing companies entered into a Purchase and Sale Agreement to purchase the assets of Bates of Maine, Inc. They formed an entirely new entity known as



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Globaltex, LLC for this purpose on or about March 31, 1998. For your information, a copy of the Articles of Organization of this new entity are attached to this response.

Globaltex made an offer to purchase the assets of Bates of Maine through the Bankruptcy Court. The Bankruptcy Court granted Globaltex permission to purchase the assets of Bates of Maine, Inc. Globaltex acquired the assets of Bates of Maine, Inc., including the right to use the name "Bates of Maine," on or about June 2, 1998. However, Globaltex did not buy the stock of Bates of Maine, Inc. nor did Globaltex assume any of the Bates of Maine's liabilities in this sale. The Bankruptcy Court Order sanctioning this sale so provides. For your information, a copy of that Bankruptcy Court Order is attached hereto. Emile Clavet is not the President of Bates of Maine, he is a Member/Manager of Globaltex, LLC. Bates of Maine, Inc., the bankrupt company, changed its name to Canal Liquidating Corporation. See copy of Articles of Amendment enclosed. The principals of Canal Liquidating Corporation were formerly the principals of Bates of Maine, Inc.

Globaltex cannot determine from the Notification of Potential Liability what area or areas of the building the Agency is concerned about and cannot be sure that the area mentioned in your Notice is leased from the City of Lewiston to Globaltex. The address for Globaltex is 35 Canal Street in Lewiston. The Notification indicates that the hazardous materials are located at 65-117 Canal Street. Globaltex leases space from the City of Lewiston which has owned the real estate since it was tax acquired by the City. Any hazardous material located on the leased premises was not acquired by Globaltex as part of its asset purchase and is not used in the operation of Globaltex.

Because Globaltex only began operating the manufacturing facility on or about June 2, 1998, Globaltex has asked its employees who formerly worked for Bates of Maine, Inc., about any such hazardous materials. The exact nature of any such substance is not known to Globaltex. Globaltex does not use these substances in its operation nor has it transported or moved any substances, hazardous or otherwise, since it began operating.

Based upon our review of the Statute, and the facts as set forth above, the proper potentially responsible party is Canal Liquidating Corporation, formerly known as Bates of Maine, Inc. 42 U.S.C.S. Section 9607(b)(3) provides "there shall be no liability under Section 9607(a) for a person otherwise liable who can establish by a preponderance of the evidence that the release or threat of release of a hazardous substance and the damage resulting therefrom were caused solely by . . . an act or omission of a third party other than an employee or agent of the defendant, or than one whose act or omission occurs in connection with a contractual relationship. . .".

Globaltex neither created, transported, dumped, or stored any hazardous materials at the premises which it leases from the City of Lewiston. Nor does Globaltex have any contractual

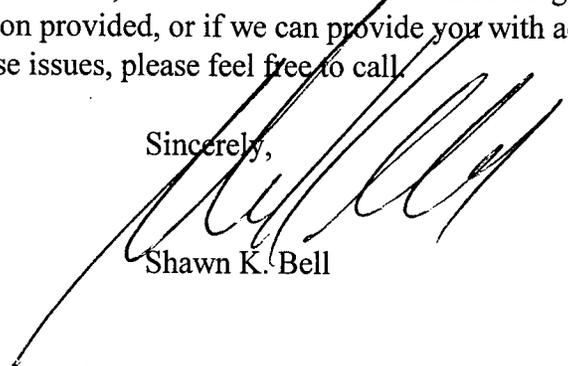
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Page 3

relationship with any individual causing the storage, transportation, or dumping of any hazardous material at the premises which it leases from the City of Lewiston. Globaltex is a new entity with no relationship to Bates of Maine, Inc., or any of its predecessors.

Since Globaltex does not own the real estate, did not dispose of any hazardous substances, or accept for disposal any hazardous substances, Globaltex is not a potentially responsible party under CERCLA.

In this response, Globaltex has provided documentation evidencing both its recent acquisition of the assets of Bates of Maine, Inc. and its recent creation as a legal entity. If you have question about the information provided, or if we can provide you with additional documentation with regard to these issues, please feel free to call.

Sincerely,



Shawn K. Bell

SKB:alj: WOODWARD.LET

cc: Kevin B. Dean (w/out enclosure)
Alfred J. Lebel (w/out enclosure)
Mayor Kaileigh A. Tara, City of Lewiston (w/out enclosure)
John C. Bott, Grants Coordinator (w/out enclosure)
Hank Aho (w/out enclosure)
Amy Jean Lussier, OSC (w/out enclosure)
Tina Hennessy, EC (w/ enclosure) (Via Fax & Certified Mail)
Holly Inglis, ARC (w/out enclosure)
Cheryl O'Halloran, CERCLIS Coordinator (w/out enclosure)

Enclosure

DOMESTIC
LIMITED LIABILITY COMPANY



ARTICLES OF ORGANIZATION OF
LIMITED LIABILITY COMPANY

This is a professional limited liability company formed pursuant to 31 MRSA § 1101, Maine's MRSA Chapter 22.

Filing Fee \$250.00

COPY

File No. 19980491DC Pages 3
Fee Paid \$ 250.00
DCN 1980931600014 LTLC
FILED
03/31/1998

Nancy B. Kelleher

Deputy Secretary of State

A True Copy When Attested By Signature

Nancy B. Kelleher

Deputy Secretary of State

Pursuant to 31-MRSA-§622, the undersigned adopt(s) the following articles of organization:

FIRST: The name of the limited liability company is

Globaltex, LLC

(The name must contain one of the following: "Limited Liability Company", "L.L.C." or "LLC"; §603.1.A.)

SECOND: The name of its Registered Agent, an individual Maine resident or a corporation, foreign or domestic, authorized to do business or carry on activities in Maine, and the address of the registered office shall be

Shawn K. Bell, Esq.

(name)

100 Lisbon Street, Lewiston, Maine 04240

(physical location - street (not P.O. Box), city, state and zip code)

100 Lisbon Street, P.O. Box 7230, Lewiston, Maine 04243-7230

(mailing address if different from above)

THIRD: ("X" one box only)

A. The management of the company is vested in a member or members.

B. 1. The management of the company is vested in a manager or managers. The minimum number shall be 2 managers and the maximum number shall be 2 managers.

2. If the initial managers have been selected, the name and business, residence or mailing address of each manager is:

NAME

ADDRESS

Kevin B. Dean

65A Broad. Street, Auburn, Maine 04210

Emile L. Clavet

65A Broad Street, Auburn, Maine 04210

Names and addresses of additional managers are attached hereto as Exhibit , and made a part hereof.

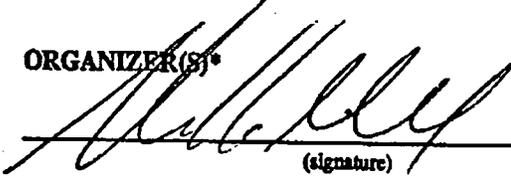
SSS

FOURTH: ("X" one box only) These articles may be amended upon approval of the following: (§623.4.)

- A. A majority of the members (if no box is checked, the statute requires that).
- B. A majority in interest of the members.
- C. Other.

FIFTH: Other provisions of these articles, if any, that the members determine to include are set forth in Exhibit _____ attached hereto and made a part hereof.

ORGANIZER(S)*


(signature)

(signature)

(signature)

DATED 2/20/12

Shawn K. Bell, Registered Agent
(type or print name)

(type or print name)

(type or print name)

For Organizer(s) which are Entities

Name of Entity _____

By _____
(authorized signature) (type or print name and capacity)

Name of Entity _____

By _____
(authorized signature) (type or print name and capacity)

Name of Entity _____

By _____
(authorized signature) (type or print name and capacity)

THE FOLLOWING SHALL BE COMPLETED BY THE REGISTERED AGENT UNLESS THIS DOCUMENT IS ACCOMPANIED BY FORM MLLC-18 (§607.2.).

The undersigned hereby accepts the appointment as registered agent for the above named limited liability company.

REGISTERED AGENT

DATED 3/20/82

Shawn K. Bell

(signature)

(type or print name)

For Registered Agent which is a Corporation

Name of Corporation _____

By _____

(authorized signature)

(type or print name and capacity)

*Articles must be signed by all organizers (§627.1.A.). The execution of the articles constitutes an oath or affirmation, under the penalties of false swearing under Title 17-A, section 453, that, to the best of the signers' knowledge and belief, the facts stated in articles are true (§627.3.).

SUBMIT COMPLETED FORMS TO: CORPORATE EXAMINING SECTION, SECRETARY OF STATE,
101 STATE HOUSE STATION, AUGUSTA, ME 04333-0101

COPY

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

U.S. BANKRUPTCY COURT
DISTRICT OF MAINE
RECEIVED AND FILED

98 MAY 22 PM 4: 15

In Re

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)
)
)

Chapter 11
Case No. 97-21621

BY _____
DEPUTY CLERK
PORTLAND, ME

BATES OF MAINE,

Debtor

ORDER PURSUANT TO SECTION 363 OF THE BANKRUPTCY CODE
AUTHORIZING AND APPROVING ASSET PURCHASE AGREEMENT,
AND AUTHORIZING THE SALE OF SUBSTANTIALLY ALL OF THE
DEBTOR'S ASSETS FREE AND CLEAR OF LIENS, CLAIMS,
INTERESTS AND ENCUMBRANCES

Upon consideration of the Debtor's Motion for an Order Pursuant to Section 363 of the Bankruptcy Code Authorizing and Approving Asset Purchase Agreement with Globaltex, LLC and Authorizing the Sale of Substantially all of the Debtor's Assets Free and Clear of All Liens, Claims and Encumbrances dated May 8, 1998 (the "Sale Motion"); the Notice of Intended Sale and a proposed form of this Order and service having been duly made by regular mail upon all known creditors of the Debtor, including the United States Trustee, counsel to and members of the Official Committee of Unsecured Creditors (the "Committee"), and all parties who have filed appearances and requested notice in the Debtor's case and upon all other known persons having expressed any interest in buying the assets of the Debtor; and this Court having conducted a hearing on the Sale Motion on May 20, 1998 at 11:00a.m. based on the Debtor's motion for expedited hearing (the "Hearing"); there being present counsel for and/or representatives of the Finance Authority of Maine ("FAME"), Androscoggin Valley Council of Governments ("AVCOG"), Lewiston - Auburn Economic Growth Council ("LAEGC"), Androscoggin Savings Bank ("ASB"), Official Committee of Unsecured Creditors ("the Committee") Chittenden Bank ("Chittenden"), the

City of Lewiston, Maine (the "City"), the Lewiston Mill Redevelopment Corporation ("LMRC"), Alfred J. Lebel, and the Pension Benefit Guaranty Corporation ("PBGC"); and this Court having found service of the Sale Motion and the notice of hearing thereon to be sufficient under the circumstances for the purposes of Fed. R. Bankr. P. 2002(a)(2) and 6004 (a) and (c) and that no other or further notice having been necessary; and the Court having considered all objections thereto; and all objections having been withdrawn; and there being no other offers to the Sale Motion; and all objecting parties having consented to the sale on the terms set forth in this Order and waived appeal on the record in open Court; and this Court having considered the relief sought in the Sale Motion and having found good cause to grant the relief requested, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The Sale Motion be, and hereby is, approved on the terms and conditions set forth in this Order;
2. The Asset Purchase Agreement, a copy of which is annexed to the Sale Motion as Exhibit A, is approved in all respects except as modified by this Order, and the Debtor is authorized and directed to enter into, perform the obligations under and close pursuant to the Asset Purchase Agreement as amended hereby, at the time set forth therein for the closing (the "Closing");
3. The amount to be paid under Section 3(ii) of the Asset Purchase Agreement is set at One hundred sixty thousand dollars (\$160,000) by consent to be paid \$80,000 at Closing and by Purchaser's promissory note for \$80,000 to be paid as follows: 180 days after Closing, the sum of \$40,000 shall be paid; and the final \$40,000 shall be paid 365 days after Closing.

4. The payment of the Purchase Price set forth in the Asset Purchase Agreement is modified by this Order and the Purchase Price, meaning and intending to include all consideration to be paid by the Purchaser including the deferred payments to be made by the Purchaser's promissory note in the amount of \$80,000 (the "deferred payments") shall be paid only as set forth herein;
5. Except for contracts, equipment leases and other obligations agreed to be assumed by the Purchaser as provided in the Asset Purchase Agreement, including *inter alia*, the Faribo deposit, the Debtor's union and labor agreement and all related wage and benefit obligations, the unpaid balance due Coastal Enterprises, the deferred post petition rent due the City in the amount of \$38,330.00 (to be paid at \$1,500 per month) and warranty claims for defective goods sold after the Closing, the Assets (as such term is defined in the Asset Purchase Agreement) shall be sold free and clear of all liens, taxes, pledges, claims, security interests, encumbrances and interests of any kind with all such liens, taxes, pledges, claims, security interests, encumbrances and interests attaching to the proceeds of sale to the same extent and in the same order of priority as each such interest now attaches to or affects the Assets;
6. There are sound business reasons for the Debtor, pursuant to Section 363(b) of the Bankruptcy Code, to effectuate the transactions described in the Sale Motion, and the sale of the Assets, on the terms described in the Sale Motion, is authorized under the provisions under Section 363(b) and (f) of the Bankruptcy Code;

7. The Purchaser of the Assets, Globaltex, LLC, has acted in "good faith" as defined by section 363(m) of the Bankruptcy Code in connection with the transactions authorized by this Order and is accordingly granted the protections therein so provided;
8. There being no other offers, the determination of break up fee and overbid protection is moot and not decided;
9. The Debtor and the Purchaser are authorized and directed to take the necessary actions to consummate the transactions contemplated by the Asset Purchase Agreement as amended hereby, and execute all documents and instruments of assignment, assumption, transfer and sale that are necessary and appropriate to implement the Asset Purchase Agreement and this Order including employment and other agreements with Alfred Lebel;
10. Pursuant to Section 1146 of the Bankruptcy Code, no state or local taxing authority shall impose a transfer, sales, use or similar tax as a result of or arising from the transfer of property or the assets by the Debtor to the Buyer;
11. This Court shall retain jurisdiction to determine, on an expedited basis, any claims, disputes or causes of action arising out of or relating to the Asset Purchase Agreement or any of the transactions contemplated under the Asset Purchase Agreement but nothing herein shall effect the validity of the sale of the Assets to the Purchaser or its receipt of the Assets unencumbered;
12. Notice of the Sale Motion and the Hearing scheduled thereon constitutes sufficient notice of the sale proposed in the Sale Motion and the hearing thereon to all parties entitled to such notice;

13. The Debtor shall pay the claims of Chittenden Bank and ASB and the FAME line of credit in full at closing except for legal fees due ASB which shall be paid pro rata with other costs of administration to the extent allowed from the deferred payments to be received by the estate post closing;
14. The claims AVCOG and LAEGC shall be paid a total of \$50,000 in the aggregate at Closing;
15. Any and all remaining claims of any kind held by AVCOG and LAEGC will be preserved as to amount and for collection against other guarantors and obligors subject to all claims and defenses, but shall be nonrecourse as to the estate by agreement and shall not share in any further estate assets; Mr. Lebel having waived any defenses under his guaranty relating to the conversion of such claims against the estate to non-recourse but having reserved any other guaranty defenses he may have;
16. All remaining creditors holding liens or interests in the Assets are determined to be unsecured in fact;
17. No dividend shall be paid to unsecured creditors from the Purchase Price until all other claims entitled to priority under the Bankruptcy Code, including administrative claims as may be allowed are paid in full;
18. Preference claims and other avoidance actions shall be assigned to the Committee or, in the event this case is converted to a Chapter 7 case, to any subsequent Chapter 7 trustee;
19. Except for the items provided below in this Order for the City and counsel for the Debtor and counsel and financial consultant for the Committee, all other administrative expenses shall be paid pro rata only to the extent such claims are

allowed from the deferred payments of sale and other revenues this estate may obtain;

20. The City's prepetition and post petition personal property taxes shall be paid at Closing; the prepetition taxes shall be paid from the estate and the post petition taxes shall be prorated between the Debtor and the Purchaser based upon the fiscal year of the City with all interest as a result of late payment to be paid by the estate;
21. The Debtor may terminate its lease with the LMRC effective at Closing without need of further motion to reject said lease and with all rejection claims being waived with the consent of LMRC;
22. The Buyer may enter into a new lease with LMRC as of the Closing;
23. The previously disputed rent due for October , 1997 is agreed to be an unsecured claim by consent of the Debtor and LMRC;
24. The secured claim of the City is agreed to be treated as unsecured by consent;
25. The total unsecured claims of LMRC and the City are allowed by agreement at \$350,000;
26. The Debtor's Motion For Determination of the Value of Personal Property And of the Amount of Personal Property Taxes Due and Owing to the City of Lewiston for Tax Years 1997 and 1998 and the Amount of Taxes Overpaid For Prior Tax Years is withdrawn by agreement effective upon entry of this Order;
27. No guaranty obligations of Alfred Lebel are released by this Order or the sale except that the collateral assignment of life insurance held by AVCOG as security for the guaranty of Alfred Lebel shall be released, and shall not be sought by AVCOG in any action against Lebel on his guaranty, and that said liabilities are reduced to the extent of payment;

28. The unsecured claims of Alfred Lebel and Teresa Lebel are not to be paid any amount, by agreement;
29. All post closing deferred payments called for by the Agreement shall be paid to the estate and distributed in accordance with the priorities of the Bankruptcy Code;
30. Counsel for the Debtor shall be paid \$20,000 at the Closing on account of work done and to be done through Closing; said fees to be paid one third by each of AVCOG and LAEGC, FAME and ASB from their claim proceeds paid at Closing to the extent net cash proceeds from the sale and cash on hand in the estate are not available at Closing;
31. Counsel for the Debtor hereby assigns so much of his fees to be paid from all post closing deferred payments to AVCOG, LAEGC, FAME and ASB to the extent they shall actually pay all or any part of said \$20,000 from their claim proceeds; such amount to be paid from the first amounts received by counsel for the Debtor after the Closing;
32. Counsel for the Committee and Joseph O'Donnell, the financial consultant to the Committee, shall be paid a total of \$10,000 in the aggregate at the Closing on account of work done and to be done through Closing; said fees to be paid one third by each of AVCOG and LAEGC, FAME and ASB from their claim proceeds paid at Closing to the extent net cash proceeds from the sale and cash on hand in the estate are not available at Closing;
33. Counsel for the Committee and Joseph O'Donnell, the financial consultant to the Committee, hereby assign so much of their fees to be paid from post closing deferred payments made to the estate to AVCOG, LAEGC, FAME and ASB to the extent they shall actually pay all or any part of said \$10,000 from their claim

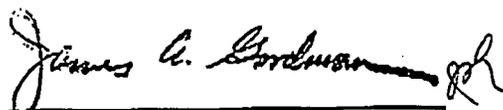
proceeds; such amount to be paid from the first amounts received by them after the Closing ;

34. Subject to final allowance of said fees, the Court approves the said fee claim assignments;

35. The Purchaser's promissory note for \$80,000 shall be delivered to counsel for the Committee; and

36. Any yarn purchased by the Purchaser prior to the Closing from cash made available by the Purchaser shall be allocated solely to the Purchaser and not effect the Purchase Price.

Entered this 22nd day of May, 1998



James A. Goodman
United States Bankruptcy Judge

COPY

DOMESTIC
BUSINESS CORPORATION

STATE OF MAINE

ARTICLES OF AMENDMENT

(Shareholders Voting as One Class)

BATES OF MAINE

(Name of Corporation)

File No. 19940545 D Pages 3
Fee Paid \$ 35
DCN 1981681800041 LNME
-----FILED-----
04-JUN-98

Nancy B. Kelleher
Deputy Secretary of State

A True Copy When Attested By Signature

Nancy B. Kelleher
Deputy Secretary of State

Pursuant to 13-A MRSA §§805 and 807, the undersigned corporation adopts these Articles of Amendment:

FIRST: All outstanding shares were entitled to vote on the following amendment as one class.

SECOND: The amendment set out in Exhibit A attached was adopted by the shareholders on (date) May 29, 1998
("X" one box only)

at a meeting legally called and held OR by unanimous written consent

THIRD: Shares outstanding and entitled to vote and shares voted for and against said amendment were:

<u>Number of Shares Outstanding and Entitled to Vote</u>	<u>NUMBER Voted For</u>	<u>NUMBER Voted Against</u>
200	200	0

FOURTH: If such amendment provides for exchange, reclassification or cancellation of issued shares, the manner in which this shall be effected is contained in Exhibit B attached if it is not set forth in the amendment itself.
N/A

FIFTH: If the amendment changes the number or par values of authorized shares, the number of shares the corporation has authority to issue thereafter, is as follows: N/A

<u>Class</u>	<u>Series (If Any)</u>	<u>Number of Shares</u>	<u>Par Value (If Any)</u>
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The aggregate par value of all such shares (of all classes and series) having par value is \$ _____

The total number of all such shares (of all classes and series) without par value is _____ shares

EXHIBIT A

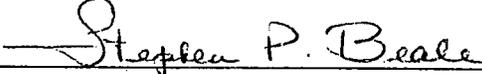
**BATES OF MAINE
CLERK'S CERTIFICATE**

June 1, 1998

I, Stephen P. Beale, hereby certify that I am the clerk of Bates of Maine, a Maine corporation. I hereby certify that by written consent of the sole holder of shares of the only class of stock entitled to vote (common stock), dated May 29, 1998, the following resolution was adopted:

RESOLVED: To change the name of the corporation to Canal Liquidating Corporation.

I further certify that the foregoing resolution has not been rescinded, and remains in full force and effect.



Stephen P. Beale, Clerk
Bates of Maine