

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
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NATURE OF CONVEYANCE:	RELEASE BY SECURED PARTY
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CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Bank of America, N.A.		09/19/2007	Bank:

RECEIVING PARTY DATA

Name:	Quaker Fabric Corporation of Fall River
Street Address:	941 Grinnell Street
City:	Fall River
State/Country:	MASSACHUSETTS
Postal Code:	02721
Entity Type:	CORPORATION: MASSACHUSETTS

PROPERTY NUMBERS Total: 8

Property Type	Number	Word Mark
Registration Number:	2676289	DAVOL
Registration Number:	2312967	QUAKER FABRIC
Registration Number:	2400428	QUAKER PLUSH
Registration Number:	2893921	QUAKER ULTRA
Serial Number:	78318487	REPLAY
Serial Number:	78745893	TERRAZZO
Registration Number:	2081771	W
Registration Number:	2775289	WHITAKER

CORRESPONDENCE DATA

Fax Number: (312)706-9000
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
 Phone: 312-701-7608
 Email: sjones2@mayerbrown.com
 Correspondent Name: Sokya Jones
 Address Line 1: 71 South Wacker Drive

OP \$215.00 2676289

Address Line 4: Chicago, ILLINOIS 60606

ATTORNEY DOCKET NUMBER: 07097558

NAME OF SUBMITTER: Richard M. Assmus

Signature: /Richard M. Assmus/

Date: 12/14/2007

Total Attachments: 25

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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

QUAKER FABRIC CORPORATION., et al.,¹

Debtors.

Chapter 11

Case No. 07-11146 (KG)

Jointly Administered

CERTIFIED:
AS A TRUE COPY;
ATTEST:

DAVID D. BIRD, CLERK
U.S. BANKRUPTCY COURT
By: *David M. Clemente* 9/20/07
Deputy Clerk

**ORDER AUTHORIZING SALE OF SUBSTANTIALLY ALL OF
THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS,
INTERESTS AND ENCUMBRANCES**

Upon the motion (the "Motion")² of Quaker Fabric Corporation and Quaker Fabric Corporation of Fall River, debtors and debtors in possession (collectively, the "Debtors") for orders: (1) approving the sale of substantially all of the Debtors' tangible assets and intellectual property free and clear of all liens, claims, interests and encumbrances; (2) approving the assumption and assignment and sale of certain contracts and leases; (3) authorizing and approving the Asset Purchase Agreement by and between Gordon Brothers Group, LLC, as Buyer, and Quaker Fabric Corporation of Fall River, as Seller, dated August 27, 2007 (the "Asset Purchase Agreement"); and (4) granting related relief; and the Court having entered those certain Orders dated August 20, 2007 and

¹ The Debtors, the last four digits of their taxpayer identification numbers and their respective addresses are: Quaker Fabric Corporation (XX-XXX3106), 941 Grinnell Street, Fall River, MA 02721, and Quaker Fabric Corporation of Fall River (XX-XXX2940), 941 Grinnell Street, Fall River, MA 02721.

² All capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Asset Purchase Agreement, a copy of which is attached to the Notice of Filing Asset Purchase Agreement (docket no. 77), or the Motion, as the case may be. Non-capitalized terms that are defined in the Bankruptcy Code shall have the meanings set forth therein unless otherwise expressly stated herein.

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August 29, 2007 approving, *inter alia*, the Bidding Procedures, the Expense Reimbursement and form and manner of notice of the sale and sale hearing (the "Sale Procedures Order"); and an auction having been conducted on September 17, 2007 (the "Auction") in accordance with the Sale Procedures Order; and a hearing on the Motion having been held on September 19, 2007 (the "Sale Hearing"), at which time all interested parties were offered the opportunity to be heard with respect to the Motion;

NOW, THEREFORE, based upon the Motion, the objections, if any, raised at the Sale Hearing, the representations and argument of counsel, the entire record of the Sale Hearing and the Debtors' chapter 11 cases, and after due deliberation thereon, and good cause appearing therefor,

IT IS HEREBY FOUND, CONCLUDED AND DETERMINED THAT:³

a. The Court has jurisdiction over the Motion and the transactions contemplated therein and in the Asset Purchase Agreement pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). Venue in this district is proper under 28 U.S.C. §§ 1408 and 1409.

b. The statutory predicates for the relief sought in the Motion are §§ 105(a), 363, 365, 503 and 507 of the Bankruptcy Code and Fed. R. Bank. P. 2002, 6004, 6006 and 9014.

c. Proper, timely, adequate and sufficient notice of the Motion, sale procedures as set forth in the Sale Procedures Order and the Sale Hearing has been provided in accordance with Federal Rules of Bankruptcy Procedure 2002, 6004, 6006

³ Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact where appropriate. See Fed.R.Bankr.P. 7052.

and 9014, the Local Rules and the Sale Procedures Order, and such notice was properly served on all required entities, including upon (i) all creditors of the Debtors and other parties in interest in these chapter 11 cases known to the Debtors or their professionals, (ii) all entities known by the Debtors or their professionals to have expressed a bona fide interest in acquiring all or portions of the Acquired Assets; (iii) all entities known by the Debtors to have asserted any lien, claim, interest or encumbrance in or upon the Acquired Assets; (iv) all taxing authorities or recording offices which have a reasonably known interest in the relief requested by the Sale Motion, including, without limitation, the Internal Revenue Service, the Massachusetts Department of Revenue and the City of Fall River (v) the Environmental Protection Agency, (vi) the United States Securities Exchange Commission, (vii) the state environmental agencies in the jurisdictions where the Owned Real Estate and Leased Real Estate are located; (viii) the Office of the United States Trustee; (ix) the office of the United States Attorney; (x) the Massachusetts Attorney General; (xi) counsel to any official committees formed in these cases; (xii) all insurers of the Debtors or the Acquired Assets; (xiii) all non-debtor parties to contracts or leases (executory or otherwise); (xiv) counsel who have appeared in this case for the Debtors' secured lenders; and (xv) all parties who have filed notices of appearance in these chapter 11 cases on or before August 29, 2007. Such notice was good and sufficient and appropriate under the circumstances, and no other or further notice of the Motion, Auction or the Sale Hearing is or shall be required.

d. As demonstrated by (i) the testimony and other evidence proffered or adduced at the Sale Hearing and prior hearings in the Debtors' chapter 11 cases and (ii) the representations of counsel made on the record at the Sale Hearing and prior hearings

in the Debtors' chapter 11 cases, the Debtors and their professionals have adequately marketed the Acquired Assets and conducted the sale process and the Auction in compliance with the Sale Procedures Order and in a non-collusive, fair and good faith manner.

e. The offer of Gordon Brothers Group, LLC (the "Buyer"), as set forth in the Asset Purchase Agreement, represents the highest and best offer received by the Debtors for the Acquired Assets, and the sale of the Acquired Assets is in the best interests of the Debtors, their creditors, parties in interest and the Debtors' estates. The Buyer has, pursuant to the Asset Purchase Agreement, designated Victor Innovatex Inc. or a newly created U.S. affiliate thereof ("Victor" or "Nominee"), as Nominee, with respect to the Inventory, Intellectual Property, certain of the FF&E ^{as agreed to by Buyer and Nominee} ~~as set forth on Annex~~ ~~hereto~~, and the Lease for the premises located at 81 Commerce Drive, Fall River, Massachusetts.

f. Approval of the Asset Purchase Agreement and the sale of the Acquired Assets, including, without limitation, the Designation Rights, at this time are in the best interests of the Debtors, their estates, creditors and other parties in interest.

g. The Debtors have demonstrated both (i) good, sufficient, and sound business purpose and justification for the sale of the Acquired Assets, and (ii) compelling circumstances for the sale of the Acquired Assets pursuant to §363(b) of the Bankruptcy Code prior to, but in furtherance of, a chapter 11 plan in that, among other things, a sale of the Acquired Assets at this time presents the best opportunity to maximize its value in furtherance of a chapter 11 plan and to prevent administrative insolvency by minimizing

the burden and cost to the estate of holding and maintaining the Acquired Assets pending confirmation of a chapter 11 plan.

h. The Debtors (i) hold good and marketable title to the Acquired Assets, the Leases and the Owned Real Estate, (ii) have the full corporate power and authority necessary to execute the Asset Purchase Agreement and all other documents contemplated thereby, and (iii) have the full corporate power and authority necessary to consummate the transactions contemplated by the Asset Purchase Agreement, and no consents or approvals, other than those expressly provided for in the Asset Purchase Agreement, are required for Debtors to consummate such transactions.

i. The Asset Purchase Agreement was negotiated, proposed and entered into by the Debtors and the Buyer without collusion, in good faith, and from arm's-length bargaining positions. Neither the Debtors, the Nominee nor the Buyer has engaged in any conduct that would cause or permit the Asset Purchase Agreement to be avoided under section 363(n) of the Bankruptcy Code. Neither the Buyer nor the Nominee is an insider of the Debtors, as that term is defined in section 101 of the Bankruptcy Code.

j. The Buyer and the Buyer's Nominee (and Buyer's future designees for the Owned Real Estate subject to the procedures set forth in Paragraph 28 below) are good faith purchasers under section 363(m) of the Bankruptcy Code and, as such, each is entitled to all of the protections afforded thereby.

k. The Purchase Price to be paid by the Buyer for the Acquired Assets under the Asset Purchase Agreement is fair and reasonable and constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of

the United States and applicable non-bankruptcy law. The Asset Purchase Agreement was not entered into for the purpose of hindering, delaying or defrauding creditors.

1. The Buyer does not constitute a successor to the Debtors or their estates for any purpose, nor shall the Buyer or the Buyer's Nominee or the Buyer's future designees have any successor, successor-in-interest, transferee or vicarious liabilities of any kind or character, including but not limited to, any theory of antitrust, environmental, successor or transfer liability, labor or employment law, *de facto* merger or substantial continuity or, to the extent provided by applicable law, liabilities for pre-Closing environmental conditions such as the presence of Hazardous Substances or Contaminated Assets, whether known or unknown as of the Closing, now existing, whether fixed or contingent, with respect to the Debtors, the Acquired Assets or any obligations of the Debtors arising or accruing prior the Closing Date (the foregoing liabilities and/or obligations being referred to collectively hereinafter as, the "Successor Liabilities"). As used herein, the term "Hazardous Substances" shall mean, collectively, any chemical, solid, liquid, solid, gas, or other substance having the characteristics identified in, listed under, or designated, pursuant to (i) the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended 42 U.S.C.A. 9601(14), as a "Hazardous Substance" (ii) the Resource, Conservation and Recovery Act, 42 U.S.C.A 6903(5) and 6921, as a "Hazardous Waste" or (iii) any other laws, statutes, or regulations of a government or political subdivision or agency thereof, as presenting an imminent and substantial danger to the public health or welfare or to the environment, as otherwise requiring special handling, collection, storage, treatment, disposal, or transportation. As used herein, the term "Contaminated Assets" shall mean those assets containing Hazardous Substances.

m. The sale of the Acquired Assets to the Buyer or its Nominee or its future designees does not amount to a consolidation, merger or *de facto* merger of the Buyer, its Nominee or designees, on the one hand, and the Debtors, on the other.

n. With respect to any and all entities and persons asserting any options, pledges, interests, mortgages, security interests, liens, claims, equities, reservations, rights of first refusal or any other third party rights of any kind or nature, voting trusts or similar agreements (other than easements, restrictive covenants, leases and licenses encumbering real property owned by the Debtors but only to the extent notices of the foregoing were duly recorded prior to the Petition Date), charges or other encumbrances or restrictions on or conditions to transfer or assignment of any kind (including, without limitation, restrictions or conditions on or to the transfer, assignment or renewal of licenses, permits registrations and authorizations or approvals of, issued by or with respect to governmental units and instrumentalities), whether direct or indirect, absolute or contingent, matured or unmatured, liquidated or unliquidated on, in or against the Acquired Assets or the Debtors (all of the foregoing being hereinafter referred to collectively as the "Interests"), either (i) such person or entity has consented to the Asset Sale, and any contemporaneous or subsequent transfer, license and/or assignment of the Acquired Assets, Leases and/or Owned Real Estate to the Buyer or its Nominee or its future designee(s), as applicable, free and clear of such person's or entity's Interest, with such Interest to attach to the net proceeds of the Asset Sale of the Acquired Assets in the order of their priority, with the same validity, force and effect as existed with respect to the Acquired Assets, subject to the validity, priority and perfection of any such Interests and any claims and defenses the Debtors or their estates may possess with respect thereto

and further subject to Paragraph 38 below, (ii) applicable nonbankruptcy law permits the Asset Sale of the Acquired Assets and any contemporaneous or subsequent sale, transfer or assignment of the Acquired Assets, Leases and/or Owned Real Estate to the Buyer or its Nominee or designee(s), free and clear of such Interest, (iii) such Interest is in bona fide dispute, (iv) such person or entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such Interest, (v) the Bankruptcy Code permits such a sale, (vi) the aggregate value to be received in consideration of the Asset Sale of the Acquired Assets exceeds the value of any Interests in the Acquired Assets, or (vii) this Court, pursuant to its equitable powers and jurisdiction, has the power and authority to authorize and effectuate the Asset Sale of the Acquired Assets to the Buyer or its Nominee or designee(s) free and clear of all Interests.

o. The conditions of Section 363(f) of the Bankruptcy Code have been satisfied in full, and, therefore, the Asset Sale of the Acquired Assets to Buyer or its Nominee shall be, and any contemporaneous or subsequent transfer, conveyance or assignment of the Acquired Assets, Leases and/or Owned Real Estate to the Buyer or its Nominee or designee(s) pursuant to the Buyer's exercise of the Designation Rights shall be, free and clear of any Interests.

p. The Buyer would not have entered into the Asset Purchase Agreement and would not consummate the transactions contemplated thereby if the sale of the Acquired Assets to the Buyer or its Nominee or designee(s) and, to the extent permitted by the Asset Purchase Agreement, any contemporaneous or subsequent transfer, conveyance or assignment of the Acquired Assets, Leases and/or Owned Real Estate to the Buyer or its Nominee or designee(s) pursuant to the Buyer's exercise of the Designation Rights were

not (except as provided for in the Asset Purchase Agreement) free and clear of all Interests of any kind or nature whatsoever. Further, the Buyer would not have entered into the Asset Purchase Agreement if the Buyer or its Nominee would, or in the future could, (except and only to the extent expressly provided in the Asset Purchase Agreement) be liable for any of such Interests or other future liabilities arising out of past conduct of the Debtors or the Debtors' past ownership of the Acquired Assets, including but not limited to any Successor Liabilities.

q. Commerce Drive FR, LLC ("Commerce Drive") is the Landlord under a real estate lease dated as of the 16th of December, 2004 originally by and between Charles McAnsin Associates, as landlord and debtor Quaker Fabric Corporation of Fall River, as Tenant (the "Q Lease") under which the Tenant leases the premises known as Plant Q located at 81 Commerce Drive, Fall River, Massachusetts (the "Q Premises"). The Buyer has designated Victor as the Buyer's Nominee to assume the Q Lease. Commerce Drive has filed an objection (the "Commerce Drive Objection") to the Motion and to the Cure Notice with respect to the Q Lease.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is GRANTED in its entirety, as further described herein.
2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived or settled, and all reservations of rights included therein, are hereby overruled on the merits, except for the Commerce Drive Objection, which is resolved as set forth in paragraph 36 hereof and the objection of Kravetz, Inc., which is resolved as set forth in paragraph 37 hereof.

3. The findings of fact and conclusions of law set forth above shall constitute this Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any finding of fact later shall be determined to be a conclusion of law, it shall be so deemed; and to the extent any conclusion of law shall later be determined to be a finding of fact, it shall be so deemed.

4. The Asset Purchase Agreement and the transactions and subsequent transfers, conveyances and/or assignments (subject to a landlord's right (other than Commerce Drive with respect to an assignment of the Q Lease to Nominee) to object to a subsequent assignment to Buyer's designee(s) of its Lease with the Debtor(s) on adequate assurance grounds) contemplated thereby are hereby authorized and approved.

5. Pursuant to §363(b) of the Bankruptcy Code, the Debtors are authorized and directed, without further order of this Court, to perform their obligations under and comply with the terms of the Asset Purchase Agreement and consummate the sale of the Acquired Assets to the Buyer and the Buyer's Nominee or Buyer's future designee(s) pursuant to and in accordance with the terms and conditions of the Asset Purchase Agreement and this Order.

6. Subject to the terms of the Asset Purchase Agreement, the Debtors are authorized and directed, without further Order of this Court, to execute and deliver, and empowered and directed to perform under, consummate and implement, the Asset Purchase Agreement, together with all additional deeds, instruments, novations, leases, licenses, subleases and documents that may be reasonably necessary or desirable to consummate the Asset Purchase Agreement and to take all further actions as may be

reasonably requested by the Buyer for the purpose of assigning, transferring, granting, conveying and conferring the Acquired Assets to the Buyer and the Buyer's Nominee or the Buyer's future designee(s), or as may be necessary or appropriate to the performance of the obligations as contemplated by the Asset Purchase Agreement.

7. Except as expressly permitted or otherwise specifically provided for in the Asset Purchase Agreement or this Order, the Acquired Assets shall be transferred to the Buyer and/or the Buyer's Nominee or designee(s), and, upon consummation of the Asset Purchase Agreement (the "Closing"), the Acquired Assets, and any contemporaneous or subsequent transfer, conveyance or assignment of any Acquired Assets, Leases and/or Owned Real Estate to Buyer or its Nominee or its designee(s) pursuant to the Buyer's exercise of the Designation Rights, shall be, free and clear of any and all Interests (other than those expressly assumed in the Asset Purchase Agreement) with all such Interests to attach to the net proceeds of the sale of the Acquired Assets (other than reserves established to pay Cure Amounts) in the order of their priority, with the same validity, force and effect as existed with respect to the Acquired Assets, subject to the validity, priority and perfection of any such Interests and any claims and defenses the Debtors or their estates may possess with respect thereto and further subject to Paragraph 38 hereof. Further, except as provided in the Asset Purchase Agreement, transfer of title and possession of the Acquired Assets, and any subsequent transfer, conveyance or assignment of any Acquired Assets, Leases and Owned Real Estate to Buyer or its Nominee or designee(s), shall be free and clear of any claim or Interest of any kind or nature, including, without limitation, Successor Liabilities.

8. Other than expressly set forth in the Asset Purchase Agreement, upon the effective dates of the transfer, conveyance and/or assignment of the Owned Real Estate and the Leased Real Estate to the Buyer or its Nominee or designee(s) pursuant to the Buyer's exercise of the Designation Rights, such transferees or assignees shall not be liable for any claims of defaults arising or accruing prior to the Closing, including, in the case of the Leased Real Estate, for any Cure Amounts, or any Successor Liabilities.

9. The terms set forth in the Asset Purchase Agreement relating to the procedures for the exercise of the Lease Designation Rights and the Owned Property Designation Rights are hereby approved.

10. From and after the Closing Date, none of the Debtors' interests in the Leases or Owned Real Estate shall be encumbered without the Buyer's written consent. Until the Owned Property Designation Period Termination Date, the Debtors shall not lease, sublease, license or permit the use and occupancy of any Owned Real Estate without the written consent of Buyer.

11. The Debtors are hereby authorized and directed to convey Owned Real Estate in accordance with the Asset Purchase Agreement and the Buyer's direction free and clear of all Interests without further order of this Court.

12. The Debtors shall only assume and assign a Lease (other than the Q Lease), if so designated by the Buyer, pursuant to a separate notice, motion (an "Assumption and Assignment Motion") and order of this Court (or such other procedure approved by this Court) in accordance with Bankruptcy Code section 365 and all rights of the landlord under such Lease to object to a proposed assignment of the Lease on adequate assurance grounds are fully preserved; provided however, that any objections

regarding a Cure Amount shall be limited to defaults accruing during the period after the Sale Hearing and shall not affect the assumption and assignment of such Leases. The Court hereby limits notice of any Assumption and Assignment Motion to allow for a hearing thereon within 10 days of the date of filing and service on the landlord by facsimile or overnight delivery.

13. Any extension or renewal options in the Leases that purport to be exercisable only by the Debtors are unenforceable restrictions on assignment and any such extension or renewal options are freely exercisable by the Debtors or the Debtors' assignees upon assignment, as appropriate.

14. Nothing herein is intended to, nor shall, preclude the Debtors' rights and ability to reject any of the Leases subject to, and consistent with, the Asset Purchase Agreement. The Debtors shall not reject, amend, modify or supplement a Lease, or sublease, license or permit the use and occupancy of any Leased Real Estate, prior to the Lease Designation Period Termination Date without the written consent of the Buyer.

15. The Buyer and its Nominee and designees shall be allowed reasonable access, at no cost to the Debtors, to (a) the Owned Real Estate for a period of 18 months after the Closing, and (b) the Leased Real Estate for the Lease Designation Period (or such longer period with the consent of the underlying landlord), in each case for the purpose of conducting due diligence (including, without limitation, environmental diligence), inspecting, marketing, selling (by way of auction or otherwise) any of the Acquired Assets, Leases and Owned Real Estate in accordance with the terms of the Asset Purchase Agreement and for the purpose of operating a textile business or licensing Nominee or any other third parties identified by the Buyer to the Seller to operate a

textile business using any Acquired Assets located at any of the Owned Real Estate or Leased Real Estate in accordance with the terms of, and subject to the conditions set forth in, the Asset Purchase Agreement, provided, however, that notwithstanding anything to the contrary set forth in the Asset Purchase Agreement, the Lease Designation Period for the Leased Real Estate, other than the Q Lease, shall expire on the date that is 120 days after the Petition Date, or such later date as authorized by the Court for the assumption or rejection of real property leases subject to section 7.4 of the Asset Purchase Agreement.

(as to which Commerce Drive's rights are reserved under paragraph 36)

16. Any provisions contained in the Leases or any reciprocal easement agreements pertaining to the Owned Real Estate ("REAs") which are, or would have the effect of being: provisions which restrict "going dark"; recapture provisions; provisions which impose a fee or a penalty or a profit sharing upon assignment; provisions which seek to increase the rent or impose a penalty or to modify or terminate a Lease or REA as a result of going dark or upon assignment; provisions which directly or indirectly limit or condition or prohibit assignment; provisions that purport to prohibit, restrict, or condition any signage or any non-structural alterations or improvements to the premises; provisions that purport to make assignees subject to burdens, or rights, of third parties greater than those to which the Debtors, as tenants, are subject; continuous operating covenants; covenants that require a user of any of the premises to operate under any particular trade name; any covenants that require that use of the premises be similar to that of the Debtors; and similar provisions contained in the Leases or REAs, shall not restrict, limit, or prohibit the assumption, assignment and sale of the Leases to the Buyer or its Nominee(s) or designee(s) and are deemed and are found to be unenforceable anti assignment provisions within the meaning of section 365(f) of the Bankruptcy Code.

17. The Debtors shall reserve from the proceeds of the sale of the Acquired Assets funds sufficient to pay the Cure Amount for each of the Leases relating to the pre-Closing period, and shall pay such Cure Amount (or the undisputed portion thereof) on or before the effective date of the assignment, if any, of the subject Lease(s). The Buyer shall be responsible to pay the Cure Amount attributable on a per diem basis to the post-Closing period.

18. Any and all payments of Lease Occupancy Expenses and Owned Property Expenses made by Buyer (or its Nominee(s) or designee(s)) to Debtors pursuant to the Asset Purchase Agreement shall be deposited into segregated debtor in possession account(s) by the Debtors, shall be deemed to be held in trust for the sole purpose of paying the Lease Occupancy Expenses and Owned Property Expenses and shall not constitute property of the Debtors' estate under section 541 of the Bankruptcy Code or be subject to the liens, claims (including any super-priority or administrative expense claims), encumbrances or other Interests of any creditor of the Debtors. Any excess funds held by the Debtors for the purpose of paying Lease Occupancy Expenses and Owned Property Expenses shall be returned to Buyer free and clear of any Interests within 5 business days after the expiration of the Lease Designation Period and Owned Property Designation Period and all Lease Occupancy Expenses and Owned Property Expenses for which Buyer is responsible under the Asset Purchase Agreement have been paid.

19. All proceeds from the post-Closing Date disposition of the Acquired Assets and the Leases and the Owned Real Estate pursuant to the Buyer's exercise of the Designation Rights under the Asset Purchase Agreement shall be retained by the Buyer free and clear of any and all Interests (to avoid any ambiguity, Interests shall attach only to the

net proceeds of the Asset Sale (e.g., the Purchase Price under the Asset Purchase Agreement net of the reserve for Cure Amounts) and not to proceeds from any contemporaneous or subsequent sale, transfer, conveyance or assignment of Acquired Assets, Leases or Owned Real Estate to Buyer's Nominee or designee(s)). From the Closing through the applicable Lease Designation Period Termination Date or Owned Property Designation Termination Date, any and all casualty and condemnation proceeds arising from events prior to the end of the applicable designation period payable to the Debtor(s) under any Leases or to the Debtor(s) (or any holder of an Interest) with respect to Owned Real Estate shall be payable directly to the Buyer free and clear of Interests and at no time shall such proceeds be considered property of the Debtors' estates. Insurance Proceeds that the Debtors are obligated to turn over to Buyer under Section 7.1 of the Asset Purchase Agreement shall be held by the Debtors in trust for the benefit of and immediate turnover to Buyer and at no time shall such proceeds be considered property of the Debtors' estates.

20. Buyer shall be entitled to an allowed administrative expense claim under sections 503(b) and 507(a)(2) of the Bankruptcy Code to the extent the Inventory Adjustment Amount payable to Buyer exceeds the Holdback Amount subject to Debtor's right under Section 1.3 of the Asset Purchase Agreement to contest the Inventory Adjustment Amount.

21. Under no circumstances shall the Buyer be responsible for the payment of rejection damages (including pre-Petition Date defaults) under sections 365 and 502(b)(6) of the Bankruptcy Code in respect of any of the Leases.

22. Each creditor, governmental unit and all other entities are permanently enjoined and prohibited from taking any action against the Buyer (or its Nominee or designee(s)) or the Acquired Assets, or otherwise interfering with the Buyer's occupancy and use of the Acquired Assets, Leased Real Estate (subject to section 365(d)(3) of the Bankruptcy Code) and Owned Real Estate in contravention of the rights granted to Buyer hereunder and under the Asset Purchase Agreement, based upon or by reason of any Interest or agreement which such person had or has with or against the Debtors, whether known or unknown, contingent or unliquidated.

23. All entities, if any, in possession of some or all of the Acquired Assets at the Closing are directed to surrender possession of such Acquired Assets to the Buyer or its Nominee at the Closing.

24. This Order is and shall be binding upon and govern the acts of all entities, including, without limitation, all filing agents, title agents, title companies, recorders of mortgages, recorders of deeds, administrative agencies, governmental units and departments, secretaries of state, federal, state, territorial and local officials, and all other persons and entities (as those terms are defined by agreement or under applicable nonbankruptcy law) who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Acquired Assets.

25. If any person or entity that has filed financing statements, mortgages, mechanic's liens, *lis pendens*, or other documents or agreements evidencing Interests of record against or in the Acquired Assets, Leases and/or Owned Real Estate shall have not

delivered to the Debtors or the Buyer prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all Interests that the person has with respect to the Acquired Assets, Leases and/or Owned Real Estate or otherwise, then: (i) each of the Debtors and the Buyer are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of such entity with respect to the Acquired Assets, Leases and/or Owned Real Estate and (ii) the Buyer is hereby authorized to file, register or otherwise record a certified copy of this Order, which, once filed, registered or otherwise recorded, shall constitute conclusive evidence of the release of all Interests against or in the Acquired Assets, Leases and/or Owned Real Estate except for Permitted Exceptions.

26. This Court shall have exclusive jurisdiction to implement and enforce the terms and provisions of the Asset Purchase Agreement, all amendments thereto and each of the agreements executed in connection therewith, and this Order, including any disputes relating thereto or with respect to the sale of the Acquired Assets and any contemporaneous or subsequent transfer, conveyance or assignment of Leases and Owned Real Estate by Buyer to itself or its Nominee(s) or designee(s) pursuant to the Designation Rights.

27. The transactions contemplated by the Asset Purchase Agreement, including, without limitation, the purchase of the Acquired Assets, are undertaken by the Buyer (and its Nominee) and Debtors in good faith, as that term is used in §363(m) of the Bankruptcy Code, and, accordingly, the reversal or modification on appeal of this Order shall not affect the validity of the sale of the Acquired Assets to the Buyer, any contemporaneous or subsequent transfer, conveyance or assignment of Acquired Assets,

Leases and Owned Real Estate to Buyer's Nominee, or any of Debtors' obligations under the Asset Purchase Agreement as well as the transactions contemplated and/or authorized by this Order and the Asset Purchase Agreement, unless the same is stayed pending appeal prior to the closing of the Asset Sale and other transactions authorized herein.

28. Notwithstanding Section 2.2 of the Asset Purchase Agreement, with respect to Buyer's exercise of Designation Rights for Owned Real Estate, within five (5) business days of receipt of the Property Sale Notice, to the extent Buyer's designee requests a finding by this Court that it is a good faith purchaser within the meaning of section 363(m) of the Bankruptcy Code, the Debtors shall file and serve a written notice on the United States Trustee, counsel to the Creditors' Committee and any other party in interest that has filed a notice of appearance in these cases (the "Notice Parties") stating (i) the identity of the designee and (ii) the basis for a finding that the designee is a good faith purchaser within the meaning of section 363(m) of the Bankruptcy Code entitled to all of the protections arising thereunder. Notice Parties shall have ten (10) days after service of such notice to object to the good faith purchaser finding by filing a written objection with this Court and serving such objection on counsel to the Debtors, Creditors' Committee, United States Trustee and Buyer. If a timely written objection is filed, the Debtors shall schedule a hearing with the Court to consider the objection. If no objection is timely filed, then the findings and provisions of this order regarding the good faith of Buyer within the meaning of section 363(m) of the Bankruptcy Code shall apply with equal force to such designee.

29. The terms and provisions of the Asset Purchase Agreement and this Order shall be binding in all respects upon all entities, including, without limitation, all

administrative agencies, federal, state and local officials and creditors (whether known or unknown) of the Debtors or their affiliates, all successors, designees, Nominee and assigns of the Buyer, the Debtors and their affiliates and subsidiaries, and any affected third parties including, but not limited to, any entities asserting a claim or lien against, or interest in, the Acquired Assets, Leases and Owned Real Estate to be sold to the Buyer or its Nominee or designee(s) pursuant to the Asset Purchase Agreement, and any subsequent trustee(s), examiners, chapter 11 plan trustee(s), or similar fiduciaries appointed in the Debtors' chapter 11 cases, under a chapter 11 plan or upon conversion of either or both cases to chapter 7 of the Bankruptcy Code or upon a dismissal of either of the cases. This Order shall survive any dismissal of one or both of the Debtors' bankruptcy cases.

30. Nothing contained in any chapter 11 plan hereafter confirmed in these cases or the order confirming any such plan shall conflict with or deviate from the provisions of the Asset Purchase Agreement or the terms of this Order.

31. The Asset Purchase Agreement and related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

32. In the event that the Buyer fails to close for any reason other than a default by the Debtors, the Debtors are hereby authorized but not directed to consummate the sale of the Acquired Assets with the next highest or otherwise best bidder (as determined by the Debtors in consultation with counsel to the Committee, counsel to Bank of

America, N.A. and counsel to GB Merchant Partners, LLC), and such next highest or otherwise best bidder shall be deemed to be the "Buyer" hereunder and all of the terms of this Order shall apply to such Bidder as if it were the original Buyer.

33. The Debtors' obligations to the Buyer (or its Nominee or designee(s)) under the Asset Purchase Agreement shall not be subject to discharge under §§524 or 1141 of the Bankruptcy Code and shall remain binding on the Debtors, their estates and successors, assigns and transferees and any trustee(s), chapter 11 plan trustees or similar fiduciaries that may be subsequently appointed, notwithstanding the confirmation and effective date of a chapter 11 plan, conversion of one or both of the Debtors' cases to chapter 7 or dismissal of Debtors' cases, provided, however, that Debtors' liability to parties in interest other than Buyer shall be subject to such limitations, injunctions and discharges as may be provided in any Bankruptcy Court order confirming a chapter 11 plan or sale of assets of the Debtors.

34. In connection with the Closing, the Debtors are hereby authorized to pay any adjustments or taxes, or other obligations or apportionments to be paid under the Asset Purchase Agreement, regardless of whether such adjustments, taxes and other obligations accrued prior to or after the Petition Date.

35. As provided by Rules 6004(h) and 6006(d) of the Federal Rules of Bankruptcy Procedure, this Order shall not be stayed for ten days after entry of the Order and shall be effective and enforceable immediately upon entry. Time is of the essence in closing the transactions contemplated under the Asset Purchase Agreement and the Debtors and Buyer intend to close the sale as soon as practicable.

36. In the Commerce Drive Objection, Commerce Drive objects to, among other things, the amount necessary to cure the defaults under the Q Lease, the granting of designation rights to the Buyer with respect to the Q Lease, and the terms of the possession or occupancy of the Q Premises by the Buyer, Victor or any designee of the Buyer prior to a complete assumption and cure of the Q Lease in compliance with Bankruptcy Code section 365. Commerce Drive, the Buyer, Victor and the Debtors have agreed to resolve the Commerce Drive Objection as set forth in this paragraph 36. The Debtors, the Buyer and Commerce Drive, agree that the Debtors will assume and assign to Victor, and Victor will accept the assignment of and will assume, the Q Lease, and in connection with such assignment and assumption, Victor and Commerce Drive have agreed to execute a modification of the Q Lease on terms and conditions acceptable to Commerce Drive and Victor (the "Q Amendment") all on or before Monday, September 24, 2007. Provided that Victor accepts the assignment of the Q Lease as modified by the Q Amendment on or before September 24, 2007 (unless such deadline is extended by agreement of the Debtor, Buyer, Victor and Commerce Drive):

- a. The Debtors are hereby authorized to assume the Q Lease and assign it to Victor, and Victor is authorized to accept the assignment and assume the Q Lease as amended by the Q Amendment and, accordingly, Victor is successor in interest to the Debtor to the Q Lease by acquisition thereof; and
- b. Commerce Drive shall for all purposes be deemed to have withdrawn the Commerce Objection including without limitation its request for payment of cure in connection with the assumption and assignment of the Q

Lease. Commerce Drive reserves the right to require that any defaults that arise after the date of this Order and prior to the closing of the assumption of the Q Lease by Victor be cured.

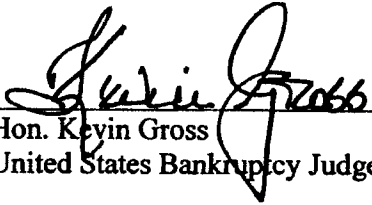
If the closing of the assumption and assignment of the Q Lease by Victor does not occur on or before Monday, September 24, 2007 (or such later date as may be agreed to by the Debtors, Buyer, Commerce Drive and Victor), then the Commerce Objection shall remain in full force and effect; the rights of the Debtors, Commerce Drive, the Buyer and Victor with respect to the Q Lease and the Q Premises shall all be preserved, notwithstanding entry of this Order; and further proceedings will be held by this Court in order to determine the disposition of the Commerce Objection and the Motion as it relates to the Q Lease and the Q Premises; provided, further, that notwithstanding the terms and conditions of the Asset Purchase Agreement, the Buyer's obligation to close under the Asset Purchase Agreement will be further conditioned on the closing of the assumption and assignment of the Q Lease to Victor or, in lieu thereof, entry of an order overruling the Commerce Drive Objection.

37. Nothing in this order shall affect the rights of Kravet Inc. ("Kravet") to assert that it has a license to use certain Intellectual Property or affect the rights that may flow from any such licenses under section 365(n) or any other applicable provisions of the Bankruptcy Code, and the Buyer or its Nominee shall take assignment of such Intellectual Property subject to any such licenses, to the full extent that any such licenses exist and are otherwise valid under applicable non-bankruptcy law, with all rights, claims and defenses of Kravet, the Buyer and/or its Nominee or future designee(s) preserved.

38. Upon the Closing, the Debtors are authorized and directed to pay to Bank of America, N.A. ("BofA") and GB Merchant Partners, LLC ("GB Partners") the net proceeds (including net of reserves to pay Cure Amounts) of the Asset Sale in accordance with the terms of the following, each as amended prior to the date hereof: (a) that certain Amended and Restated Revolving Credit Agreement, dated as of November 9, 2006, by and between the Debtors and BofA; (b) that certain Term Loan Agreement, dated as of November 9, 2006, by and between GB Partners and the Debtors; (c) that certain Intercreditor Agreement, dated as of November 9, 2006, by and among BofA, GB Partners and the Debtors; and (d) the *Stipulation and ~~Interim~~ Order (1) Authorizing the Debtors to Incur Post-Petition Indebtedness Pursuant to 11 U.S.C. §§ 105, 361, 364(c)(2), 364(c)(3) and 364(d)(1), (2) Authorizing the Use of Cash Collateral, (3) Granting Adequate Protection in Respect of Pre-Petition Secured Debt, (4) Modifying the Automatic Stay, and (5) Scheduling Final Hearing.*

39. For purposes of section 363(b)(1) of the Bankruptcy Code, the Debtors have not, in connection with offering a product or service, disclosed to one or more individuals a policy prohibiting the transfer of "personally identifiable information" (as defined in 11 U.S.C. § 101(41A)) about individuals to persons that are not affiliated with the Debtors.

Dated: September 19, 2007


Hon. Kevin Gross
United States Bankruptcy Judge

SCHEDULE A

Mark	Status	Country	App./Reg. No.	Owner
DAVOL	Registered	United States	2,676,289	Quaker Fabric Corporation of Fall River
QUAKER FABRIC and Design	Registered	United States	2,312,967	Quaker Fabric Corporation of Fall River
QUAKER PLUSH	Registered	United States	2,400,428	Quaker Fabric Corporation of Fall River
QUAKER ULTRA	Registered	United States	2,893,921	Quaker Fabric Corporation of Fall River
REPLAY and Design	Pending	United States	78-318,487	Quaker Fabric Corporation of Fall River
TERRAZZO	Pending	United States	78-745,893	Quaker Fabric Corporation of Fall River
W and Design	Registered	United States	2,081,771	Quaker Fabric Corporation of Fall River
WHITAKER	Registered	United States	2,775,289	Quaker Fabric Corporation of Fall River