IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	§	**Chapter 11**
	§	
THE PENN TRAFFIC COMPANY, *ET AL.*[1]	§	**Case No. 09-14078 (PJW)**
	§	
Debtors.	§	**Jointly Administered**
	§	
	§	**Re: D.I. 1096, 1097, 1338, 1339**

SECOND AMENDED DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT OF THE SECOND AMENDED CONSOLIDATED CHAPTER 11 PLAN OF THE DEBTORS

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Dated: September 14, 2010

ATTORNEYS FOR THE DEBTORS AND DEBTORS IN POSSESSION

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number, are: The Penn Traffic Company (6800), Sunrise Properties, Inc. (4868), Pennway Express, Inc. (0863), Penny Curtiss Baking Company, Inc. (6750), Big M Supermarkets, Inc. (8022), Commander Foods Inc. (8023), P and C Food Markets Inc. of Vermont (5531), P.T. Development, LLC (8594), and P.T. Fayetteville/Utica, LLC (8582). The mailing address for all Debtors is: P.O. Box 4737, Syracuse, NY 13221-4737.

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INTRODUCTION

The Penn Traffic Company, Sunrise Properties, Inc., Pennway Express, Inc., Penny Curtiss Baking Company, Inc., Big M Supermarkets, Inc., Commander Foods Inc., P and C Food Markets Inc. of Vermont, P.T. Development, LLC, and P.T. Fayetteville/Utica, LLC (collectively "Penn Traffic" or the "Debtors") submit this Second Amended Disclosure Statement Pursuant to 11 U.S.C. § 1125 in Support of the Second Amended Consolidated Chapter 11 Plan of the Debtors (the "Disclosure Statement") for use in the solicitation of votes on the Second Amended Consolidated Chapter 11 Plan of the Debtors (the "Plan"). The Plan is annexed as **Exhibit 1** to this Disclosure Statement.[2]

The Plan provides a means by which the Debtors' Estates will be liquidated under chapter 11 of the Bankruptcy Code, and sets forth the treatment of all claims against and equity interests in the Debtors. As described in more detail below, the Debtors have consummated the sale of substantially all of their assets, pursuant to a comprehensive sale transaction with Tops PT, LLC ("Tops") as assignee of Tops Markets, LLC, including settlements and other arrangements with other significant creditors (collectively, the "Sale Transaction"). The Plan implements the distribution of the remaining sale proceeds in accordance with the priorities set forth in the Bankruptcy Code and the substantive consolidation of the Debtors' Estates.

This Disclosure Statement sets forth certain relevant information regarding the Debtors' prepetition operations and financial history, the need to seek chapter 11 protection, significant events that have occurred during these Bankruptcy Cases, and an analysis of the expected return to the Debtors' Creditors. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which Distributions will be made under the Plan. Additionally, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims and Equity Interests must follow for their votes to be counted.

YOU ARE BEING SENT THIS DISCLOSURE STATEMENT BECAUSE YOU ARE A CREDITOR OR OTHER PARTY IN INTEREST OF PENN TRAFFIC. THIS DOCUMENT DESCRIBES A CHAPTER 11 PLAN WHICH, WHEN CONFIRMED BY THE BANKRUPTCY COURT WILL GOVERN HOW YOUR CLAIM OR EQUITY INTEREST WILL BE TREATED. THE DEBTORS URGE YOU TO REVIEW THE DISCLOSURE STATEMENT CAREFULLY. ALL HOLDERS OF GENERAL UNSECURED CLAIMS ARE URGED TO REVIEW THE RECOMMENDATION SET FORTH IN THE SOLICITATION LETTER INCLUDED WITH THIS DISCLOSURE STATEMENT. THE DEBTORS AND THE COMMITTEE RECOMMEND THAT HOLDERS OF CLASS 3 GENERAL UNSECURED CLAIMS AND CLASS 5 CONVENIENCE CLAIMS VOTE IN FAVOR OF THE PLAN.

A. Support and Recommendation by the Committee

On December 2, 2009, the United States Trustee (the "United States Trustee") appointed the Official Committee of Unsecured Creditors (the "Committee"). The Committee has been extensively involved with all aspects of these Bankruptcy Cases, including the formulation of the Plan. The Committee supports the Plan in all respects and strongly recommends that each holder of a Class 3 General Unsecured Claim and Class 5 Convenience Claim vote in favor of the Plan. The Committee has provided a letter of recommendation in the Solicitation Materials included with this Disclosure Statement that explains its support of the Plan.

[2] Except as otherwise provided in this Disclosure Statement, capitalized terms herein have the meaning ascribed to them in the Plan or Exhibit A to the Plan. Any capitalized term used herein that is not defined in the Plan shall have the meaning ascribed to that term in the Bankruptcy Code or Bankruptcy Rules, whichever is applicable.

B. Summary of Plan and Estimated Distributions to Creditors

Under the Plan, Claims and Equity Interests are classified and each class has its own treatment. The table below describes each class of Claims and Equity Interests, which Claimholders and Interestholders belong in each class, the treatment of each class of Claims or Equity Interests, and the expected recovery of each Claimholder or Interestholder in the respective class.

UNSECURED CREDITORS OF THE DEBTORS WHO ASSERT CLAIMS AGAINST THE DEBTORS ARE TREATED UNDER THE PLAN IN CLASS 1 TO THE EXTENT SUCH CLAIMS ARE ENTITLED TO PRIORITY OR TREATED IN CLASS 3 OR CLASS 5 TO THE EXTENT SUCH CLAIMS ARE GENERAL UNSECURED CLAIMS NOT ENTITLED TO PRIORITY.

Summary of Plan Treatment

Class Description	**Treatment**	**Impairment**	**Entitled to Vote**	**Estimated Distribution**
Class 1 – Priority Non-Tax Claims	Priority Non-Tax Claims shall be paid from the Priority Claim Reserve. The Debtors estimate that Priority Non-Tax Claims will be paid in full. It is anticipated that 100% of Allowed Priority Non-Tax Claims will be paid.	No	No	$7.4 million
Class 2 – Secured Claims	To the extent that there are any Secured Claims, such Secured Claims shall be satisfied in full, at the election of the Plan Administrator in the form of (i) a Cash payment, (ii) abandonment of the property which is subject to the Secured Claim, (iii) through some other agreement reached with the holder of such Secured Claim or (iv) reinstatement of the Secured Claim pursuant to its terms, including without limitation the continuation of all security interests and liens with respect	No	No	$37 million[3]

[3] The Debtors believe that all Secured Claims are fully collateralized.

Class Description	**Treatment**	**Impairment**	**Entitled to Vote**	**Estimated Distribution**
	thereto.. The Debtors estimate that Secured Claims will be paid in full. It is anticipated that 100% of Allowed Secured Claims will be paid.			
Class 3 – General Unsecured Claims	Each holder of an Allowed Class 3 General Unsecured Claim will receive its Pro Rata Share of the Unsecured Creditor Distribution unless such holder has elected Class 5 Convenience Claim treatment. Each holder of a Class 3 Claim shall have the option to elect to reduce its Class 3 Claim to $5,000 and opt-in to Class 5 by checking the appropriate box on its Ballot and timely completing and returning such Ballot pursuant to the Solicitation Materials (thereby electing to receive the same treatment as a Class 5 Convenience Claim holder.) The Debtors estimate that the recovery on AllowedGeneral Unsecured Claims could be in the range of 6% to 17%.	Yes	Yes	$222 million (excluding convenience class)
Class 4 – Equity Interests	On the Effective Date, all existing Equity Interests of the Debtors shall be canceled and shall not be entitled to any Distribution under the	Yes	No	$0.00

Class Description	**Treatment**	**Impairment**	**Entitled to Vote**	**Estimated Distribution**
	Plan.			
Class 5 – Convenience Claims	Each holder of an Allowed Class 5 Convenience Claim shall receive, on the first Quarterly Distribution Date which is practicable, as determined by the Plan Administrator, a Cash payment in an amount equal to 10% of the amount of such holder's Allowed Convenience Claim. Each holder of a Class 5 Convenience Claim shall have the option to opt-out of Class 5 by checking the appropriate box on its Ballot and timely completing and returning such Ballot pursuant to accordance with the Solicitation Materials (thereby electing to receive the same treatment as a holder of a Class 3 General Unsecured Claim.)	Yes	Yes	$3.5 million

The foregoing analysis makes certain assumptions, including, without limitation, the amount of General Unsecured Claims ultimately Allowed and a number of other variables more fully discussed in Article VI herein. The Debtors have prepared a Cash Flow and Distribution Analysis which estimates recoveries to certain Creditors. The Cash Flow and Distribution Analysis is discussed in Article VI herein (in Class 3 and Class 5).

The amounts of the estimated recovery percentages to General Unsecured Creditors listed in the chart above under "Treatment" were derived by dividing the assumed value of the consideration available to be distributed to all holders of allowed claims in a given class by the estimated amount of all allowed claims in that class.

The estimates of total allowed claims in a given class are based on a preliminary review of the Debtors' claims register, the Debtors' Schedules of Assets and Liabilities that have been filed with the Bankruptcy Court and other information received from the Debtors. The estimates of Allowed Claims in Class 3 and Class 5 have been developed by the Debtors with the assistance of the Debtors' professionals. The eventual amount of Allowed General Unsecured Claims could be significantly different from these estimates and could result in significantly lower or higher recoveries for holders of claims in Class 3.

The recoveries under the Plan are in full and complete settlement, satisfaction and discharge of all Claims against and Equity Interests in the Debtors.

C. Filing of the Debtors' Bankruptcy Cases

On November 18, 2009 (the "Petition Date"), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Shortly after the Petition Date, the Debtors engaged in a process to sell substantially all of the Debtors' assets which culminated in the closing of the Sale Transaction (defined below) on January 29, 2010. The Debtors have since proceeded to provide transition services with respect to the Sale Transaction and wind down their businesses and obligations. Pursuant to the sale and wind down efforts, the Debtors have continued to manage their properties and assets as a debtor-in-possession in accordance with Bankruptcy Code sections 1107 and 1108.

D. Purpose of Disclosure Statement

Bankruptcy Code section 1125 requires the Debtors to prepare and obtain court approval of a Disclosure Statement as a prerequisite to soliciting votes on the Debtors' Plan. The purpose of the Disclosure Statement is to provide information to Creditors and Interestholders that will assist them in deciding how to vote on the Plan.

Approval of this Disclosure Statement does not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or as to the value or suitability of any consideration offered thereunder. The Bankruptcy Court's approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement contains adequate information to permit you to make an informed judgment regarding acceptance or rejection of the Plan.[4]

On September 14, 2010, after notice and a hearing, the Bankruptcy Court approved the form of this Disclosure Statement and the related solicitation materials. You have received this Disclosure Statement as a creditor or other party in interest in the Debtors' Bankruptcy Cases. If you are a creditor entitled to vote, you should find a ballot (the "Ballot") enclosed as well.

The Bankruptcy Court has also set certain important dates which you should be aware of:

- Deadline for receipt of Ballots from creditors (the "Voting Deadline"): **October 20, 2010 at 5:00 PM Eastern Time**.
- Deadline for objections to confirmation of the Plan: **October 20, 2010 at 4:00 PM Eastern Time.**
- The hearing to consider confirmation of the Plan is scheduled for: **October 27, 2010 at 1:30 PM Eastern Time.** The hearing will be held before the Honorable Peter J. Walsh, United States Bankruptcy Judge at the **United States Bankruptcy Courthouse, Courtroom #2, 824 Market Street, Wilmington, DE 19801.**

[4] Bankruptcy Code section 1125(a)(ii) defines "adequate information" as information of a kind, and in sufficient detail, as far as is reasonably practicable in the light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information.

E. Hearing on Confirmation of the Plan

The Bankruptcy Court has set **October 27, 2010 at 1:30 p.m.** prevailing Eastern Time as the time and date for the hearing (the "Confirmation Hearing") to determine whether the Plan has been accepted by the requisite number of Claimholders and Interestholders and whether the other standards for confirmation of the Plan have been satisfied. Once commenced, the Confirmation Hearing may be adjourned or continued by announcement in open court with no further notice.

F. Disclaimers

THIS DISCLOSURE STATEMENT IS PROVIDED FOR USE SOLELY BY HOLDERS OF CLAIMS AND THEIR ADVISERS IN CONNECTION WITH THEIR DETERMINATION TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION TO CONSIDER REGARDING YOUR DECISION ON THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS THE REPRESENTATION OF THE DEBTORS ONLY AND NOT OF THEIR ATTORNEYS, ACCOUNTANTS, OR OTHER PROFESSIONALS, OR OF THE MEMBERS OF THE COMMITTEE, ITS ATTORNEYS, ACCOUNTANTS, OR OTHER PROFESSIONALS. FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECTED TO AN AUDIT BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT. THE DEBTORS ARE NOT ABLE TO CONFIRM THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT INCLUDE ANY INACCURACIES. HOWEVER, THE DEBTORS HAVE MADE THEIR BEST EFFORT TO PROVIDE ACCURATE INFORMATION AND ARE NOT AWARE OF ANY INACCURACY IN THIS DISCLOSURE STATEMENT.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN INDEPENDENTLY INVESTIGATED BY THE BANKRUPTCY COURT, AND APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THE ONLY REPRESENTATIONS THAT ARE AUTHORIZED BY THE DEBTORS CONCERNING THE DEBTORS, THE VALUE OF THEIR ASSETS, THE EXTENT OF THEIR LIABILITIES, OR ANY OTHER FACTS MATERIAL TO THE PLAN ARE THE REPRESENTATIONS MADE IN THIS DISCLOSURE STATEMENT. REPRESENTATIONS CONCERNING THE PLAN OR THE DEBTORS *OTHER THAN* AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE SOLICITATION LETTER INCLUDED WITH THIS DISCLOSURE STATEMENT ARE NOT AUTHORIZED BY THE DEBTORS AND HAVE NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS SATISFYING THE DISCLOSURE REQUIREMENTS OF THE BANKRUPTCY CODE.

HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE AND ALL SUCH HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD CONSULT WITH THEIR OWN ADVISORS.

THE DEBTORS HAVE NO ARRANGEMENT OR UNDERSTANDING WITH ANY BROKER, SALESMAN, OR OTHER PERSON TO SOLICIT VOTES FOR THE PLAN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE PLAN OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT AND THE SOLICITATION LETTER INCLUDED WITH THIS DISCLOSURE STATEMENT AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS SHOULD NOT BE

RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTORS. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME AFTER THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN OR IN THE AFFAIRS OF THE DEBTORS SINCE THE DATE HEREOF. ANY ESTIMATES OF CLAIMS AND EQUITY INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE FINAL AMOUNTS OF CLAIMS OR EQUITY INTERESTS ALLOWED BY THE BANKRUPTCY COURT. SIMILARLY, THE ANALYSIS OF ASSETS AND THE AMOUNT ULTIMATELY REALIZED FROM THEM MAY DIFFER MATERIALLY.

THE DESCRIPTION OF THE PLAN CONTAINED HEREIN IS INTENDED TO BRIEFLY SUMMARIZE THE MATERIAL PROVISIONS OF THE PLAN AND IS SUBJECT TO AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE ACTUAL PROVISIONS OF THE PLAN.

ARTICLE II.
EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under chapter 11, a company may seek to reorganize its business and/or sell or liquidate the business in the best interests, and for the benefit, of the debtor's creditors and other interested parties.

The commencement of a chapter 11 case creates an estate comprising all of the debtor's legal and equitable interests in property as of the date the petition is filed. Unless the bankruptcy court orders the appointment of a trustee, a chapter 11 debtor, operated by its prepetition corporate governance structure and management, may continue to manage and control the assets of its estate as a "debtor-in-possession," as the Debtors have done in these Bankruptcy Cases since the Petition Date.

Formulation of a chapter 11 plan which provides for the treatment of a debtor's creditors is the principal objective of a chapter 11 case. Such plan sets forth the means for satisfying the valid claims of creditors against, and interests of equity security holders in, a debtor.

B. Chapter 11 Plan

After a plan has been filed, the holders of claims against, or equity interests in, a debtor, whose claims or equity interests are "impaired" under the plan, are permitted to vote on whether to accept or reject the plan. Chapter 11 does not require that each holder of a claim against, or equity interest in, a debtor vote in favor of a plan in order for the plan to be confirmed. At a minimum, however, a plan must be accepted by a majority in number and two-thirds (2/3rds) in dollar amount of those claims actually voting from at least one class of claims impaired under the plan. The Bankruptcy Code also defines acceptance of a plan by a class of equity interests as acceptance by holders of two-thirds (2/3rds) of the number of shares actually voted.

Classes of claims or equity interests that are not "impaired" under a chapter 11 plan are conclusively presumed to have accepted the plan, and therefore are not entitled to vote. A class is "impaired" if the plan modifies the legal, equitable, or contractual rights attaching to the claims or equity interests of that class. Modification for purposes of impairment does not include curing defaults and reinstating maturity or payment in full in cash. Conversely, classes of claims or equity interests that receive or retain no property under a plan are conclusively presumed to have rejected the plan, and therefore are not entitled to vote.

Even if all classes of claims and equity interests accept a chapter 11 plan, the bankruptcy court may nonetheless deny confirmation. Bankruptcy Code section 1129 sets forth the requirements for confirmation and, among other things, requires that a plan be in the "best interest" of impaired and dissenting creditors and interestholders and that the plan be feasible. The "best interest" test generally requires that the value of the consideration to be distributed to impaired and dissenting creditors and interestholders under a plan may not be

less than those parties would receive if the debtor were liquidated under a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. A plan must also be determined to be "feasible," which generally requires a finding that there is a reasonable probability that the debtor will be able to perform the obligations incurred under the plan and that the debtor will be able to continue operations (or undertake the wind down of its operations) without the need for further financial reorganization or liquidation.

A bankruptcy court may confirm a chapter 11 plan even though fewer than all of the classes of impaired claims and equity interests accept it. A bankruptcy court may do so under the "cramdown" provisions of Bankruptcy Code section 1129(b). In order for a plan to be confirmed under the cramdown provisions, despite the rejection of a class of impaired claims or equity interests, the proponent of the plan must show, among other things, that the plan does not discriminate unfairly and that it is fair and equitable with respect to each impaired class of claims or equity interests that has not accepted the plan.

A bankruptcy court must further find that the economic terms of the particular plan meet the specific requirements of Bankruptcy Code section 1129(b) with respect to the subject objecting class. If the proponent of the plan proposes to seek confirmation of the plan under the provisions of Bankruptcy Code section 1129(b), the proponent must also meet all applicable requirements of Bankruptcy Code section 1129(a) (except section 1129(a)(8)). Those requirements include the requirements that (i) the plan comply with applicable Bankruptcy Code provisions and other applicable law, (ii) that the plan be proposed in good faith, and (iii) that at least one impaired class of creditors or interestholders has voted to accept the plan.

ARTICLE III.
VOTING PROCEDURES AND CONFIRMATION REQUIREMENTS

A. Ballots and Voting Deadline

A Ballot for voting to accept or reject the Plan is enclosed with this Disclosure Statement, and has been mailed to Claimholders (or their authorized representatives) entitled to vote. After carefully reviewing the Disclosure Statement, including all exhibits, each Claimholder (or its authorized representative) entitled to vote should indicate its vote on the enclosed Ballot. All Claimholders (or their authorized representatives) entitled to vote must (i) carefully review the Ballot and instructions thereon, (ii) execute the Ballot, make any elections provided on the Ballot and (iii) return it to the address indicated on the Ballot by the deadline for the Ballot to be considered.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, Ballots for the acceptance or rejection of the Plan must be received no later than October 20, 2010 at 5:00 p.m. prevailing Eastern Time (the "Voting Deadline"), at the following address:

If by Mail:

Donlin, Recano & Company, Inc.
Re: The Penn Traffic Company, et al.
Attn: Voting Department
P.O. Box 2034, Murray Hill Station
New York, New York 10156-0701

If by Hand Delivery or Overnight Courier:

Donlin, Recano & Company, Inc.
Re: The Penn Traffic Company, et al.
Attn: Voting Department
419 Park Avenue South
New York, NY 10016
Telephone: (212) 481-1411

Fax: (212) 481-1416

BALLOTS MUST BE RECEIVED AT THE ABOVE ADDRESS NO LATER THAN OCTOBER 20, 2010 AT 5:00 P.M. PREVAILING EASTERN TIME. ANY BALLOTS RECEIVED AFTER THAT DEADLINE WILL NOT BE COUNTED.

B. Claimholders Entitled to Vote

Any Claimholder of the Debtors whose Claim is impaired under the Plan is entitled to vote if either (i) the Claim has been listed in the Schedules of Assets and Liabilities in an amount greater than zero (0) (and the Claim is not scheduled as disputed, contingent, or unliquidated) or (ii) the Claimholder has filed a proof of claim or proof of interest (that is not contingent or in an unknown amount) on or before any deadline set by the Bankruptcy Court for such filings.

Any holder of a Claim as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court (on motion by the party whose Claim is subject to an objection) temporarily allows the Claim in an amount that it deems proper for the purpose of accepting or rejecting the Plan. Such motion must be heard and determined by the Bankruptcy Court on or before the first date set by the Bankruptcy Court for the Confirmation Hearing on the Plan.

In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code.

C. Bar Date for Filing Proofs of Claim

The Bankruptcy Court established April 30, 2010 at 5:00 p.m. (prevailing Eastern Time) as the general deadline for filing proofs of claim in these Bankruptcy Cases (including 503(b)(9) Claims) (the "General Bar Date"), and May 17, 2010 at 5:00 p.m. as the deadline for filing a proof of claim by any Governmental Unit (the "Governmental Unit Bar Date") (as defined by section 101(27) of the Bankruptcy Code), with two (2) exceptions: (i) in the event that the Debtors amend their Schedules of Assets and Liabilities, the Debtors must give notice of such amendment to the Claimholder affected thereby, and the affected Claimholder shall have the later of the General Bar Date or thirty (30) days from the date on which notice of such amendment was given to file a proof of claim; and (ii) except as otherwise set forth in any order authorizing the rejection of an Executory Contract, in the event that a Claim arises with respect to the Debtors' rejection of an Executory Contract, the Claimholder shall have the later of the General Bar Date or thirty (30) days after the date any order is entered authorizing the rejection of such Executory Contract. These deadlines and related procedures for filing proofs of claim are described in the Order (I) Establishing Deadlines For Filing Proofs Of Claim And Approving Form and Manner of Notice Thereof and (II) Implementing Uniform Procedures Regarding 503(b)(9) Claims, which was approved by the Bankruptcy Court on March 3, 2010 (as amended, the "Bar Date Order").

A copy of the Bar Date Order may be obtained from the Claims Agent's website at www.donlinrecano.com or by contacting the Debtors' Notice and Claims Agent:

If by Mail:
Donlin, Recano & Company, Inc.
Re: The Penn Traffic Company, et al.
Attn: Voting Department
P.O. Box 2034, Murray Hill Station
New York, NY 10156-0701

If by Hand Delivery, Overnight Courier, or Telephone:
Donlin, Recano & Company, Inc.
419 Park Avenue South
New York, New York 10016

Telephone: (212) 481-1411
Fax: (212) 481-1416

D. Definition of Impairment

Under Bankruptcy Code section 1124, a class of claims or equity interests is impaired under a chapter 11 plan unless, with respect to each claim or equity interest of such class, the plan:

(1) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or

(2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to receive accelerated payment of such claim or equity interest after the occurrence of a default:

(a) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in Bankruptcy Code section 365(b)(2) or of a kind that section 365(b)(2) expressly does not require to be cured;

(b) reinstates the maturity of such claim or equity interest as it existed before the default;

(c) compensates the holder of such claim or equity interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law;

(d) if such claim or such equity interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to Bankruptcy Code section 365(b)(1)(A), compensates the holder of such claim or such equity interest (other than a debtor or an Insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and

(e) does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

E. Classes Impaired Under the Plan

Claims in Class 3 and Class 5 are impaired under the Plan. Therefore, holders of those Claims are eligible, subject to the voting requirements described above, to vote to accept or reject the Plan.

Claims in Class 1 and 2 are not impaired under the Plan, and therefore holders of those Claims are conclusively presumed to have accepted the Plan pursuant to Bankruptcy Code section 1126(f). Accordingly, the Debtors will not be soliciting votes from Claimholders in these Classes.

Equity Interests in Class 4 are impaired and will receive no distribution under the Plan and therefore holders of those Equity Interests are conclusively presumed to have rejected the Plan pursuant to Bankruptcy Code section 1126(f). Accordingly, the Debtors will not be soliciting votes from any Interestholder in this Class.

F. Vote Required for Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds (2/3rds) in dollar amount and more than one-half (1/2) in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan; that is, acceptance by a class takes place only if creditors holding claims in that class constituting at least two-thirds (2/3rds) in amount of the total amount of claims and more than one-half (1/2) in number of the creditors actually voting cast their ballots in favor of acceptance.

Bankruptcy Code section 1126 defines acceptance of a plan by a class of equity interests as acceptance by holders of at least two-thirds (2/3rds) in amount of the allowed equity interests of that class.

G. Information on Voting and Ballots

1. Transmission of Ballots to Claimholders

Ballots are being forwarded to all Claimholders entitled to vote in accordance with the Bankruptcy Rules and pursuant to the Bankruptcy Court's order approving the Disclosure Statement.[5] Those Claimholders whose Claims are unimpaired under the Plan are conclusively presumed to have accepted the Plan under Bankruptcy Code section 1126(f), and therefore need not vote with regard to the Plan. Under Bankruptcy Code section 1126(g), Claimholders and holders of Equity Interests who do not either receive or retain any property under the Plan are deemed to have rejected the Plan. In the event a Claimholder does not vote, the Bankruptcy Court may deem such Claimholder to have accepted the Plan.

2. Ballot Tabulation Procedures

For purposes of voting on the Plan, the amount and classification of a Claim and the procedures that will be used to tabulate acceptances and rejections of the Plan shall be exclusively as follows:

(a) If no proof of claim has been timely filed, (i) the voted amount of a Claim shall be equal to the amount listed for the particular Claim in the Schedules of Assets and Liabilities to the extent such Claim is not listed as contingent, unliquidated, or disputed, and (ii) the Claim shall be placed in the appropriate Class, based on the Debtors' records and consistent with the Schedules of Assets and Liabilities;

(b) If no proof of claim has been timely filed and to the extent such Claim is listed as contingent, unliquidated, or disputed based on the Debtors' records and consistent with the Schedules of Assets and Liabilities, then any Ballot filed by such a Claimholder will not be counted;

(c) If a proof of claim has been timely filed, and has not been objected to before the expiration of the Deadline for Objections to Claims for Voting Purposes (as defined below), the voted amount of that Claim shall be as specified in the timely-filed proof of claim;

(d) Subject to subparagraph (e) below, a Claim that is the subject of an objection filed before the Deadline for Objections to Claims for Voting Purposes (as defined below) shall be disallowed for voting purposes, except to the extent and in the manner that the Debtors indicate in their objection that the Claim should be allowed for voting or other purposes;

(e) If a Claim has been estimated or otherwise allowed for voting purposes by order of the Bankruptcy Court, the voted amount and classification shall be that set by the Bankruptcy Court;

(f) If a Claimholder or its authorized representative did not use the Ballot provided by the Debtors, the Official Ballot Form authorized under the Federal Rules of Bankruptcy Procedure, or a substantially similar form of ballot, such Ballot will not be counted;

(g) If the Ballot is not received by the Claims Agent on or before the Voting Deadline at the place fixed by the Bankruptcy Court, the Ballot will not be counted;

[5] See Order (I) Approving the Disclosure Statement; (II) Fixing a Record Date; (III) Approving Solicitation Procedures; (IV)Approving Form of Ballot and Establishing Voting Procedures and (V) Establishing Notice and Objection Procedures with Respect to Confirmation of the Chapter 11 Plan of the Debtor.

(h) Only Ballots bearing an original signature of the respective Claimholder (or its authorized representative) on the line adjacent to the "Signature:" label in the certification section therein will be counted;

(i) If the individual or institution casting the Ballot (whether directly or as a representative) was not the holder of a Claim on the Voting Record Date, the Ballot will not be counted, provided however, that with respect to transfers of claims filed pursuant to Bankruptcy Rule 3001, the holder of a claim as of the Voting Record Date shall be the transferor of such claim unless the documentation evidencing such transfer was docketed by the Bankruptcy Court on or before twenty (20) days prior to the Voting Record Date and no timely objection with respect to such transfer was filed by the transferor;

(j) If the Claimholder or its authorized representative did not check one of the boxes indicating acceptance or rejection of the Plan, or checked both such boxes, the Ballot will not be counted;

(k) Whenever a Claimholder (or its authorized representative) submits more than one Ballot voting the same Claim(s) before the Voting Deadline, except as otherwise directed by the Bankruptcy Court after notice and a hearing, the last properly executed such Ballot shall be deemed to reflect the voter's intent and shall supersede any prior Ballots;

(l) If an entity is a representative of multiple Claimholders, pursuant to an order of the Bankruptcy Court, or otherwise, such representative may submit one Ballot voting all Claims so long as such Ballot complies with all other tabulation procedures above;

(m) As the Debtors are seeking substantive consolidation of the Debtors' Estates under the Plan, claims filed against multiple Debtors will be treated as a single claim filed against the single consolidated estates of the Debtors;

(n) If a Claimholder indicates a Claim amount on its Ballot that is different from the amount otherwise calculated in accordance with the procedures set forth herein, such Claim shall be temporarily allowed for voting purposes in the lesser of the two said amounts;

(o) Any Ballot received by telecopier, facsimile or other electronic communication shall not be counted;

(p) To the extent possible, the Debtors shall mail each Claimholder that is entitled to vote a single ballot on behalf of all claims held by such Claimholder in a particular class of claims;

(q) To the extent that any Claimholder entitled to vote in a given class has filed duplicate claims (meaning the claims are in the same amount, with the same classification and asserting the same basis of claim) to be voted in such class, such Claimholder shall be provided, to the extent possible, with only one solicitation package and one Ballot which shall reflect the vote of only one such claim;

(r) If a proof of Claim has been filed on or before the General Bar Date or applicable Rejection Damage Claims Bar Date (or allowed as timely by the Bankruptcy Court on or before the Voting Record Date) in a wholly or partially unliquidated amount, such Claimholder shall be accorded one vote and the Claims shall temporarily be allowed for voting purposes in the liquidated amount thereof, except (i) to the extent that such Claim has been paid, expunged, disallowed, disqualified, or suspended prior to the Voting Record Date (ii) to the extent wholly unliquidated, the Claim shall temporarily be allowed for voting purposes in the amount of $1.00 and (iii) as otherwise provided herein;

(s) For the purposes of the numerosity requirement of Bankruptcy Code section 1126(c), separate Claims held by a single creditor in a particular class will be aggregated as if such creditor held one Claim against the Debtors in such class, and the votes related to such Claims will be treated as a single vote to accept or reject the Plan;

(t) Ballots postmarked prior to the Voting Deadline, but received after the Voting Deadline, will not be counted;

(u) Each Claimholder shall be deemed to have voted the full amount of its Claim;

(v) Unless otherwise ordered by the Bankruptcy Court, questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of ballots shall be determined by the Debtors, which determination shall be final and binding;

(w) If no Claimholder in a particular Class or Classes entitled to vote to accept or reject the Plan votes either to accept or reject the Plan, such Class or Classes shall be deemed to have accepted the Plan;

(x) Ballots which are illegible or contain insufficient information to permit the Debtors to identify the Claimholders will not be counted;

(y) Notwithstanding (a)-(x) of G.2 above, any General Unsecured Creditor in Class 3, which timely and properly elects Class 5 Convenience Claim treatment shall (i) have such claim reduced to $5,000; (ii) have such claim treated as a Class 5 Claim; and (iii) have its Ballot counted in the amount of $5,000.

The amount of your Claim for voting purposes as determined by these tabulation rules is solely for purposes of counting votes on the Plan. These tabulation rules do not determine whether your claim is or will be disputed, nor do they determine the amount of your claim for purposes of receiving a recovery under the Plan.

Generally, if you are entitled to vote under the tabulation rules, you will receive a Ballot, and your Ballot will indicate the amount of the claim that you will be entitled to vote under the tabulation rules, unless you obtain a specific order of the Bankruptcy Court pursuant to Rule 3018(a) of the Bankruptcy Rules prior to the Voting Deadline, and timely submit your Ballot.

3. Execution of Ballots by Representatives

If a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, such Persons must indicate their capacity when signing and, at the Debtors' request, must submit proper evidence satisfactory to the Debtors of their authority to so act. Pursuant to the Order Approving Stipulation by and Between the Debtors and UFCW Locals 1, 23 and 1776 and Employees Represented by UFCW Locals 1, 23 and 1776, a Ballot filed by a representative of the United Food and Commercial Workers Union Locals 1, 23 and 1776 shall be deemed valid and enforceable. For purposes of voting tabulation, a Ballot filed by a representative of the United Food and Commercial Workers Union Locals 1, 23 and 1776 shall account for the total amount of represented employees of the respective local union, with respect to the numerosity requirement set forth in this Article.

4. Waivers of Defects and Other Irregularities Regarding Ballots

Unless otherwise directed by the Bankruptcy Court, all questions concerning the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Debtors in their sole discretion, whose determination will be final and binding. The Debtors reserve the right to reject any and all Ballots not in proper form, the acceptance of which would,

in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determines. Neither the Debtors nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots, nor will any of them incur any liability for failure to provide such notification; provided, however, that the Debtors will indicate on the ballot summary the Ballots, if any, that were not counted, and will provide the original of such Ballots with the original of the ballot summary to be submitted at the Confirmation Hearing. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until any irregularities have been cured or waived. Unless otherwise directed by the Bankruptcy Court, Ballots previously furnished, and as to which any irregularities have not subsequently been cured or waived, will be invalidated.

5. Withdrawal of Ballots and Revocation

Any Claimholder (or its authorized representative) in an impaired Class who has delivered a valid Ballot for the acceptance of the Plan may withdraw such acceptance by delivering a written notice of withdrawal to counsel for the Debtors at any time before the Voting Deadline. Any Claimholder (or its authorized representative) in an impaired Class who has delivered a valid Ballot for the rejection of the Plan may withdraw such rejection by delivering a written notice of withdrawal to counsel for the Debtors at any time before the Confirmation Hearing.

To be valid, a notice of withdrawal must:

- contain the description of the Claims to which it relates and the aggregate principal amount of such Claims;

- be signed by the Claimholder (or its authorized representative) in the same manner as the Ballot; and

- be received by counsel for the Debtors in a timely manner at the addresses set forth in this Disclosure Statement for the submission of Ballots.

The Debtors expressly reserve the absolute right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots that is not received in a timely manner by the Debtors will not be effective to withdraw a previously furnished Ballot.

Any Claimholder (or its authorized representative) who has previously submitted a properly completed Ballot before the Voting Deadline may revoke such Ballot, *in toto*, including the elections made therein, and change its vote by submitting before the Voting Deadline a subsequent, properly completed Ballot for acceptance or rejection of the Plan.

H. Confirmation of Plan

1. Solicitation of Acceptances

The Debtors are soliciting your vote, because you hold a Claim in Class 3 that is impaired under the Plan.

NO REPRESENTATIONS OR ASSURANCES, IF ANY, CONCERNING THE DEBTORS OR THE PLAN ARE AUTHORIZED BY THE DEBTORS, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY

REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE YOUR VOTE, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT OR THE SOLICITATION LETTER ACCOMPANYING THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED ON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO DEBTORS' COUNSEL FOR APPROPRIATE ACTION.

THIS IS A SOLICITATION SOLELY BY THE DEBTORS, AND IS NOT A SOLICITATION BY ANY SHAREHOLDER, ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL FOR THE DEBTORS. THE REPRESENTATIONS, IF ANY, MADE IN THIS DISCLOSURE STATEMENT ARE THOSE OF THE DEBTORS AND NOT OF SUCH SHAREHOLDERS, ATTORNEYS, ACCOUNTANTS, OR OTHER PROFESSIONALS, EXCEPT AS MAY BE OTHERWISE SPECIFICALLY AND EXPRESSLY INDICATED.

Under the Bankruptcy Code, a vote for acceptance or rejection of a plan may not be solicited unless the claimant has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by Bankruptcy Code section 1125(b). Violation of Bankruptcy Code section 1125(b) may result in sanctions by the Bankruptcy Court, including disallowance of any improperly solicited vote.

2. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of Bankruptcy Code section 1129 have been satisfied, in which event the Bankruptcy Court shall enter a Final Order confirming the Plan. For the Plan to be confirmed, Bankruptcy Code section 1129 requires that:

(a) The Plan complies with the applicable provisions of the Bankruptcy Code;

(b) The Debtors have complied with the applicable provisions of the Bankruptcy Code;

(c) The Plan has been proposed in good faith and not by any means forbidden by law;

(d) Any payment or distribution made or promised by the Debtors or by a Person issuing securities or acquiring property under the Plan for services or for costs and expense in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

(e) The Debtors have disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtors, an affiliate of the Debtors participating in a joint plan with the Debtors, or a successor to the Debtors under the Plan; the appointment to, or continuance in, such office of such individual is consistent with the interests of Creditors and Interestholders and with public policy;

(f) Any government regulatory commission with jurisdiction (after confirmation of the Plan) over the rates of the Debtors have approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval;

(g) With respect to each impaired Class of Claims or Equity Interests, either each holder of a Claim or Equity Interest of the Class has accepted the Plan, or will receive or retain under the Plan on account of that Claim or Equity Interest, property of a value, as of the effective date of

the Plan, that is not less than the amount that such holder would so receive or retain if the Debtors were liquidated on such date under chapter 7 of the Bankruptcy Code. If Bankruptcy Code section 1111(b)(2) applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in the Debtors' interest in the property that secures that claim;

(h) Each Class of Claims or Equity Interests has either accepted the Plan or is not impaired under the Plan, subject to the Debtors' right to seek cramdown of the Plan under section 1129(b) of the Bankruptcy Code;

(i) Except to the extent that the holder of a particular Administrative Claim has agreed to a different treatment of its Claim, the Plan provides that Administrative Claims shall be paid in full on the Effective Date;

(j) With respect to holders of Priority Non-Tax Claims, the Plan provides that holders of such claims shall receive cash in full on the effective date;

(k) If a Class of Claims or Equity Interests is impaired under the Plan, at least one such Class of Claims or Equity Interests has accepted the Plan, determined without including any acceptance of the Plan by any Insider holding a Claim or Equity Interest of that Class;

(l) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation is proposed in the Plan;

(m) All court fees, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date; and

(n) The Plan provides that all transfers of property shall be made in accordance with applicable provisions of nonbankruptcy law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

The Debtors believe that the Plan satisfies all of the statutory requirements of the Bankruptcy Code for confirmation and that the Plan was proposed in good faith. The Debtors believe they have complied, or will have complied, with all the requirements of the Bankruptcy Code governing confirmation of the Plan.

3. Acceptances Necessary to Confirm the Plan

Voting on the Plan by each holder of an Impaired Claim (or its authorized representative) is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim or Equity Interest vote in favor of the Plan in order for the Bankruptcy Court to confirm the Plan. Generally, under the acceptance provisions of Bankruptcy Code section 1126, each Class of Claims has accepted the Plan if holders of at least two-thirds (2/3rds) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class actually voting in connection with the Plan vote to accept the Plan. Generally, each Class of Equity Interests has accepted the Plan if holders of at least two-thirds (2/3rds) in dollar amount of such Equity Interests in such Class actually voting in connection with the Plan vote to accept the Plan. As there will be no distribution on account of Equity Interests under the Plan, votes of Interestholders are not being solicited and Interestholders are deemed to have rejected the Plan. Even if all Classes of Claims and Equity Interests accept the Plan, the Bankruptcy Court may refuse to confirm the Plan if the Court finds that the Plan does not satisfy the other Bankruptcy Code Confirmation requirements.

4. Cramdown

In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired Class that has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable." A chapter 11 plan does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interests. "Fair and equitable" has different meanings for holders of secured and unsecured claims and equity interests.

With respect to a secured claim, "fair and equitable" means either (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal to the allowed amount of its claims with a present value as of the effective date of the plan at least equal to the value of such creditor's interest in the property securing its liens; (ii) property subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be treated in accordance with clauses (i) and (iii) hereof; or (iii) the impaired secured creditor realizes the "indubitable equivalent" of its claim under the plan.

With respect to an unsecured claim, "fair and equitable" means either (i) each impaired creditor receives or retains property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive any property under the plan.

With respect to equity interests, "fair and equitable" means either (i) each impaired equity interest receives or retains, on account of that equity interest, property of a value equal to the greater of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of the equity interest, or (ii) the holder of any equity interest that is junior to the equity interest of that class will not receive or retain under the plan, on account of that junior equity interest, any property.

The Debtors believe that the Plan does not discriminate unfairly and is fair and equitable with respect to each impaired Class of Claims and Equity Interests. The Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any impaired Class of Claims or Equity Interests that rejects or is deemed to have rejected the Plan.

ARTICLE IV.
BACKGROUND OF THE DEBTORS AND THEIR BANKRUPTCY CASES

A. Description of Debtors' Business

Penn Traffic, a publicly-traded Delaware corporation, at the time of the commencement of its Bankruptcy Cases was one of the leading food retailers in the Northeastern United States, with annual pre-petition revenues of approximately $872 million. Penn Traffic operated approximately seventy-nine (79) supermarkets located throughout upstate New York, Pennsylvania, Vermont and New Hampshire operating under the "Bi-Lo," "P&C," and "Quality" trade names.

Penn Traffic's retail food business dated back to 1854. Through a series of acquisitions and mergers, the Debtors grew to become a leader in the Northeastern United States retail food industry. The Debtors' supermarkets offered a broad selection of grocery, meat, poultry, seafood, dairy, fresh produce, delicatessen, bakery, and frozen food products. The stores also offered non-food products and services such as health and beauty care products, housewares, general merchandise, floral, and pharmacy items. The retail store sizes and formats varied depending on the demographic conditions in each location. Conventional, smaller store formats served lower density populations, while full-service supermarkets of up to 75,000 square feet served larger populations.

In addition to its retail operations, Penn Traffic formerly operated a wholesale business, which it sold to C&S Wholesale Grocers, Inc. ("C&S") in December 2008. In conjunction with that asset sale transaction, Penn

Traffic entered into an agreement with C&S to continue to provide transportation, warehousing, distribution, and retail support services to the wholesale customers.

Penn Traffic maintained its corporate offices at 1200 State Fair Blvd, Syracuse, New York 13221, which is where the Debtors' Estates continue to maintain the wind down staff and operations.

As of the Petition Date, the Debtors employed approximately 5,700 persons in their grocery stores, distributions centers, trucking services, and corporate offices. Approximately 5,300 employees were hourly workers while approximately four hundred (400) employees were salaried. Of its 5,700 employees, approximately eighty-seven percent (87%) of the employees were represented by a union. Approximately ninety-three percent (93%) of unionized employees belonged to locals of the United Food and Commercial Workers union ("UFCW"), while approximately seven percent were represented by local units of the International Brotherhood of Teamsters union ("Teamsters" and collectively with the UFCW, the "Unions"). As of the Petition date, the Debtors were party to fourteen (14) collective bargaining agreements with locals of the UFCW and Teamsters. Approximately thirteen percent (13%) of the Debtors' employees were not members of a collective bargaining unit.

B. Previous Chapter 11 Cases

In recent history, Penn Traffic has undergone two previous reorganizations under chapter 11. The first chapter 11 bankruptcy, initiated in March 1999, was a pre-negotiated financial restructuring of the Debtors which was commenced in the United States Bankruptcy Court for the District of Delaware. Penn Traffic emerged from bankruptcy protection in June 1999.

The second bankruptcy was commenced in the United States Bankruptcy Court for the Southern District of New York in May 2003. During the second chapter 11 case, the Debtors reorganized their business operations and implemented cost reduction and cost containment initiatives, including the cessation of the retail grocery business in Ohio and West Virginia under the "Big Bear" name, disposing non-core real estate properties, consolidating and closing certain warehouses and unprofitable stores, and the rejection of certain executory contracts and unexpired leases. Upon emergence from chapter 11 protection in April 2005, the Debtors incurred a new debt facility, with General Electric Capital Corporation as agent, for the principal amount of $164,000,000, which consisted of an exit financing facility term loan of $6,000,000, a revolver of $130,000,000 and a supplemental real estate facility of $28,000,000. In addition, the Debtors sold their five (5) owned distribution centers located in New York and Pennsylvania to Equity Industrial Partners Corp. for $37,000,000 and entered into a fifteen (15) year lease with the purchaser.

C. Prepetition Financing Arrangements

The Debtors were borrowers and guarantors under two different secured credit facilities which, as of the Petition Date, had total outstanding secured debt in the approximate principal sum of $63.2 million, plus accrued interest thereon. First, The Penn Traffic Company, Penny Curtiss Baking Company, Inc. and Big M Supermarkets, Inc., as borrowers (the "Borrowers"), and Sunrise Properties, Inc., Pennway Express, Inc., Commander Foods Inc., P and C Food Markets Inc. of Vermont, P.T. Development LLC and P.T. Fayetteville/Utica, LLC, as guarantors (the "Guarantors"), were party to that certain Credit Agreement (the "Credit Agreement"), dated as of April 13, 2005 (as amended from time to time, and together with all related loan and security documents, including, without limitation, any guarantees given by the Guarantors, the "Prepetition Senior Credit Facility"), with General Electric Capital Corporation, as agent (the "Prepetition Senior Agent") and as lender along with the other lenders which are signatories to the Prepetition Senior Credit Facility (the "Prepetition Senior Lenders"). The Prepetition Senior Credit Facility provided the Borrowers with, inter alia, revolving and term credit facilities in an amount not to exceed $136,000,000.

As of the Petition Date, the outstanding principal amount owed by the Borrowers to the Prepetition Senior Lenders under the Prepetition Senior Credit Facility was $41,847,395 plus accrued interest, costs, and fees. This was comprised of $35,847,395 million under the revolver facility used to back-stop letters of credit

and a $6 million term loan. Substantially all of the outstanding indebtedness resulted from letters of credit issued under the Credit Agreement, primarily to support certain of the Debtors' insurance obligations.

As collateral security for all of the obligations under the Prepetition Senior Credit Facility, the Prepetition Senior Agent was granted (i) a first priority security interest in and lien upon substantially all of its existing and after-acquired personal property and fee owned interest in real property and (ii) a security interest in and lien upon a substantial portion of its existing and after-acquired leasehold interests in real property which was second in priority only to the security interest in and lien upon such leaseholds granted to the Supplemental Real Estate Facility Agent to secure the obligations under the Supplemental Real Estate Facility.

Second, the Borrowers and Guarantors were party to that certain Supplemental Real Estate Credit Facility, dated April 13, 2005 (as amended from time to time, and together with all related loan and security documents, including, without limitation, any guarantees given by the Guarantors, the "Supplemental Real Estate Credit Facility," and together with the Prepetition Senior Credit Facility, the "Prepetition Credit Facilities"), with Kimco Capital Corp., as agent (the "Supplemental Real Estate Facility Agent," and together with the Prepetition Senior Agent, the "Prepetition Agents") and as lender along with the other lenders which were signatories to the Supplemental Real Estate Credit Facility (the "Supplemental Real Estate Credit Facility Lenders," and together with the Prepetition Senior Lenders, the "Prepetition Lenders"). The Supplemental Real Estate Credit Facility provided the Borrowers with a supplemental real estate credit facility in an amount not to exceed $28,000,000. As of the Petition Date, the outstanding principal amount owed by Borrowers to the Supplemental Real Estate Credit Facility Lenders under the Supplemental Real Estate Credit Facility was $10,000,000 plus accrued interest, costs, and fees.

As collateral security for all of the obligations under the Supplemental Real Estate Credit Facility, the Supplemental Real Estate Facility Agent was granted (i) a first priority security interest in and lien upon a substantial portion of its existing and after-acquired leasehold interests in real property and (ii) a security interest and lien upon all or substantially all of its existing and after-acquired personal property and fee owned interests in real property which was second in priority only to the security interest in and lien upon such interests granted to the Prepetition Senior Agent to secure the obligations under the Prepetition Senior Credit Facility.

The respective rights, obligations, and priorities of the Prepetition Lenders with respect to their interests in the collateral securing the obligations owed to them were governed by that certain Intercreditor Agreement, dated as of April 13, 2005, among the Prepetition Agents and Wayne R. Walker, as collateral trustee and that certain Intercreditor and Subordination Agreement dated April 13, 2005 among the Prepetition Agents.[6]

The Prepetition Lenders have been paid in full from the proceeds of the sale of substantially all of the Debtors' assets (as more fully described below) and the Debtors are no longer obligated under any of the prepetition financing agreements.

D. Corporate Information

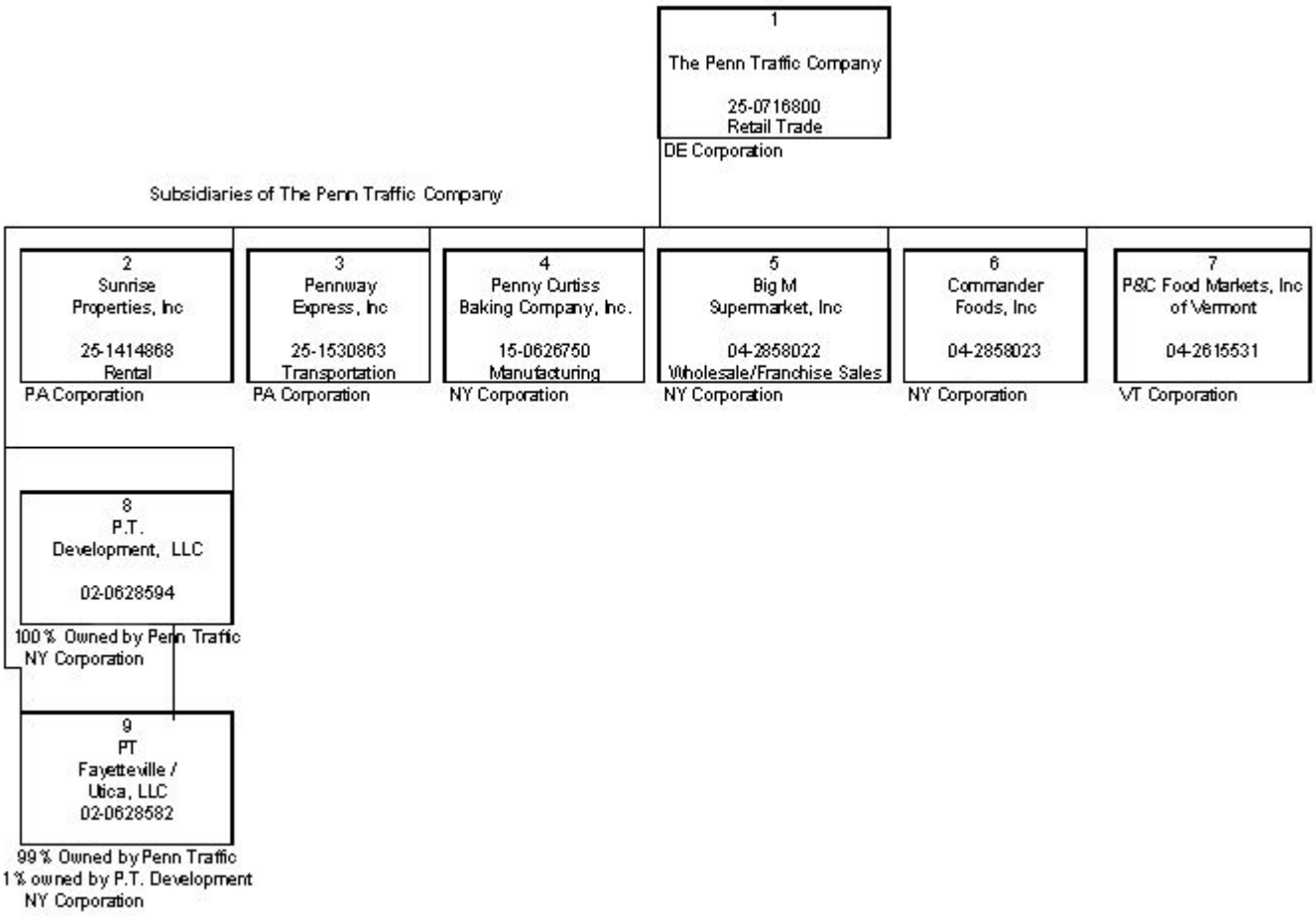
1. Corporate Structure

Substantially all of the Debtors' assets and liabilities are owned and owed by The Penn Traffic Company, the principal operating and holding company. The other Debtors either served a discrete function within the Debtors' overall business structure, or are the corporate shell of discontinued operations. Sunrise Properties, Inc. is a Pennsylvania corporation that owned and leased real property, primarily in connection with the Debtors' supermarket operations. Pennway Express, Inc. is a Pennsylvania corporation that operated a trucking and freight business serving the Debtors' supermarket operations and third-party customers. It ceased operating in February 2010. Penny Curtiss Baking Company, Inc. is a New York corporation that formerly operated the Debtors' commercial bakery business but since the bakery's closure in January 2008 has been an inactive corporation. Big M Supermarkets, Inc., a New York corporation, was a franchisor/licensor, wholesaler,

[6] Wayne R. Walker was the collateral trustee with respect to liens granted to the collateral securing the obligations described above, and which terminated prior to the Petition Date.

and service provider for various independent retail grocers, and has been an inactive corporation since approximately January 2009. Commander Foods Inc. is a New York corporation formerly primarily involved in the Debtors' private label business. It had been an inactive corporation since approximately February 2008, and more recently, since approximately April 2010, has been used to identify remaining estate employees for payroll purposes. P and C Food Markets Inc. of Vermont is a Vermont corporation that held certain Vermont state licenses. P.T. Fayetteville/Utica, LLC is a New York limited liability company that owned the real and personal property for a supermarket in Fayetteville, New York. P.T. Development, LLC is a New York limited liability company that holds a one percent (1%) interest in P.T. Fayetteville/Utica, LLC.

An organizational chart depicting the Debtors' corporate structure follows:



2. Current Officers and Directors of the Debtors

The current management of the Debtors is composed of experienced professionals with substantial familiarity with the supermarket industry. The Debtors' current directors, and the capacities in which they serve as officers, are as follows:

Robert J. Kelly	Director
John E. Burke	Director
Kevin P. Collins	Director
Ben Evans	Director
Alan C. Levitan	Director
Kurt M. Cellar	Director
Scott Sozio	Director
Gregory J. Young	Director, President and Chief Executive Officer

Daniel J. Mahoney	Senior Vice President, General Counsel and Secretary
Eric Sattler	Vice President of Finance and Interim Chief Financial Officer
Susan D. Watson	Wind Down Officer

E. Circumstances Leading to the Debtors' Chapter 11 Cases

1. Recent Litigation and Investigations

In 2005, while the Debtors were emerging from their second bankruptcy case, the United States Attorney's Office for the Northern District of New York (the "USAO") and the SEC initiated extensive investigations relating to certain of the Debtors' accounting practices and policies prior to the Debtors' emergence from bankruptcy in April 2005. In September 2007, the SEC filed formal charges of civil fraud against two former employees of the Debtors – the former Chief Marketing Officer and former Vice President, Non-Perishables Marketing - alleging they had engaged in fraudulent activity from approximately 2001 through 2003. The officers subject to the SEC charges had been terminated by the Debtors in February 2006. In addition, the USAO pursued a criminal indictment against these same two individuals on related criminal charges.

On September 30, 2008, the Debtors reached a settlement with the SEC with respect to its ongoing investigation into the Debtors' role in the conduct of its former employees. Without admitting or denying the allegations in the SEC's complaint, the Debtors agreed to settle the charges by consenting to a permanent injunction against any future violations of the federal securities laws. The SEC imposed no fines or monetary penalties on the Debtors. As part of the settlement, the Debtors hired an independent examiner who was to serve for three (3) years and would prepare annual reports to the SEC, the USAO and the Debtors' Board of Directors on, among other things, the Debtors' promotional-allowance internal controls and financial reporting.

In October 2008, the Debtors entered into a non-prosecution agreement with the USAO. Under the agreement, the USAO agreed not to prosecute the Debtors for any crimes committed by their employees between 2001 and 2004 relating to the matters that were the subject of the USAO's investigation of, among other things, the Debtors' accounting policies, practices, and related conduct. The USAO agreement is subject to a number of conditions, including the Debtors':

- acceptance of responsibility for the conduct of their employees between 2001 and 2004;
- adoption of the remedial measures required under, and compliance with the terms of, the previously announced settlement of the SEC's investigation of the Debtors, including its compliance with specified federal securities laws; and
- provision of full cooperation to the USAO and Federal Bureau of Investigation with respect to their ongoing investigations through the conclusion of any and all related criminal trials.

In August 2009, the former officers of the Debtors entered guilty pleas in the criminal matters brought against them. The former officers were sentenced on May 14, 2010 to serve fourteen (14) months in federal prison.

Throughout these investigations, the Debtors incurred significant legal and increased audit costs totaling upwards of approximately $17,000,000.

2. Global Economic Downturn

The Debtors' business was hurt by the impact of the national economic downturn throughout their geographic footprint – Northern and Central Pennsylvania, Northern and Central New York, New

Hampshire, and Vermont. Moreover, the dramatic increase in unemployment rates within the communities where the Debtors operated had a negative effect on the Debtors' businesses. Sales, revenues, and gross profit all decreased in Fiscal Year 2010[7] compared to Fiscal Year 2009 even though cost control efforts and store closings enabled the Debtors to slash overhead costs by $6.2 million in the calendar year 2009. The Debtors' net loss for Fiscal Year 2009 was $18.3 million (2.2% of revenue), as compared to a Fiscal Year 2008 net loss of $41.7 million (4.7% of revenue). Despite cost reductions and operational efficiencies implemented through 2008, the Debtors continued to be adversely affected by higher operational costs than most of their retail grocery competitors, including their labor costs, and a decline in both the number of customers and the number of items purchased per customer.

In addition, the Prepetition Senior Agent and Lenders, mindful of the looming April 2010 maturity dates for the pre-petition credit facilities, were increasingly focused on the current liquidation value of their collateral, which resulted in the Prepetition Senior Agent and Lenders taking significant steps over the several months prior to the Petition Date that seriously restricted the Debtors' liquidity. As a result, while the Debtors explored the prospects of refinancing the secured debt or obtaining additional capital or equity in sufficient amounts, the Debtors were unable to attract substantial interest from new lenders and from private or public debt or equity sources.

3. Additional Factors Contributing to the Debtors' Financial Difficulties

In addition to the problems described above, the very nature of the food retailing business is highly competitive, generally characterized by narrow profit margins, and subject to the effects of general economic conditions and trends. The number of competitors and the degree of competition encountered by the Debtors' stores varied by location. Increasingly over the last few years, however, competition for consumers' food dollars intensified due to the addition of and increases in food offerings by many types of retailers, including specialty grocers, drug and convenience stores, gas stations, national general merchandisers, discount retailers, warehouse stores, and super centers. The Debtors competed with several multi-regional, regional, and local supermarket chains, convenience stores, stores owned and operated and otherwise affiliated with large food wholesalers, unaffiliated independent food stores, warehouse clubs, discount drug store chains, discount general merchandise chains, "supercenters" (combination supermarket and general merchandise stores), and other retailers.

4. Notice of Default under Credit Agreement

On October 30, 2009, the Debtors were notified by the Prepetition Senior Agent that, because of issues it asserted respecting the Debtors' borrowing base, it was declaring an event of default under the Credit Agreement. This resulted in an immediate reduction in cash availability, which further distressed the Debtors' finances. In addition, as a result of the alleged default, the Debtors' principal cash management bank required the Debtors to fund all of their ACH transactions in advance, which resulted in an even greater strain on the Debtors' cash flow.

Based upon their lack of liquidity and the depressed income from its retail grocery business, the Debtors determined to file the Bankruptcy Cases.

F. First Day Motions

On or shortly after the Petition Date, the Debtors filed a number of motions to administer these Bankruptcy Cases in a timely and efficient manner. Pursuant to those motions, the Bankruptcy Court entered orders that, among other things, granted the Debtors the authority to:

- establish joint administration of the cases;
- appoint Donlin, Recano & Company, Inc. as claims and noticing agent;

[7] The Debtors' current fiscal year is FY 2011, which began February 1, 2010 and ends January 31, 2011.

- authorize the filing of a consolidated list of creditors;
- establish procedures for payment of professionals;
- establish the payment of certain prepetition insurance obligations, the continued administration of insurance policies, and the payment of insurance claims;
- authorize the continuation of certain customer programs and practices;
- authorize the payment of certain prepetition common carrier obligations;
- pay certain sales and use taxes and direct banks and other financial institutions to honor all checks and electronic payment requests;
- extend the period during which utility companies may not alter, refuse, or discontinue services to the Debtors;
- pay prepetition accrued wages, salaries, medical benefits, and reimbursable employee expenses;
- pay certain sales and use taxes;
- continue use of the cash management system and maintain existing bank accounts;
- authorize the use of Cash Collateral;
- extend the time within which the Debtors must file Schedules of Assets and Liabilities and Statement of Financial Affairs; and
- reject certain unexpired leases of real property pursuant to 11 U.S.C. § 365.

G. Agreements Regarding Use of Cash Collateral

Obtaining use of Cash Collateral in this case was critical to the Debtors' efforts in undertaking an orderly sale process and wind down of their business operations, paying certain employee priority claims, and progressing towards the filing and implementation of a chapter 11 plan. The Debtors developed and secured the use of Cash Collateral through negotiations with numerous constituencies to reach agreement on multiple interim and a final Cash Collateral order.[8] Moreover, the Debtors negotiated the use of Cash Collateral to effectively operate the Debtors' business in order to provide time to market the Debtors' business and ultimately negotiate a global sale transaction.

H. The Debtors' Sale Process

1. Implementation of Marketing and Sale Process

The Debtors, acting through their restructuring managers and advisors and with the approval of their Board of Directors, implemented a marketing and sale process for the assets of the Debtors designed to reach buyers most likely to have an interest in the Debtors' assets and business. During the course of this marketing process, the Debtors contacted a large number of financial, strategic, and liquidation purchasers with the goal of soliciting bids for all or a part of the assets of the Debtors. The Debtors and their restructuring advisors encouraged these parties to enter into standard non-disclosure agreements ("NDA") in order to provide the parties with access to the Debtors' online data room which had been set up for due diligence purposes. Over the course of the prepetition and postpetition marketing process, fifty-eight (58) parties ultimately executed NDA's and conducted due diligence on the Debtors. The data room provided these parties with current and historical

[8] The Debtors' cash collateral order was amended five (5) times throughout the course of the cases.

information on the Debtors. Such information included financial, corporate, real estate, labor, and other information.

2. Sale Motions

During these Bankruptcy Cases and prior to the submission of the Sale Motion (defined below), the Debtors filed five (5) motions to sell some or substantially all of their assets. On December 4, 2009, the Debtors filed an expedited motion for the sale of four (4) stores to Price Chopper Operating Co. ("Price Chopper"), a competing retail supermarket chain, for a purchase price of $12,300,000 cash, plus the assumption of certain liabilities relating to contracts to be assumed and assigned to Price Chopper. This motion included provisions for bid procedures and an auction. The Debtors subsequently withdrew this motion.

On December 7, 2009, the Debtors filed a motion seeking the approval of bid procedures, as well as an agreement for the liquidation, on an agency basis, of substantially all of the Debtors' assets (excluding the four (4) stores described above). The agency agreement was executed by the Debtors and a joint venture comprised of KRC Capital Services, LLC, Gordon Brothers Group, LLC, The Nassi Group, LLC, SB Capital Group and DJM Realty Services, LLC. As consideration, the Debtors were to receive a guaranteed minimum amount of $36,500,000, subject to certain price adjustments. The Debtors subsequently withdrew this motion.

On December 15, 2009, the Debtors filed a motion for the approval of a private sale transaction (i.e. without an auction or bid procedures) for the sale of twenty-two (22) stores to Price Chopper for a purchase price of $54,000,000. This sale was to subsume the four (4) store transaction described above. This proposed agreement required the Debtors to deliver these stores to Price Chopper without inventory. The Debtors subsequently withdrew this motion.

On December 22, 2009 the Debtors filed a motion for the approval of an agency agreement for the sale of merchandise of twenty-two (22) of the Debtors' stores (the same twenty-two (22) stores contemplated being sold to Price Chopper). The Debtors entered into this agency agreement with Hilco Merchant Resources, LLC and Hilco Real Estate Holdings, LLC (collectively "Hilco"). This proposed agreement provided the Debtors would be paid a guaranteed amount of approximately $7,000,000. The Debtors subsequently withdrew this motion.

On January 3, 2010, the Debtors filed an emergency motion seeking the approval of bid procedures and an agreement for the liquidation, on an agency basis, for the balance of the Debtors' assets (excluding the twenty-two (22) stores contemplated for sale to Price Chopper and the liquidation of those 22 stores by Hilco). The Debtors entered into this agency agreement with Hilco. This proposed agreement provided the Debtors would be paid a guaranteed minimum amount of $19,750,000. The Debtors subsequently withdrew this motion.

3. Global Sale Transaction with Tops

On January 7, 2010, the Debtors and Tops entered into that certain Asset Purchase Agreement for the sale by the Debtors to Tops substantially all of the Debtors' assets (as amended, supplemented or otherwise modified from time to time, the "APA"). On January 8, 2010, the Debtors filed an Emergency Motion for Orders Approving a Global Sale Transaction with Tops and Other Related Relief (D.I. 301) (the "Sale Motion"). By the Sale Motion, the Debtors requested the approval of (i) certain bid procedures and bid protections, which were approved by the Bankruptcy Court on January 8, 2010, (ii) the sale of substantially all of the Debtors' assets to Tops (subject to certain exceptions) or another successful bidder, (iii) assumption and assignment of certain leases, (iv) the assumption and assignment to Tops or rejection of other contracts and leases the Debtors were party to, and (v) approval of several agreements in connection with the global sales transaction with Tops.[9]

[9] These agreements include: (i) an asset purchase agreement, (ii) a transition services agreement, (iii) an interim operating agreement, and (iv) an agency agreement.

The global sale transaction to Tops also included (i) a compromise of claims by the Debtors and by the UFCW Local One Pension Fund, (ii) an agreement between the Debtors and C&S, and (iii) an agreement between United Food and Commercial, Local One, the UFCW Local One Pension Fund, Tops, and the Debtors.

Aside from Tops, no other bidder submitted a qualified bid. Accordingly, on January 19, 2010, the Debtors filed a Notice of Non-Receipt of Qualified Bids and Cancellation of Auction cancelling the auction which had been scheduled to take place on January 21, 2010.

The Bankruptcy Court entered the following orders approving the global sale transaction with Tops (as same have been amended, supplemented or otherwise modified from time to time, collectively referred to as the "Sale Order"):

(i) Order (I)(A) Approving Asset Purchase Agreement for the Sale of Substantially All of the Debtors' Assets Outside the Ordinary Course of Business; (B) Authorizing the Sale of Assets Free and Clear of All Liens, Claims, Encumbrances and Interests; (C) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; (II) Approving Interim Operating Agreement; (III) Approving Transition Services Agreement; (IV) Approving C&S Agreement; and (V) Granting Related Relief dated January 25, 2010 (D.I. 468);

(ii) Order Approving Agency Agreement Appointing Agent to (A) Sell All of the Debtors' Merchandise and (B) Conduct Going Out of Business Sales at the Debtors' Stores dated January 25, 2010 (D.I. 462);

(iii) Order (I) Approving Comprises of Claims Between Debtors, (A) C&S and (B) The UFCW Local One Pension Fund; (II) Approving Agreement Between C&S and Debtors; and (III) Approving Agreement Between United Food and Commercial Local One, The UFCW Local One Pension Fund, Tops Markets, LLC and Debtors dated January 25, 2010 (D.I. 464);

(iv) Order Approving Stipulation by and Among Debtors, The Official Committee of Unsecured Creditors, National Industrial Portfolio, LLC and C&S dated January 25, 2010 (D.I. 465);

(v) Order in Aid of Consummation of Transactions with Tops Markets, LLC Establishing Mechanism For the Assumption and Assignment of (I) Contracts and (II) Unexpired Leases of Non-Residential Real Property to Third-Parties in Accordance with the Asset Purchase Agreement dated February 17, 2010 (D.I. 593);

(vi) Order Approving Stipulation Extending Debtors' Time To Assume Or Reject A Non-Residential Lease Pursuant To 11 U.S.C. § 365(d)(4), dated June 2, 2010 (D.I. 1028); and

(vii) Order Approving Second Stipulation Extending Debtors' Time To Assume Or Reject A Non-Residential Lease Pursuant To U.S.C. § 365(d)(4), dated July 28, 2010 (D.I. 1262).

On January 29, 2010, the Debtors closed the global sale transaction and sold substantially of their assets to Tops for a purchase price of $85,000,000.

The Sale Order expressly provides, among other things, that the terms and provisions of the Sale Order and the Sale Transaction Documents (as defined below) are binding in all respects upon, among others, the Debtors, their successors in interest, and all other parties in interest.

In addition to executing the APA with Tops, the Debtors and Tops also entered into several agreements to, among other things, effectuate a transition of services from the Debtors to Tops. On January 29, 2010, the Debtors and Tops entered into the following agreements: (i) a Transition Services Agreement ("TSA"), (ii) an Interim Operating Agreement ("IOA"), and (iii) an Agency Agreement ("AA," and together with the TSA, IOA, APA and the Sale Order, the "Sale Transaction Documents"). At the closing, Tops had identified three

categories for treatment of the acquired assets. One category allowed Tops to begin operating the retail store immediately upon designation. These stores were termed "Acquired Stores" pursuant to Column A of Schedule 5.6 of the APA. The second category of stores were those retail locations that Tops did not ultimately intend to operate as Tops Markets; instead, Tops intended to either designate these as stores to reject or it intended to sell the stores to third-parties. These stores were generally called the "Rejected Stores." The third and final category of stores were those retail locations that Tops had not yet determined to designate an Acquired Store or a Rejected Store, and thus were on the "bubble" for determination (generally referred to as the "Bubble Stores"). Pursuant to the terms of the APA, TSA, IOA, and AA, Tops was required to designate each store (and related contracts) to be either an Acquired Store, a Rejected Store, or a Bubble Store.[10]

The purpose of the TSA was, among other things, for the Debtors to provide certain transitional services to Tops for a period of ninety (90) days following the closing related to certain store locations, allowing Tops to efficiently and orderly take over operations of the Acquired Stores. The parties entered into the AA wherein, among other things, Tops would serve as exclusive agent to liquidate the inventory of the Rejected Stores. Pursuant to the AA, Tops either had the right to liquidate the inventory of the Rejected Stores or it could engage a third-party to liquidate the inventory. The parties entered into the IOA wherein, among other things, Tops would operate the Bubble Stores until Tops had exercised its designation rights with regard to the store, at which time, the participate store(s) would be treated pursuant to the TSA or the AA.

The original term of the TSA, IOA, and AA was from January 29, 2010 through April 29, 2010. The terms of the TSA, IOA, and AA were extended by separate agreement between the parties on April 28, 2010 extending the term of the TSA IOA, and AA through and including May 15, 2010 with the final payroll to be processed on May 20, 2010.

The Debtors and Tops have been continuously working together, as contemplated under the Sale Transaction Documents, to reconcile the various amounts due and owing to each other thereunder. It is also possible that Tops may have claims against the Debtors and that the Debtors may have claims against Tops with respect to the Sale Transaction Documents. The Debtors and Tops reserve all rights to assert claims under the Sale Transaction Documents. At the point when a final reconciliation is determined (either consensually or judicially), it is likely that one party will be a net debtor and the other a net creditor. The Debtors believe that the levels of reserve they project to establish on the Effective Date for post-Effective Date costs, together with any claim they may allege that they have or which may allegedly arise against Tops, will be sufficient to cover any liabilities that may arise to Tops on claims Tops allegedly has, or which may allegedly arise against the Debtors. Tops and the Debtors are continuing to review these issues, and both parties reserve all rights with respect to such issues. Should an agreement not be reached respecting such issues, all parties' rights to seek a determination from the Bankruptcy Court to resolve any disputes are reserved.[11]

Tops' right to designate certain contracts for assumption and assignment or rejection was extended through June 16, 2010 for all but one Bubble Store located in Lowville, New York with respect to which the time within which Tops has to designate the Lowville Bubble Store for assumption or rejection was extended until September 10, 2010. Tops has designated each Bubble Store as either an Acquired Store or Rejected Store.

Pursuant to the APA, as part of the sale transaction, Tops was required to deposit $12.5 million as an earnest money deposit. On January 12, 2010, the Debtors and Tops entered into an Escrow Agreement related to the earnest money deposit. Additionally, a portion of the purchase price ($5 million) was to be escrowed and was to serve as the sole source of funds available for any reduction in the purchase price per terms set forth in the APA.

On January 29, 2010, as part of the closing, the Debtors and Tops entered into a second Escrow Agreement whereby $5 million was held as escrow for any potential purchase price adjustment and an additional $7.5 million was held in escrow with regard to any unresolved encumbrance issues. The Debtors and Tops

[10] At various times throughout the Bankruptcy Cases, the APA, AA, TSA and IOA have been amended.

[11] For the avoidance of doubt, nothing herein shall alter the terms of that certain Order (I) Approving A Compromise Of A Controversy Between The Debtors and Frito-Lay, Inc. And (II) Granting Limited Relief From The Automatic Stay To Effectuate Setoff. (D.I. 1305)

agreed to work together to complete title searches related to the acquired assets. The $7.5 million escrowed funds were to be released periodically as it was determined by the parties that no unresolved encumbrance existed related to the acquired contracts. On July 20, 2010, $12,482,017.95 of the escrowed funds was released to the Debtors and the remaining amount ($20,079) was used to purchase a title insurance policy for one store location under Tops' name.

Pursuant to the Sale Transaction, Sale Transaction Documents and the Sale Order, the Debtors and Tops established the Cure Reserve for the administration of cure related issues with respect to assumed contracts pursuant to the procedures set forth in the Sale Transaction Documents. Currently, there is approximately $300,000 remaining in the Cure Reserve in order to satisfy such outstanding cure issues.

As part of the sale transaction, on January 7, 2010, the Debtors entered into an agreement with C&S and Tops related to the supply of goods to the Debtors and Tops, as purchaser (the "C&S Agreement"). Pursuant to the C&S Agreement, Tops allowed C&S to use certain transportation equipment acquired by Tops, as well as direct the parties with regard to the warehouse facility leases utilized by the Debtors and C&S in operation of the wholesale grocery business. As part of the C&S Agreement, C&S had the sole and exclusive right for sixty (60) days following closing to direct the Debtors to assume and assign or reject certain leases and contracts.

As described above, in connection with the sale transaction, the Debtors, the Committee, C&S and National Industrial Portfolio ("National Industrial") entered into a stipulation (the "NIP Stipulation") in order to come to a consensual resolution to National Industrial's objection to the global sale transaction. The Debtors were tenants under a certain lease dated April 14, 2005 (the "Lease") with Equity Industrial PT Limited Partnership, predecessor-in-interest to National Industrial. Pursuant to the Lease, the Debtors leased five (5) premises[12] from National Industrial. The Premises provided headquarters, warehousing, refrigeration and distribution locations from which the Debtors maintained their operations. The monthly rent due under the Lease was $344,183.33.

The APA and the C&S Agreement provided that the Debtors must take certain actions with regard to the Lease and the Premises, including the rejection of the Lease as it related to certain of the Premises. National Industrial objected by asserting, among other things, that the Debtors could not partially reject the Lease as contemplated by the APA and the C&S Agreement.

The NIP Stipulation provided, among other things, that (i) National Industrial was granted relief from the automatic stay provisions of Bankruptcy Code section 362 in order to liquidate and retain the Debtors' $2,000,000 security deposit in order to first reduce National Industrial's approximately $150,000 stub rent claim by $70,000 and to reduce the "capped" lease rejection claim of National Industrial pursuant to Bankruptcy Code section 502(b)6), (ii) the Debtors were required to pay the remaining balance of the stub rent claim by or before February 5, 2010, and (iii) National Industrial would permit the Debtors to partially reject the Lease as if the Lease were divisible into three (3) separate leases such that (i) the Debtors could reject the Lease with respect to the DuBois 1 DC premises and DuBois 2 DC premises upon the effective date of a new lease between C&S and National Industrial, (ii) the Lease could be deemed to be rejected with respect to the Jamestown DC premises effective as of February 28, 2010, and (iii) the Debtors could reject the Lease with respect to the Syracuse 1 DC premises and the Syracuse 2 DC premises on the later of April 30, 2010 or the date the respective premises are vacated by the Debtors and returned to National Industrial.

Also, as described above, in connection with the sale transaction the New York State Teamsters Conference Pension and Retirement Fund (the "Pension Fund") and the Debtors entered into a stipulation (the "Teamsters Stipulation") in order to resolve the Pension Fund's motion requesting payment of $182,102.77 in delinquent post-petition pension contributions owed from November 18, 2009 through December 31, 2009, together with interest, liquidated damages, attorneys fees and costs plus contributions due after December 31, 2009.

[12] The premises included the Jamestown DC premises, the Syracuse 1 DC premises, the Syracuse 2 DC premises, the DuBois 1 DC premises and the DuBois 2 DC premises (the "Premises").

The Teamsters Stipulation provided, among other things, that the Pension Fund was granted an allowed administrative expense claim of $425,148 for post-petition pension contributions owed to it by the Debtors for the period of November 18, 2009 through January 31, 2010, plus accumulated interest on post-petition pension contributions of $182,475.08 owed for the period from November 18, 2009 through December 31, 2010. The payment was due ten (10) days after the closing of the sale transaction. The Pension Fund received payment pursuant to the Teamsters Stipulation.

In addition to the matters relating to the global sale transaction described above, there have been other sale related disputes which have been or the Debtors expect will be resolved on or prior to the Effective Date. In the event the Debtors are unable to resolve such disputes, the Debtors may determine to reserve adequate funds to cover any potential damages owed by the Debtors. Should an agreement not be reached respecting such reserve, all parties' rights to seek a determination from the Bankruptcy Court to resolve any disputes are reserved.

NOTWITHSTANDING ANYTHING HEREIN, IN THE PLAN OR IN THE CONFIRMATION ORDER TO THE CONTRARY, INCLUDING, WITHOUT LIMITATION, ANY BAR DATES, RELEASES, EXCULPATIONS, INJUNCTIONS (INCLUDING WITH RESPECT TO ASSERTING A SETOFF), AND PROVISIONS GOVERNING DISTRIBUTIONS, NOTHING HEREIN, IN THE PLAN OR IN THE CONFIRMATION ORDER SHALL LIMIT, IMPAIR, MODIFY, ALTER, ENJOIN, RELEASE, EXCULPATE OR BAR ANY RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER THE SALE ORDER AND THE SALE TRANSACTION DOCUMENTS.

I. Official Committee of Unsecured Creditors

On December 2, 2009, the United States Trustee appointed the Committee. The Committee is composed of the following parties:

New York State Teamsters Conference Pension & Retirement Fund
151 Northern Concourse
Syracuse, NY 13323

Karabus Management Inc.
1 Yorkdale Road, Suite 412
Toronto, Canada M6A 3A1

American Greetings
One American Road
Cleveland, OH 44144

Deli-Boy Inc.
100 Mathews Ave.
Syracuse, NY 13209

National Industrial Portfolio, LLC
11111 Santa Monica Blvd. #750
Los Angeles, CA 90025

United Food & Commercial Workers Union
3 Bala Plaza West, Suite 125
Bala Cynwyd, PA 19004

C&S Wholesale Grocers Inc.
7 Corporate Drive
Keene, NH 03431

The meeting of creditors required under Bankruptcy Code section 341 was held on December 23, 2009.

J. Principal Professionals

1. Principal Professionals Employed by the Debtor

Pursuant to orders entered by the Bankruptcy Court, the Debtors retained certain Professionals to represent them in these Bankruptcy Cases. In particular, the Debtors retained two law firms to provide restructuring and bankruptcy advice - Haynes and Boone, LLP and Morris, Nichols, Arsht & Tunnell LLP.

On November 18, 2009, the Bankruptcy Court entered an order approving the Debtors' application to retain Donlin, Recano & Company, Inc. ("Donlin Recano") as their balloting, claims, and noticing agent.

The Debtors also sought and obtained Bankruptcy Court approval to employ and retain Conway, Del Genio, Greis & Co., LLC to perform restructuring management services.

On June 4, 2010, the Debtors and the Committee filed a motion seeking to retain Susan D. Watson as Wind Down Officer commencing on July 1, 2010 to perform wind down management services. Subsequently, on June 25, 2010, the Court approved Ms. Watson's retention and CDG's retention was terminated effective June 30, 2010.

2. Professionals Employed by the Committee

The Committee, pursuant to orders entered by the Bankruptcy Court, retained (i) Otterbourg, Steindler, Houston & Rosen, P.C. as its general bankruptcy counsel; (ii) FTI Consulting, Inc. as financial advisors to the Committee; (iii) Stevens & Lee, P.C. as its Delaware bankruptcy counsel; and (iv) Abacus Advisors, LLC, as its business consultants/advisors.

K. The PBGC

The PBGC is the federal agency that administers the nations' defined benefit pension plan termination insurance program under Title IV of ERISA. When an underfunded pension plan terminates with insufficient assets to pay benefitis, the PBGC generally becomes statutory trustee of the plan and pays benefits to the plan's participants up to statutory limits.

The Debtors were either the contributing sponsor or member for the contributing sponsor's controlled group (within the meaning of 29 U.S.C. § 1301(a)(14)) with respect to the Defined Benefit Plans. The Defined Benefit Plans are covered by Title IV of ERISA.

The Defined Benefit Plans were terminated by agreement on June 17, 2010, effective as of January 25, 2010. The PBGC is now statutory trustee of the Defined Benefit Plans. The Debtors have joint and several liability with regard to the terminated Defined Benefit Plans.

On April 26, 2010, the PBGC filed the following claims against the Debtors with respect to the Defined Benefit Plans: (1) unfunded benefit liabilities in the amount of $55,805,124; (2) section 1362(c) claims in the amount of $20,585,075; (3) unpaid minimum funding contributions, of which the PBGC asserts $4,398,070 as General Unsecured Claims, $555,213 as section 507(a)(5) priority claims, and $259,267 as section 507(a)(2) administrative expense claims; and (4) unpaid premiums in an unliquidated amount as section 507(a)(2) and 507(a)(8) priority claims, and $27,665 as a General Unsecured Claim.

The Debtors and the PBGC have engaged in detailed settlement negotiations which have, in principle, resulted in a global settlement of the PBGC's claims against the Debtors. The settlement resolves all Claims of

the PBGC, and all issues raised by the PBGC in connection with Confirmation, by providing for the allowance of administrative, priority and general unsecured claims at levels consistent with the projections contained in the Debtors claims analysis. The Debtors intend to promptly file a settlement motion and expect a settlement with the PBGC to be approved prior to the Confirmation Hearing.

L. Dispute with ACE

ACE American Insurance Company and its affiliates[13] have asserted certain claims against the Debtors. Prior to the Petition Date, the ACE Insurers issued certain insurance policies (as renewed, amended, modified, endorsed or supplemented from time to time, collectively, the "ACE Policies") to certain Debtors as named insureds, and the ACE Insurers and the Debtors also entered into certain written agreements in connection with the ACE Policies (as renewed, amended, modified, endorsed or supplemented from time to time, and including any exhibit or addenda thereto, collectively, the "ACE Insurance Agreements"). In conjunction therewith, prior to the Petition Date, ESIS and Penn Traffic entered into, inter alia, four agreements (as renewed, amended, modified, endorsed or supplemented from time to time, and including any exhibit or addenda thereto, collectively and including renewal addenda, the "ESIS Agreements" and together with the ACE Polices and the ACE Insurance Agreements, the "ACE Program").

As security for the Debtors' obligations under the ACE Program, one or more of the ACE Companies are the beneficiaries under Letter of Credit No. S-868672 in the amount of $30,007,182 issued by ABN Amro Bank (including the proceeds thereof) (as amended, confirmed, supplemented or replaced, the "ACE Letter of Credit"). The ACE Letter of Credit was issued on the Debtors' behalf in connection with the Prepetition Senior Credit Facility, and the Debtors' obligations with respect thereto were secured by cash collateral granted to the Prepetition Senior Lenders.[14] The ACE Companies also hold a paid loss deposit fund in the amount of $18,824 (together with the ACE Letter of Credit, the "ACE Collateral"). The Debtors believe that the ACE Letter of Credit is sufficient to satisfy any Claims of the ACE Companies arising under or relating to the ACE Program; ACE asserts that the ACE Collateral is not sufficient to satisfy the Claims of the ACE Companies arising under or relating to the ACE Insurance Agreements and the ESIS Agreements.

Notwithstanding anything to the contrary in the Disclosure Statement, Plan or the Confirmation Order (including, without limitation, any other provision that purports to be preemptory or supervening or grants an injunction or release), (i) the ACE Program shall, in its entirety, continue under the Plan in full force and effect after the Effective Date or if applicable, be assumed in accordance with Bankruptcy Code Section 365, (ii) after the Effective Date, the Debtors shall be liable to the ACE Companies for all of their obligations and liabilities arising under or related to the ACE Program, provided, however, that all parties reserve all rights, claims and defenses regarding the allowance or disallowance of any Claim asserted by the ACE Companies including, but not limited to, the rights to file an amendment to a timely filed proof of claim or a request for payment of an administrative claim or similar request and the rights of the Debtors, the Plan Administrator, the Creditor Trust and Creditor Trustee (if established and appointed, respectively) and the Post-Confirmation Oversight Committee to object to any such Claim or request for payment on any grounds, (iii) the Claims of the ACE Companies arising under or related to the ACE Program shall not be released or discharged as a result of the occurrence of the Effective Date and shall continue to be secured by the ACE Collateral, which the ACE Companies may draw upon, hold and/or apply pursuant to the terms of the ACE Program subject to all rights of the Debtors with respect thereto, subject to the rights, if any, of the Debtors with respect thereto, and (iv) subject to clause (ii) hereof, the ACE Program, ACE Collateral and the Debtors' and the ACE Companies' rights, obligations and liabilities thereunder shall survive and shall continue after the Effective Date unaltered by the Plan or the Confirmation and nothing with respect to the Bankruptcy Cases shall alter the terms and conditions of the ACE Program or the coverage provided thereunder and the respective rights of the parties with respect

[13] These companies are ACE American Insurance Company, Indemnity Company of North America and Pacific Employers Insurance Company (collectively and together with each of their affiliates, the "ACE Insurers" and ESIS, Inc. ("ESIS" and together with the ACE Insurers, the "ACE Companies").

[14] As part of the Tops transaction, the secured claims of the Prepetition Senior Lenders arising, in part, from their contingent liabilities under the letters of credit, were paid and satisfied in full.

thereto, provided, however, that the treatment of any Claims arising under or relating to the ACE Program shall be pursuant to the Plan.

ARTICLE V.
DEBTORS' ASSETS, LIABILITIES, AND LEGAL PROCEEDINGS

A. Schedules of Assets and Liabilities

Pursuant to Bankruptcy Code section 541 and Bankruptcy Rule 1007, a debtor seeking relief under the Bankruptcy Code must file schedules of assets and liabilities and statement of financial affairs. Accordingly, on January 15, 2010, the Debtors filed its Schedules of Assets and Liabilities, reflecting its assets and liabilities as of the Petition Date. On January 19, 2010, the Debtors filed amendments to certain of the Schedules of Assets and Liabilities.[15]

B. Summary of Proofs of Claim

The General Bar Date for filing proofs of claim in these Bankruptcy Cases was April 30, 2010. A summary of the claims filed against the Debtors on or before the General Bar Date (excluding cross-debtor duplicates and identified duplicated claims) is set forth below:

Type of Claim	Number of Claims	Approximate Amount
Administrative Claims	516	$23.5 million
Priority Unsecured Claims	1382	$165.1 million
Secured Claims	112	$152.2 million
General Unsecured Claims (excluding Convenience Claims)	1652	$185 million
Convenience Claim	5049	$3.6 million

The Debtors, in consultation with their advisors, have done a preliminary review and reconciliation of the filed proofs of claim. For a more complete discussion of this reconciliation, see Article VI herein.

C. The Price Chopper Litigation

As described above, on December 15, 2009, the Debtors executed an asset purchase agreement and filed a motion requesting the approval of a sale of twenty-two (22) stores to Price Chopper, on a 'private sale' basis for $54,000,000. Subsequently, the Debtors withdrew this motion and proceeded with a global sale transaction to Tops or its assignee(s) for $85,000,000, plus other consideration. On January 26, 2010, Price Chopper filed a complaint against the Debtors for (i) breach of contract, (ii) negligent misrepresentation, (iii) promissory estoppel, (iv) equitable estoppel, and (v) unjust enrichment (the "Price Chopper Complaint"). As damages, Price Chopper has requested a breakup fee in the amount of $1,620,000 or three percent (3%) of the contemplated purchase price of $54,000,000.

On February 25, 2010, the Debtors filed a Motion to Dismiss the Complaint For Failure to State a Claim Upon Which Relief Can Be Granted Pursuant to Fed. R. Civ. P. 12(b)(6), Or Alternatively a Motion for Summary Judgment Pursuant to Fed. R. Civ. P. 12(d) and 56(b) (A.P.D.I. 8) (the "Motion to Dismiss"). The Debtors believe that the Price Chopper Complaint is without merit and will ultimately be dismissed with prejudice. A Notice of Completion of Briefing was filed and request for oral argument made, but no argument has been set. It is the Debtors' view that the Price Chopper Complaint is without merit, and that therefore the outcome of the litigation will have little to no impact on the recoveries of General Unsecured Creditors.

[15] As described below, the Debtors sold substantially all of their assets on January 29, 2010 for $85,000,000 plus other consideration. This cash minus payments made to secured creditors makes up the bulk of the Debtors' assets.

On May 19, 2010, Judge Walsh issued an advisory letter with respect to the Motion to Dismiss in the hopes that it might result in a settlement of the matter. On June 16, 2010, the Debtors and Price Chopper entered into a stipulation in order to settle their dispute (the "Price Chopper Stipulation"). The Price Chopper Stipulation requires the Debtors to pay Price Chopper $115,000 in exchange for a release of all claims arising from this matter against the Debtors, including the withdrawal of the Price Chopper Complaint. On June 25, 2010, the Court entered an order approving the Price Chopper Stipulation.

D. Wachs Newark Development Litigation

On July 1, 1993, the Debtors entered into a lease with Arcadia Shopping Center Associates Limited Partnership ("Arcadia"). The lease included a restrictive covenant prohibiting a landlord from allowing any of its property within a five (5) mile radius to be developed into a supermarket or other similar shopping center. Wachs Newark Development, LLC ("Wachs") assumed this lease from Arcadia. In 2005, a dispute arose between the Debtors and Wachs because Wachs desired to allow Walmart, another tenant, to expand within the five (5) mile radius prohibited by the lease with the Debtors. The parties agreed to resolve the dispute and entered into an executory accord (the "Accord"). Pursuant to the Accord, the Debtors agreed to waive their right to enforce the restrictive covenant in exchange for three (3) payments totaling $1,800,000. To date the Debtors have been paid $1,000,000 by Wachs. On April 6, 2010, the Debtors filed a complaint against Wachs for breach of the Accord and requested damages in the amount of $800,000. The Debtors believe that they will prevail on their claims against Wachs, and therefore, the outcome of this lawsuit will have a small impact on the recoveries of General Unsecured Creditors.

E. Lease Extension Litigation regarding 1085 Market Street, L.P.

On or about July 7, 1989, Penn Traffic, as lessee, executed a lease to operate one of its Quality Markets stores on the premises owned by 1085 Market Street, L.P. ("1085 Market Street") in North Warren, Pennsylvania. The lease term was December 1, 1989 through November 30, 2009. On or about August 25, 2007, Penn Traffic ceased operations in the North Warren store and decided not to renew its lease. On or about March 12, 2008, Penn Traffic commenced an action in the New York Supreme Court for the County of Onondaga seeking a declaratory judgment that the second amendment to its lease did not constitute an extension of the lease term for an additional seven and one half (7 ½) years after it expired on November 30, 2009. On or about April 12, 2008, the Landlord filed a counterclaim seeking a declaration that Penn Traffic had extended its lease for an additional term of seven and one half (7 ½) years and was responsible for rent in the approximate amount of $2.5 million. By November 2009, both parties had filed dispositive motions and on November 17, 2009, the state court heard arguments on the cross motions for summary judgment. The state court did not issue a ruling on the cross-motions for summary judgment prior to the Petition Date.

On February 11, 2010, the Debtors filed their Motion for an Order Approving Stipulation by and Between the Debtors and 1085 Market Street, L.P. for Relief from the Automatic Stay (D.I. 553) (the "Motion for Stay Relief"). On March 3, 2010, the Bankruptcy Court entered the Order Approving the Stipulation by and Between the Debtors and 1085 Market Street, L.P. (D.I. 672) lifting the automatic stay and allowing the state court proceeding to continue. On March 12, 2010, the state court issued a ruling denying Penn Traffic's motion for summary judgment and granting 1085 Market Street's summary judgment. The state court's decision and order found that the second amendment to the lease was valid and enforceable. Penn Traffic is not pursuing an appeal of this decision.

On the Petition Date, the Debtors rejected the lease with 1085 Market Street. See Order Granting, In Part, Debtors' First Omnibus Motion for Entry of an Order Under 11 U.S.C. § 365 Authorizing the Debtors to (I) Reject Certain Unexpired, Nonresidential Real Property Leases and (II) Abandon any Personal Property Located at Such Lease Premises as of the Petition Date (D.I. 69). The Debtors believe that 1085 Market Street is limited to a claim pursuant to Bankruptcy Code section 502(b)(6).

F. The Wissingers

The Wissingers are personal injury claimants that sued Penn Traffic in Pennsylvania state court related to an injury allegedly occurring on May 4, 2007 in the Debtors' store located in Winder, Pennsylvania. The state court action was filed on January 7, 2009 and was stayed on the Petition Date by the automatic stay. On March 16, 2010, counsel for the Wissingers filed a motion to lift stay (D.I. 749) in the bankruptcy case. The Debtors filed an objection to the motion to lift stay on April 9, 2010 (D.I. 837). The matter has been continued while the parties work toward a consensual resolution of the matter.

G. Litigation Being Pursued by Penn Traffic

The Penn Traffic Company v. National Union Fire Insurance Company of Pittsburgh, Pa., Case No. 08 8869, Supreme Court of State of New York, County of Onondaga. In December 2008, Penn Traffic commenced an action against National Union Fire Insurance Company of Pittsburgh, Pennsylvania, asserting its right under an insurance policy with National Union to advancement of certain attorney's fees and expenses associated with the SEC and United States Attorney's Office investigations described herein in Article IV. In March 2010, Penn Traffic's motion for partial summary judgment was denied. Penn Traffic is appealing that order. The claim is worth several million dollars. This is the Debtors' opinion concerning this matter and National Union disagrees.

The Penn Traffic Company v. National Union Fire Insurance Company of Pittsburgh, Pa. et al ("Demand for Arbitration"). On April 16, 2010, Penn Traffic initiated a Demand for Arbitration, pursuant to an insurance agreement with National Union Fire Insurance Company of Pittsburgh, Pa et al ("National Union"), through which Penn Traffic asserts breach of contract, fraud, and bad faith claims against National Union, stemming from National Union's belated demand in July 2009 that Penn Traffic pay more that $2 million in connection with a retrospective premium insurance program, and National Union's unilateral draw down of more than $2 million on a letter of credit procured by Penn Traffic in connection with the insurance program. The arbitration remains pending. This is the Debtors' opinion concerning this matter and National Union disagrees.

H. Litigation Matters Settled Post-Petition

The Penn Traffic Company v. D&B Marketing, Case No. 09-3754, Supreme Court of State of New York, County of Onondaga. In August 2008, Penn Traffic contracted with D &B Marketing, LLC ("D & B"), Adler Incentives, Inc. d/b/a MPell Solutions regarding an incentive-drive promotional program to increase business at the Debtors' stores. On May 20, 2009, Penn Traffic initiated a lawsuit against D & B for breach of contract and negligent misrepresentation. Following the Debtors' bankruptcy filing, the parties entered into negotiations and reached a settlement agreement, wherein D & B (through their insurance carrier) will pay the Debtors $15,000. The Debtors are in the process of finalizing the settlement agreement and will present the agreement to the Bankruptcy Court for approval.

I. Additional Matters with Penn Traffic as Plaintiff (not being pursued by Penn Traffic)

Additionally, prior to the Petition Date, Penn Traffic initiated several actions against various parties. During the bankruptcy, none of the following actions have been pursued by Penn Traffic, nor has Penn Traffic sought relief from the automatic stay to pursue the litigation.

(1) Penn Traffic v. Adler Incentives, Inc. d/b/a Mpell Solutions, Case No. 2009-2785, Supreme Court of State of New York, County of Onondaga.

(2) Penn Traffic v. Cigna Healthcare, Case No. 2005-00938, Circuit Court of Jefferson County, Alabama.

(4) Penn Traffic v. R.G. & J.G. Corp., et al., Case Nos. 2009-6793, 2009-0719, Supreme Court of State of New York, County of Onondaga.

(5) Penn Traffic v. Sirriano, Case no. KI-2007-787, Supreme Court of State of New York, County of Chautauqua.

J. Other Litigation Stayed by the Automatic Stay

As identified in the Debtors Statement of Financial Affairs, the Debtors are named defendants in various lawsuits. The Debtors have also been subject to various grievance claims made by various employees pursuant to the normal course of the Debtors' businesses. Many of the suits or grievances have been closed through normal administrative processes, while the remaining actions have been stayed pursuant to Bankruptcy Code section 362.

K. Causes of Action Created by the Bankruptcy Code Belonging to the Debtors' Estates

In addition to rights to sue third-parties that the Debtors' estates may have under other state and federal laws, the Bankruptcy Code creates certain causes of action that allow the Debtors to recover certain transfers (*i.e.*, those determined to be "preferences" and "fraudulent conveyances") they made prior to the Petition Date, as described below.

1. Preferences

A debtor may recover a transfer of property it made prior to its bankruptcy filing if that transfer was: (i) in payment of a pre-existing debt; (ii) allowed the transferee to receive more than it would have received had the transfer not been made and the debtor had been liquidated under chapter 7 of the Bankruptcy Code; and (iii) made during the ninety (90) days immediately prior to its bankruptcy filing (or, if the transferee was an insider, during the one (1) year immediately prior to the bankruptcy filing).

There are certain statutory defenses to preference actions. A transfer made in the ordinary course of the debtor's and transferee's business and according to ordinary business terms may not be recoverable. Furthermore, if the transferee gave, subsequent to the transfer, new value to the debtor, the new value may constitute an offset against the amount of any recovery. If a transfer is recovered by the debtor, the transferee has a general unsecured claim against the debtor to the extent of the recovery.

2. Fraudulent Transfers

Under the Bankruptcy Code and under various state laws, a debtor may recover a transfer of property it made while insolvent or that rendered it insolvent, or at a time when it either was unable to meet its debts as they matured or was left with unreasonably small capital, if and to the extent the debtor received less than reasonably equivalent value for such property. Transfers made up to six (6) years prior to the bankruptcy filing may be recovered under some state statutes.

3. Transfers By the Debtors

The Debtors' schedules of assets and liabilities are required to include a listing of payments the Debtors made in the ninety (90) days immediately preceding the Petition Date as well as a listing of all payments to insiders. The Debtors are in the process of conducting an analysis of potential preferences paid to their vendors and insiders. Other than these analyses, no analysis of the other payments has been made at this time. Accordingly, the Debtors cannot estimate potential recoveries, if any, from possible litigation surrounding such payments, if any.

ARTICLE VI.
DESCRIPTION OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE OF THE PLAN AND OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN. IT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH IS ANNEXED TO THIS DISCLOSURE STATEMENT AS EXHIBIT 1.

THE SUMMARIES OF THE PLAN AND OF OTHER DOCUMENTS REFERRED TO HEREIN DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THOSE DOCUMENTS. FOR THE FULL AND COMPLETE STATEMENTS OF THEIR TERMS AND PROVISIONS, PLEASE REFER TO THE PLAN ATTACHED HERETO AS EXHIBIT 1.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON ALL CLAIMHOLDERS AGAINST AND INTERESTHOLDERS IN THE DEBTORS AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, THE TERMS OF THE PLAN OR THE OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. Classification Overview

Bankruptcy Code section 1123 provides that a plan must classify the claims of a debtor's creditors and the claims of its interest holders. In accordance with section 1123, the Plan divides Claims and Equity Interests into Classes and sets forth the treatment for each Class (other than Administrative Claims, Professional Compensation Claims and Priority Tax Claims). The Debtors are required, under Bankruptcy Code section 1122, to classify Claims against and Equity Interests in the Debtors into Classes that contain Claims and Equity Interests that are substantially similar to the other Claims and Equity Interests in such Class.

The Debtors are the proponents of the Plan. The Debtors believe that the Plan has classified Claims and Equity Interests in compliance with the provisions of Bankruptcy Code section 1122; however, it is possible that a holder of a Claimholder or Interestholder may challenge the classifications of Claims and Equity Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In that event, the Debtors intend, to the extent permitted by the Bankruptcy Code, the Plan and the Bankruptcy Court to make modifications to the classifications under the Plan to permit confirmation and to use the Plan acceptances received in this solicitation for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting holder ultimately is deemed to be a member. Any such reclassification could adversely affect the Class in which such holder initially was a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan. Furthermore, a reclassification of a Claim or Equity Interest after approval of the Plan could necessitate a re-solicitation of the Plan.

B. Unclassified Claims

In accordance with Bankruptcy Code section 1123(a)(1), Unclassified Claims against the Debtors consist of Administrative Claims, Professional Compensation Claims, and Priority Tax Claims (collectively the "Unclassified Claims").

1. Administrative Claims

Unless otherwise provided for in the Plan, each holder of an Allowed Administrative Claim shall be paid one hundred percent (100%) of the unpaid Allowed amount of such Administrative Claim in Cash on or as soon as reasonably practicable after the Distribution Date. Notwithstanding the immediately preceding sentence: (i) any Administrative Claims for goods sold or services rendered representing liabilities incurred by the Debtors in the ordinary course of business during the Bankruptcy Cases involving trade, service or vendor Claims, subject to compliance with any applicable bar date, shall be paid by the Debtors or Plan Administrator in the ordinary course in accordance with the terms and conditions of any agreements relating thereto; and (ii) Administrative Claims of the United States Trustee for fees pursuant to 28 U.S.C. § 1930(a)(6) with respect to each Debtor and the Estates shall be paid in accordance with the applicable schedule for payment of such fees. Notwithstanding the foregoing, the holder of an Allowed Administrative Claim may receive such other, less favorable

treatment as may be agreed upon by such holder and the Debtors or the Plan Administrator, as applicable.

Proofs of claim or applications for payment of Administrative Claims arising before the Effective Date must be filed with the Bankruptcy Court within thirty (30) days after the Effective Date. Any Person that fails to file such a proof of claim or application with the Bankruptcy Court within that time shall be forever barred from asserting such an Administrative Claim against any of the Debtors, the Estates, or their property, or commencing or continuing any action, employment of process or act to collect, offset, or recover any such Administrative Claim.

C. Classification and Treatment of Claims and Equity Interests

In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims, Professional Compensation Claims and Priority Tax Claims, as described in Article 3 of the Plan, have not been classified and thus are excluded from the Classes that follow. The following table designates the Classes of Claims and specifies which of those Classes are (i) impaired or unimpaired by the Plan, and (ii) entitled to vote to accept or reject the Plan in accordance with Bankruptcy Code section 1126 or deemed to reject the Plan.

	Class	**Status**	**Voting Rights**
Class 1	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)
Class 2	Secured Claims	Unimpaired	No (deemed to accept)
Class 3	General Unsecured Claims	Impaired	Yes
Class 4	Equity Interests	Impaired	No (deemed to reject)
Class 5	Convenience Claims	Impaired	Yes

1. Class 1 – Priority Non-Tax Claims

Classification: Class 1 consists of Priority Non-Tax Claims.

Treatment: Class 1 is unimpaired, and each holder of a Priority Non-Tax Claim shall be paid one hundred percent (100%) of the unpaid amount of such Claim in Cash on or as soon as reasonably practicable after the applicable Distribution Date. Notwithstanding the foregoing, the holder of a Priority Non-Tax Claim may receive such other less favorable treatment as may be agreed upon by the claimant and the Plan Administrator.

2. Class 2 – Secured Claims

Classification: Class 2 consists of Secured Claims.

Treatment: Class 2 is unimpaired. Subject to the provisions of Bankruptcy Code sections 502(b)(3) and 506(d), each holder of a Secured Claim shall receive, at the Plan Administrator's election (i) Cash equal to the amount of its Secured Claim, (ii) the abandonment to the holder of such Secured Claim the property of the Estate which is subject to the valid and enforceable lien or security interest of such holder, (iii) a Distribution in satisfaction of the Secured Claim subject to some other agreement between the Plan Administrator and the holder of such Secured Claim or (iv) reinstatement of the Secured Claim pursuant to its terms, including without limitation the continuation of all security interests and liens with respect thereto. Such Distribution shall be made on or as soon as reasonably practicable after the relevant Distribution Date (subject, if applicable, to the Plan Administrator's receipt of the proceeds of the sale of the relevant collateral). To the extent a Claim is a partially

Secured Claim based on an offset right and partially a Claim of another type, such Secured Claim shall be deemed to have been (i) set off (and thus no longer due and payable) only to the extent of the allowed amount of the allowed, liquidated, non-disputed, non-contingent Claim owing to the Debtors, and (ii) a Claim classified in another relevant Class for any excess of such Claim over the amount so set off. If a Claim is a fully Secured Claim based on an offset right, the allowance of such Claim shall not affect any obligations or liabilities due and payable (at such time) to the Debtors that are in an amount in excess of the amount validly offset and the payment, in full and in cash, of all amounts due and owing as of the Effective Date to the Debtors, and the turnover of any property of such Debtors held by such claimant on account of any unliquidated, disputed, or contingent right of setoff shall be a precondition of the allowance of such Secured Claim. Notwithstanding the foregoing, the holder of a Secured Claim may receive such other less favorable treatment as may be agreed to by such holder and the Debtors or the Plan Administrator. Any Claim based on any deficiency Claim by a holder of a Secured Claim shall become, and shall be treated for all purposes under the Plan as an General Unsecured Claim or Convenience Claim and shall be classified as a Class 3 Claim or Class 5 Claim.

3. Class 3 – General Unsecured Claims

Classification: Class 3 consists of General Unsecured Claims.

Treatment: Class 3 is impaired, and each holder of an Allowed Claim in Class 3 shall receive its Pro Rata Share of any Cash Distribution made on account of Class 3 from Estate Property. Each holder of an Allowed Class 3 Claim shall receive such distributions in accordance with the provisions set forth in section 4.3 of the Plan unless such Claimholder has elected Class 5 Convenience Class treatment. Notwithstanding the foregoing, the holder of a Class 3 Claim may receive such other less favorable treatment as may be agreed to by the claimant and the Plan Administrator. Each holder of a Class 3 Claim shall have the option to elect to reduce its Class 3 Claim to $5,000 and opt-in to Class 5 by checking the appropriate box on its Ballot and timely completing and returning such Ballot pursuant to the Solicitation Materials (thereby electing to receive the same treatment as a Class 5 Convenience Claim holder).

4. Class 4 – Equity Interests

Classification: Class 4 consists of holders of Equity Interests in the Debtors.

Treatment: Class 4 is impaired and the holders of Equity Interests in Class 4 will not receive any distributions on account of Equity Interests. The Debtors will request that the Court make a finding that the Equity Interests have no value for purposes of the "best interest" test under Bankruptcy Code section 1129(a)(7). On the Effective Date, all Equity Interests in the Debtors shall be deemed canceled. Holders of Equity Interests in Class 4 shall be deemed to have rejected the Plan.

5. Class 5 – Convenience Claims

Classification: Class 5 consists of Convenience Claims

Treatment: Class 5 is impaired, and each holder of an Allowed Claim in Class 5 shall receive, on the first Quarterly Distribution Date which is practicable, as determined by the Plan Administrator, a Cash payment in an amount equal to 10% of the amount of such holder's Allowed Class 5 Claim in accordance with the provisions set forth in section 4.5 of the Plan. Notwithstanding the foregoing, the holder of an Allowed Class 5 Claim may receive such other less favorable treatment as may be agreed to by the claimant and the Plan Administrator. Each Class 5 Claimholder shall have the option to opt-out of Class 5 by checking the appropriate box on its Ballot and timely completing and returning such Ballot in accordance with the Solicitation Materials (thereby electing to receive the same treatment as a holder of a Class 3 General Unsecured Claim).

D. Objections to and Estimation of Claims

After the Effective Date, the Plan Administrator may continue to attempt to consensually resolve any disputes regarding the amount of any Claim and shall have the exclusive right to object to the allowance of any Claim and may file with the Court any other appropriate motion or adversary proceeding with respect thereto. All such objections may be litigated to Final Order; provided, however, that the Plan Administrator may (without the further approval of the Court) compromise, settle, withdraw, or resolve by any other method approved by the Court (including, without limitation, certain alternative based claim procedures applicable to contingent, unliquidated or disputed claims which the Debtors may file with the consent of the Committee not later than five (5) business days prior to the Voting Deadline (the "Alternate Claim Resolution Procedures") or any methods previously approved by the Court during the Bankruptcy Cases), any objections to any Claim. All objections to Claims shall be filed within one hundred eighty (180) days after the Effective Date. This deadline to object to Claims can be extended up to an additional ninety (90) days by the Plan Administrator filing a notice with the Court and thereafter as permitted by order of the Bankruptcy Court, upon notice and a hearing.

Pursuant to Bankruptcy Code section 502(c), the Debtors and the Plan Administrator, as applicable, may request estimation or liquidation of any Disputed Claim that is contingent or unliquidated or any Disputed Claim arising from a right to an equitable remedy or breach of performance.

Before the Effective Date, the Debtors may (but are not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim that is contingent or unliquidated pursuant to § 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. From and after the Effective Date, the Plan Administrator may (but is not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim that is contingent or unliquidated pursuant to § 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. With respect to any request for estimation, the Bankruptcy Court shall retain jurisdiction to estimate any such Claim at any time, including during the litigation of any objection to any Claim or during the pendency of any appeal relating to such objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the Claims Register, but that either is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated for distribution purposes at zero (0) dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute a maximum limitation on such Claim for all purposes under the Plan (including for purposes of distributions), and the relevant party may elect to pursue any supplemental proceedings to object to any Distribution on such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, recharacterized or resolved by any mechanism approved by the Bankruptcy Court.

E. Exculpation and Releases of Certain Persons

1. Indemnification.

Nothing herein shall limit, impair or affect, in any way or manner whatsoever, the rights and ability of any present or former officers, directors or employees of any of the Debtors ability to seek indemnification from any of the Debtors and to seek payment therefor, or for any other reason, from any applicable insurance policies, including but not limited to any fiduciary liability or director and officer liability insurance, provided, however, that such person's sole recourse on account of any right of indemnification shall be to, and sole right to recovery on account of any right of indemnification shall be from, any such insurance.

2. Exculpation. On the Effective Date, each of (i) the Debtors and the Directors and Officers (solely in their respective capacities as directors and/or officers of the Debtors); (ii) the Debtors' attorneys, advisors and other professionals; (iii) the Committee and its members, solely in their capacity as Committee members, (iv) the Committee's attorneys, advisors and other professionals; (v) the Plan Administrator, its members, principals, employees and agents; (vi) the attorneys advisors and

other professionals to the Plan Administrator; (vii) the Post-Confirmation Oversight Committee and its members (solely in their capacity as such); (viii) the attorneys, advisors and other professionals to the Post-Confirmation Oversight Committee; (ix) the Disbursing Agent, its members, principals, employees and agents; and (x) the attorneys, advisors and other professionals to the Disbursing Agent, shall have no liability to any holder of a Claim or Equity Interest or to any other person for any action taken or not taken in connection with the decision to file a bankruptcy petition on behalf of the Debtors, the sale or shutdown of the Debtors' operations, the operation, sale and wind down of the Debtors during chapter 11, the administration of the Bankruptcy Cases, the negotiation and implementation of the Plan, Confirmation of the Plan, consummation of the Plan (including all Distributions hereunder), the administration of the Plan, and the property to be distributed under the Plan. In all such instances, such parties shall be and have been entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities in connection with the Bankruptcy Cases and under the Plan. Nothing contained in this section shall operate as a release, waiver, or discharge of any Claim, cause of action, right, or other liability against Person listed in subsection (i)-(x) above in any capacity other than as in subsections (i)-(x) above; provided, however, that the foregoing shall not operate as a release from any claim, cause of action, right or other liability arising out of the willful misconduct or gross negligence in connection with, related to, or arising out of the Bankruptcy Cases, the pursuit of Confirmation of the Plan or the consummation of the Plan, the wind down of the Debtors' estates or the administration of Estate Property.

3. Direct Claims. Subject to the provisions of the Plan, the Plan shall in no manner act or be construed to waive, release or enjoin any direct, non-derivative claims, or actions held by a non-Debtor against any third-party based upon any act or occurrence, or failure to act, taking place prior to the Petition Date.

F. Estimated Distributions to Administrative, Priority, General Unsecured Claims (excluding Convenience Claims) and Convenience Claims

1. Administrative Claims

Section 503(b)(9) of the Bankruptcy Code grants administrative priority for the value of any goods received by a debtor within twenty (20) days before the commencement of the case in which the goods have been sold to a debtor in the ordinary course of a debtor's business ("503(b)(9) Claims"). The Debtors estimate that there are 503(b)(9) Claims representing approximately $3.5 million. The Debtors further estimate that there are other Administrative Claims (not related to section 503(b)(9)) representing approximately $7.8 million. In total, the Debtors estimate that Allowed Administrative Claims will be approximately $11.3 million. This is exclusive of Professional Compensation Claims.

The Administrative Claims and Priority Unsecured Claims amounts are approximate and do not include potential liabilities asserted against the Debtors as administrative expense claims by the UFCW Local 23 with respect to certain supplemental benefits under what is known as the VEBA plan. The Debtors and the UFCW International (for and on behalf of itself, the UFCW locals and related pension, health, welfare and other benefit plans, and union member former associates) have agreed, as part of a global settlement of all UFCW-related claims, that the Motion of UFCW Local 23 for Payment of Administrative Expenses/Claims (D.I. 1011) will be determined by the Court prior to Confirmation. The Debtors believe that such claims should not be afforded administrative claim status in their entirety, but, rather, that only a small portion of such aggregate claim should be allowed as an administrative expense or unsecured priority claim. However, in the event the Court finds in favor of the UFCW (and the related VEBA plan participants), the aggregate amount of Administrative Claims or Priority Unsecured Claims will increase, and as of the date hereof, such claims are estimated to be approximately $1.7 million.

2. Priority Non-Tax Claims

The Debtors estimate that the total amount of Priority Non-Tax Claims will be approximately $7.4 million.

3. General Unsecured Claims (excluding Convenience Claims)

The Debtors total estimate of General Unsecured Claims (excluding Convenience Claims) is approximately $222.1 million.

Note 1: In estimating the General Unsecured Claims, the Debtors took into account approximately $11.2 million in scheduled General Unsecured Claims.

Note 2: The Debtors estimate that Claims resulting from the Debtors' rejection of certain Executory Contracts net of mitigation could be approximately $78.8 million.

4. Convenience Claims

The Debtors estimate that the total amount of Convenience Claims will be approximately $3.5 million.

G. Cash Flow and Distribution Analysis

The Debtors have estimated the various recoveries to holders General Unsecured Claims in the Cash Flow and Distribution Analysis attached to this Disclosure Statement as **Exhibit 2** (the "Cash Flow and Distribution Analysis").

The Debtors' Cash Flow and Distribution Analysis provides a range of recoveries in three (3) cases, (i) a low case, (ii) a mid case, and (iii) a high case.

H. Rejection of Executory Contracts Under the Plan

On the Effective Date, all Executory Contracts not previously rejected or assumed by the Debtors are deemed rejected, excluding all Executory Contracts listed on **Exhibit 5**. All Executory Contracts listed on Exhibit 5 shall be assumed as of the Effective Date. Entry of the Confirmation Order shall constitute the approval, pursuant to Bankruptcy Code section 365(a), of the rejection of the Executory Contracts rejected pursuant to the Plan or otherwise during the Bankruptcy Cases. Nothing herein in shall be deemed to be a rejection of the Sale Transaction Documents and such Sale Transaction Documents shall remain in full force and effect prior to and after the Confirmation Date. The Debtors reserve the right to argue that a contract listed on **Exhibit 5** is not an executory contract.

As of the Confirmation Date, all Collective Bargaining Agreements ("CBA"), Pension Plans and Health and Welfare Plans not previously terminated, by Order of the Bankruptcy Court, shall be deemed terminated pursuant to Article 5 of the Plan, subject to the rights of the Pension Benefit Guaranty Corporation and any governing provisions of the ERISA. The respective Unions have advised that they intend to oppose termination of the CBAs and the Debtors and the Unions have been engaged in negotiations to resolve the outstanding issues.

The Debtors and representatives of the respective Unions met on the dates here indicated to engage in bargaining over the effects of closure of relevant facilities and termination of the collective bargaining agreements: Teamsters Locals 317 and 294 (January 19, 2010; January 28, 2010); UFCW Local One (March 3, 2010; March 26, 2010); UFCW Local 23 (March 4, 2010); and UFCW Local 1776 (April 7, 2010). At such meetings the parties exchanged and discussed proposals regarding the terms and conditions of employment, and

separation from employment upon facility closure, of bargaining unit employees. Through the wind down process, additional conversations have ensued between the Debtors and the representatives of the respective Unions with regard to the various claims asserted by the Unions.

Except as otherwise provided in the Plan, each Claim resulting from the rejection of an Executory Contract pursuant to the Plan shall be filed with the Bankruptcy Court no later than thirty (30) days following the Effective Date. Any Claim resulting from the rejection of an Executory Contract not filed by the applicable deadline shall be deemed waived and forever barred and shall not be entitled to any Distributions under the Plan. The Plan Administrator shall have the right, but not the obligation, to object to any Claim resulting from the rejection of an Executory Contract.

Any obligation of the Debtors to indemnify, reimburse, or limit the liability of any Person, including, but not limited to any officer or director of Debtors, or any agent, professional, financial advisor, or underwriter of any securities issued by Debtors, relating to any acts or omissions occurring before the Petition Date, whether arising pursuant to charter, by-laws, contract or applicable state law, shall be deemed to be, and shall be treated as, an Executory Contract and (i) shall be deemed to be rejected, canceled, and discharged pursuant to the Plan as of the Effective Date and (ii) any and all Claims resulting from such obligations are disallowed under Bankruptcy Code section 502(e). Notwithstanding any of the foregoing, nothing contained in the Plan impacts, impairs, or prejudices the rights of any Person covered by any applicable D&O Policy or any fiduciary liability policy with respect to any pension and/or benefit plan of the Debtors with respect to such policy or policies.

Any and all Claims arising from or relating to the rejection of an Executory Contract pursuant to the Plan shall be filed with Donlin Recano & Company, Inc. no later than the Rejection Damage Claim Bar Date. Any Claim arising from or relating to the rejection of an Executory Contract not filed by the Rejection Damage Claim Bar Date shall be deemed waived and forever barred and shall not be entitled to any Distributions under the Plan. The Plan Administrator shall have the right, but not the obligation, to object to any Claim resulting from rejection of an Executory Contract.

I. Insurance

All insurance policies of the Debtors, including without limitation all those set forth in Exhibit 5 annexed hereto, shall continue to be of full force and effect upon and after the occurrence of the Effective Date, and nothing contained here shall prejudice the rights of any parties to assert claims against or seek payment from any such policies or any rights, obligations or defenses to coverage of any insurance company.

To the extent that any or all of the insurance policies set forth on Exhibit 5 attached hereto are considered to be executory contracts, then notwithstanding anything contained herein to the contrary, the Plan will constitute a motion to assume the insurance policies set forth on Exhibit C to the Plan. Subject to the occurrence of the Effective Date, the entry of the Confirmation Order will constitute approval of such assumption pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of the Debtors, the Estates and all parties in interest in the Chapter 11 Cases. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments are required to cure any defaults of the Debtors existing as of the Confirmation Date with respect to each such insurance policy set forth on Exhibit C to the Plan. To the extent cure amounts are determined, the Debtors' only cure obligations shall be to promptly pay any outstanding annual, bi-annually, quarterly or monthly premium payments (excluding any claims for liability resulting from alleged retrospective premium adjustments or similar type payments). In the event that of a determination by Final Order that any insurance policy is an executory contract, nothing herein shall prejudice the Debtors' rights, if any, to seek, on appropriate notice and hearing, rejection of such insurance policy or other available relief as if such a rejection had been requested prior to the Effective Date.

J. Means for Execution and Implementation of the Plan

1. The Plan Administrator

On the Effective Date, the Plan Administrator shall be appointed in accordance with the Plan and the Plan Administration Agreement attached hereto as **Exhibit A** to wind up the affairs of the Debtors and make distributions under the Plan.

From and after the Effective Date, the Plan Administrator shall be a Person appointed pursuant to the Plan Administration Agreement, Plan, and Confirmation Order, until death, resignation, or discharge and the appointment of a successor Plan Administrator in accordance with the terms of the Plan and the Plan Administration Agreement. The Plan Administrator shall be the exclusive agent of the Debtors and the Post Effective Date Estates under Title 11 for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3).

The responsibilities of the Plan Administrator under the Plan Administration Agreement, the Confirmation Order and this Plan shall include those set forth in the Plan Administration Agreement, including, without limitation, the following: (i) the establishment and maintenance of such operating, reserve and trust account(s) as are necessary and appropriate to wind up the affairs of the Debtors; (ii) the investment of the Cash; (iii) the pursuit of objections to, estimations of and settlements of Claims and Equity Interests, regardless of whether such Claim is listed in the Debtors' Schedules of Assets and Liabilities; (iv) the prosecution of any cause of action of the Debtors not otherwise released under the Plan, including, the Rights of Action, which may be pursued by the Creditor Trustee, if any, as set forth herein; (v) the calculation and distribution of all Distributions to be made under this Plan to holders of Allowed Claims; (vi) the filing of all required tax returns and operating reports and paying of taxes and all other obligations on behalf of the Post-Effective Date Estates, if any; (vii) the filing of periodic reports regarding the status of Distributions under the Plan to holders of Allowed Claims that are outstanding against the Debtors at any such time; (viii) the payment of fees pursuant to 28 U.S.C. § 1930 incurred after the Effective Date until the closing of the applicable Bankruptcy Case; (ix) take all steps necessary to terminate and perform any follow-up activities after termination of any benefit plans, Collective Bargaining Agreements and Health and Welfare Plans of the Debtors (x) such other responsibilities as may be vested in the Plan Administrator pursuant to this Plan, the Plan Administration Agreement, the Confirmation Order, other Bankruptcy Court orders, or as otherwise may be necessary and proper to carry out the provisions of the Plan; and (xi) if as and when appropriate to seek a Final Order.

2. Powers of the Plan Administrator

(a) To exercise all power and authority that may be or could have been exercised, commence all proceedings that may be or could have been commenced and take all actions that may be or could have been taken by any general or limited partner, officer, director or shareholder of the Debtors with like effect as if authorized, exercised and taken by unanimous action of such officers, directors and shareholders, including, without limitation, amendment of the certificates of incorporation and by-laws of the Debtors;

(b) In consultation with the Post-Confirmation Oversight Committee, to maintain accounts, to make distributions to holders of Allowed Claims provided for or contemplated by the Plan; and take other actions consistent with the Plan and the Plan Administration Agreement and the implementation thereof, including the establishment, re-evaluation, adjustment and maintenance of appropriate reserves, including the Priority Claim Reserve, Professional Compensation Claim Reserve, the Disputed Claim Reserve and the Plan Administrator Reserve (notwithstanding anything herein to the contrary, the Plan Administrator may establish any of the reserves described herein by accounting or book entries instead of establishing separate accounts for each of the reserves);

(c) To object to any Claims or Equity Interests (whether Disputed Claims or otherwise), to compromise or settle any Claims or Equity Interests prior to objection without supervision or approval of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, the local rules of the Bankruptcy Court, and

the guidelines and requirements of the United States Trustee, other than those restrictions expressly imposed by the Plan, the Confirmation Order or the Plan Administration Agreement;

(d) With the approval of the Post-Confirmation Oversight Committee, to sell or otherwise liquidate any non-Cash assets as necessary or desirable without further Bankruptcy Court approval;

(e) In consultation with the Post-Confirmation Oversight Committee, to make decisions, without further Bankruptcy Court approval, regarding the retention or engagement of professionals, employees and consultants, and to pay the fees and charges incurred by the Plan Administrator on or after the Effective Date for fees and expenses of professionals (including those retained by the Plan Administrator and the Post-Confirmation Oversight Committee), disbursements, expenses or related support services relating to the winding down of the Debtors and implementation of the Plan without application to the Bankruptcy Court;

(f) In consultation with the Post-Confirmation Oversight Committee, (i) seek a determination of tax liability under Bankruptcy Code section 505, if any (ii) pay taxes, if any, related to the Debtors or the sale of non-Cash assets of the Debtors, (iii) file, if necessary, any and all tax and information returns, (iv) make tax elections by and on behalf of the Plan Administrator and (v) pay taxes, if any, payable by the Estate;

(g) In consultation with the Post-Confirmation Oversight Committee, to take all other actions not inconsistent with the provisions of the Plan which the Plan Administrator deems reasonably necessary or desirable with respect to administering the Plan**;**

(h) In consultation with the Post-Confirmation Oversight Committee, to invest Cash as deemed appropriate by the Plan Administrator and in compliance with section 345 of the Bankruptcy Code. Any investments of Cash that are not in compliance with Bankruptcy Code section 345 shall require the approval of the Post-Confirmation Oversight Committee;

(i) In consultation with the Post-Confirmation Oversight Committee, to collect any accounts receivable or other claims of the Debtors or the Estates on behalf of the appropriate beneficiaries not otherwise disposed of pursuant to the Plan or the Confirmation Order;

(j) In consultation with the Post-Confirmation Oversight Committee, to maintain any books and records, including financial books and records, as is necessary and/or appropriate in the Plan Administrator's discretion;

(k) In consultation with the Post-Confirmation Oversight Committee, to implement and/or enforce all provisions of this Plan, including entering into any agreement or executing any document required by or consistent with the Plan, the Confirmation Order and the Plan Administration Agreement and perform all of the Debtors' obligations thereunder;

(l) In consultation with the Post-Confirmation Oversight Committee, to abandon in any commercially reasonable manner, including abandonment or donation to a charitable organization of its choice and/or provide appropriate retainers to the Plan Administrator's professionals, any assets if the Plan Administrator concludes that they are of no benefit to the Estates;

(m) With the approval of the Post-Confirmation Oversight Committee, to investigate, prosecute and/or settle Claims that have not been assigned to the Creditor Trust, without approval of the Bankruptcy Court, including, without limitation, Rights of Action, Administrative Claims, Secured Claims, Priority Non-Tax Claims, Priority Claims and General Unsecured Claims, and other causes of action and exercise, participate in or initiate any proceeding before the Bankruptcy Court or any other court of appropriate jurisdiction and participate as a party or otherwise in any administrative, arbitrative or other nonjudicial proceeding and pursue to settlement or judgment such actions;

(n) In consultation with the Post-Confirmation Oversight Committee, to retain, purchase or create and carry all insurance policies and pay all insurance premiums and costs the Plan Administrator deems necessary or advisable;

(o) In consultation with the Post-Confirmation Oversight Committee, to collect and liquidate and/or distribute all assets of the Estates pursuant to the Plan, the Confirmation Order and the Plan Administration Agreement and administer the winding down of the affairs of the Debtors;

(p) To hold legal title to a single share of Penn Traffic stock;

(q) To pay any and all fees incurred pursuant to 28 U.S.C. § 1930 and to file all necessary reports with the Bankruptcy Court until such time as a Final Order is entered or the Bankruptcy Court orders otherwise;

(r) Exercise such other powers as may be vested in or assumed by the Plan Administrator pursuant to the Plan, the Plan Administration Agreement, the Confirmation Order, other orders of the Bankruptcy Court, or as may be desirable, necessary and/or proper to carry out the provision of the Plan and to wind-up the affairs of the Debtors;

(s) Take any and all actions required to dissolve the Debtors with respect to their public status, in accordance with any and all requirements of the United States Securities and Exchange Commission, after the administration of the Estate is complete; and

(t) Take any and all actions required in order to effectuate the Sale Transaction pursuant to the Sale Order, the Sale Transaction Documents and the Cure Reserve.

3. Other Provisions of the Plan Administration Agreement

(a) The Plan Administrator shall stand in the same position as the Debtors with respect to any claim the Debtors may have to an attorney-client privilege, the work product doctrine, or any other privilege against production, and the Plan Administrator shall succeed to all of the Debtors' rights to preserve, assert or waive any such privilege, except to the extent that a Creditor Trust shall be established, in which event the Creditor Trustee shall stand in the same position as the Debtors with respect to any claim the Debtors may have to an attorney-client privilege, the work product doctrine, or any other privilege against production, and the Creditor Trustee shall succeed to all of the Debtors' rights to preserve, assert or waive any such privilege that relates to the Trust Assets.

(b) The Plan Administrator shall be compensated as set forth in the Plan Administration Agreement from the Plan Administration Reserve. Any professionals

retained by the Plan Administrator shall be entitled to reasonable compensation for services rendered and reimbursement of expenses incurred, subject to approval by the Plan Administrator. The payment of fees and expenses of the Plan Administrator and its professionals shall not be subject to Bankruptcy Court approval.

(c) The sale or other disposition of any Estate Property by the Plan Administrator in accordance with this Plan and the Plan Administration Agreement shall be free and clear of any and all liens, claims, interests and encumbrances pursuant to section 363(f) of the Bankruptcy Code.

(d) Any transfer of all or any portion of the Estate Property pursuant to this Plan shall constitute a "transfer under a plan" within the purview of section 1146(c) of the Bankruptcy Code and shall not be subject to any stamp tax or similar tax.

(e) The Plan Administrator may be removed by the Bankruptcy Court for cause shown, including, without limitation, for (i) fraud or willful misconduct, (ii) such physical or mental disability as substantially prevents the Plan Administrator from performing the duties of Plan Administrator hereunder, or (iii) a breach of fiduciary duty or an unresolved conflict of interest.

4. Selection of Plan Administrator

The Committee has nominated WDC Solutions, Ltd. as the Plan Administrator. The Committee and the Debtors have filed with the Bankruptcy Court a disclosure identifying and setting forth the terms of the fee arrangement with such candidate. At the Confirmation Hearing, the Court shall consider approval of such candidate for Plan Administrator and the fee arrangement and upon approval such candidate shall thereafter serve as Plan Administrator upon execution of the Plan Administration Agreement.

K. Post-Confirmation Oversight Committee

1. The Post-Confirmation Oversight Committee shall be comprised of up to three (3) members selected by the Committee on or prior to the Effective Date and any substitute members selected by the Committee prior to the Effective Date and the Post-Confirmation Oversight Committee on and after the Effective Date. The members of the Post-Confirmation Oversight Committee shall not be compensated for service on the Post-Confirmation Oversight Committee but shall be entitled to reimbursement of reasonable out-of-pocket expenses. Except as noted in the Plan, the Plan Administration Agreement or the Confirmation Order, the role of the Post-Confirmation Oversight Committee shall be, among other things, to consult with the Plan Administrator on the following matters: (i) the timing and amount of interim distributions; (ii) compliance with this Plan and the obligations hereunder; (iii) employment, retention, replacement, and compensation of professionals to represent the Post-Confirmation Oversight Committee or the Plan Administrator with respect to their responsibilities; (iv) objection to Claims as provided in this Plan, and prosecution of such objections; (v) compromise and settlement of any issue or dispute regarding the amount, validity, priority, treatment, or allowance of any Claim; (vi) establishment, replenishment or release of reserves as provided in this Plan, as applicable; (vii) negotiation of any amendments regarding the Plan Administration Agreement, subject to Bankruptcy Court approval; (viii) exercise of such other powers as may be vested in the Plan Administrator pursuant to the Plan, the Plan Administration Agreement or any other Plan Documents or order of the Bankruptcy Court; (ix) taking all actions necessary or appropriate to enforce the Debtors' rights, and to comply with the Debtors' obligations owing, under the Sale Transaction Documents; (x) filing applicable tax returns for any of the Debtors; and (xi) liquidating any Estate Property. The Post-Confirmation Oversight Committee may replace any member that has resigned or been removed. Any member of the Post-Confirmation Oversight Committee may be removed by the Bankruptcy Court for cause shown, after notice and a hearing. The Post-Confirmation Oversight Committee may retain legal counsel and financial advisors to advise it in the performance of its duties. In the event there are no

members of the Post-Confirmation Oversight Committee, whether by death, resignation or removal, the Plan Administrator shall be free to act in its sole discretion subject to the requirements of this Plan and the Confirmation Order. The Plan Administrator shall pay (i) the Post-Confirmation Date Committee Expenses; and (ii) on and after the Effective Date, the Post-Confirmation Oversight Committee Professional Fees. The Post-Confirmation Date Committee Expenses and the Post-Confirmation Oversight Committee Professional Fees shall be paid within ten (10) Business Days after submission of a detailed invoice therefor to the Plan Administrator. If the Plan Administrator disputes the reasonableness of any such invoice, the Plan Administrator, the Post-Confirmation Oversight Committee or the affected professional may submit such dispute to the Bankruptcy Court for a determination of the reasonableness of any such invoice, and the disputed portion of such invoice shall not be paid until the dispute is resolved. The undisputed portion of such reasonable fees and expenses shall be paid as provided herein. The Post-Confirmation Oversight Committee shall be dissolved and the members thereof shall be released and discharged of and from further authority, duties, responsibilities and obligations relating to and arising from and in connection with the Bankruptcy Cases on the later of: (i) the final Distribution Date or (ii) the entry of a Final Order or orders closing all of the Debtors' Bankruptcy Cases. Service as a member of the Post-Confirmation Oversight Committee shall not preclude service on any trust advisory board or other committee to be established, if any.

2. The Post-Confirmation Oversight Committee or the Trust Board, if any, as applicable, shall approve or reject any settlement or abandonment of Rights of Action that the Plan Administrator or Creditor Trustee, if any, or any member of the Post-Confirmation Oversight Committee or the Trust Board, if any, as applicable, may propose; provided, however, that (i) no member of the Post-Confirmation Oversight Committee or the Trust Board, if any, as applicable, may cast a vote with respect to any matter to which it is a party; and (ii) the Plan Administrator or the Creditor Trustee, if any, may seek Bankruptcy Court approval of a settlement if the Post-Confirmation Oversight Committee or the Trust Board, if any, as applicable, fails to act on a proposed settlement within thirty (30) days of receiving notice of such proposed settlement, including a deadlocked vote of the Post-Confirmation Oversight Committee or the Trust Board, if any, as applicable. The Plan Administrator shall not settle or compromise any Administrative or Priority Claim in excess of the Allowed amount of $200,000, or unsecured Claims, in excess of $500,000 (such $200,000 and $500,000 monetary thresholds may be increased or decreased at the discretion of the Post-Confirmation Oversight Committee), without either the approval of the Post-Confirmation Oversight Committee (which shall act by majority vote) or an order of the Bankruptcy Court. Subject to the approval of the Post-Confirmation Oversight Committee, the Plan Administrator may settle or compromise any Claim without an order of the Bankruptcy Court, subject to the approval of the Post-Confirmation Oversight Committee and the requirements set forth in this section.

3. The Post-Confirmation Oversight Committee may, by majority vote, authorize the Plan Administrator to invest Estate Property in prudent investments other than those described in Bankruptcy Code section 345.

4. Notwithstanding any other provision of the Plan, the Oversight Committee Parties shall not be liable to any entity for anything other than such Oversight Committee Parties own gross negligence or willful misconduct. The Post-Confirmation Oversight Committee may, in connection with the performance of its duties, and in its sole and absolute discretion, consult with its counsel, accountants, financial advisors, or other professionals, or any of its members or designees, and shall not be liable for anything done or omitted or suffered to be done in accordance with the advice or opinions obtained. If the Post-Confirmation Oversight Committee determines not to consult with its counsel, accountants, financial advisors, or other professionals, the failure to so consult shall not itself impose any liability on the Post-Confirmation Oversight Committee or any of its members and/or designees.

5. The Post-Confirmation Oversight Committee shall govern its proceedings through the adoption of by-laws, which the Post-Confirmation Oversight Committee may adopt by majority vote. The Post-Confirmation Oversight Committee's powers are exercisable solely in a fiduciary capacity

consistent with, and in furtherance of, the purpose of the Plan and not otherwise. No provision of such by-laws shall conflict with any express provision of the Plan or the Plan Administration Agreement.

6. In the event of the resignation or removal of the Plan Administrator, the Post-Confirmation Oversight Committee shall, by majority vote, designate a person to serve as successor Plan Administrator. The successor Plan Administrator shall file an affidavit demonstrating that such Person is disinterested as defined by Bankruptcy Code section 101(14) and disclosing the terms and conditions of such person or entity's compensation.

L. Creditor Trust

1. General. If the Committee has on or prior to the filing of the Plan Supplement (i) commenced any action or brought any motion with respect to Rights of Action (including a motion seeking standing to pursue such Rights of Action) or (ii) designated in a Plan Supplement certain Rights of Action for assignment to a Creditor Trust, then on or before the Effective Date, the Creditor Trust Agreement, in a form reasonably acceptable to the Debtors and the Committee, shall be executed, and all other necessary steps shall be taken to establish the Creditors Trust and the beneficial interests therein, which shall be for the benefit of the Holders of Allowed Claims against the Debtors, whether Allowed on or after the Effective Date. In the event of any conflict between the terms of the Plan and the terms of the Creditor Trust Agreement, the terms of the Creditor Trust Agreement shall govern. Such Creditor Trust Agreement may provide powers, duties, and authorities in addition to those explicitly stated herein, but only to the extent that such powers, duties, and authorities do not affect the status of the Creditor Trust as a liquidating trust for United States federal income tax purposes, or otherwise have a material adverse effect on the recovery of Holders of Allowed Claims against the Debtors. On the Effective Date, the Post-Confirmation Oversight Committee shall have the duties set forth herein to maximize distributions to Holders of Allowed Claims. On the Effective Date, the Post-Confirmation Oversight Committee shall succeed in all respects to all of the rights, privileges and immunities of the Committee, including, without limitation, the attorney-client privileges and any other evidentiary privileges of the Committee, except to the extent that a Creditor Trust shall be established, in which event the Creditor Trustee shall succeed in all respects to all of the rights, privileges and immunities of the Committee and the Debtors, including, without limitation, the attorney-client privileges and any other evidentiary privileges of the Committee and the Debtors that relate to the Trust Assets.

2. Purpose of Creditor Trust. If established, the Creditor Trust shall be established for the purpose of holding the Creditor Trust Assets, reducing the Credit Trust Assets to Cash and depositing such proceeds for subsequent distribution to the Holders of Allowed Claims under the Plan and for making distributions of Creditor Trust Assets in accordance with the Creditor Trust Agreement, the Plan and the Confirmation Order, with no objective to continue or engage in the conduct of a trade or business.

3. Fees and Expenses of Creditor Trust. The actual and reasonable fees, expenses and costs of the Creditor Trust, including reasonable professional fees, shall be funded by the Plan Administrator.

4. Creditor Trust Assets. The Creditor Trust shall consist of the Creditor Trust Assets and the proceeds therefrom. As of the Effective Date, the Debtors shall assign and transfer to the Creditor Trust all of its rights, title and interests in and to the Creditor Trust Assets on the Effective Date such Rights of Action shall be assigned to the Creditor Trustee in trust pursuant to sections 1123(a)(5)(B) and 1123(b)(3) of the Bankruptcy Code for the benefit of the Holders of Allowed Claims against the Debtors, whether Allowed on or after the Effective Date. The Debtors or such other Persons that may have possession or control of such Creditor Trust Assets shall transfer or assign possession or control of such property or rights to the Creditor Trust prior to or as of the Effective Date and shall execute the documents or instruments necessary to effectuate such transfers. Such transfers shall be exempt from any stamp, real estate transfer, mortgage reporting, sales, use or other similar tax, and shall be free and clear of any

liens, claims and encumbrances, and no other entity, including the Debtors, shall have any interest, legal, beneficial, or otherwise, in the Creditor Trust or the Creditor Trust Assets upon their assignment and transfer to the Creditor Trust (other than as provided herein, in the Creditor Trust Agreement or in the Confirmation Order).

5. Governance of Creditor Trust. The Creditor Trust shall be governed by the Creditor Trust Agreement and administered by the Creditor Trustee. The Trust Board shall govern its proceedings through the adoption of by-laws, which the Trust Board may adopt by majority vote.

6. Appointment of a Creditor Trustee. If a Creditor Trust is to be established, prior to the Effective Date, the Committee shall select the Creditor Trustee. The identity of and contact information for the Creditor Trustee (or proposed Creditor Trustee, if applicable) shall be set forth in the Plan Supplement. In the event the Creditor Trustee dies, is terminated, or resigns for any reason, the Trust Board shall designate a successor in accordance with the Creditor Trust Agreement.

7. The Trust Board. The Creditor Trustee shall take direction from the Trust Board. The identity of the members nominated to serve on the Trust Board shall be set forth in the Plan Supplement. The Committee shall select the directors of the Creditors Trust Board. In the event one of the Trust Board directors dies, is terminated, or resigns for any reason, the remaining Trust Board directors shall designate a successor.

8. Role of the Creditor Trustee. In furtherance of and consistent with the purpose of the Creditor Trust and the Plan, the Creditor Trustee shall hold the Creditor Trust Assets for the benefit of the Holders of Allowed Claims against the Debtors. The Creditor Trustee may be the same Person as the Plan Administrator, and the Trust Board may be the Post-Confirmation Oversight Committee. In addition, the Creditor Trustee's professionals may be the same as the Plan Administrator's professionals and the Trust Board's professionals may be the same as the Post-Confirmation Oversight Committee's professionals.

9. Creditor Trust Agreement. In addition to the provisions set forth herein and in the Confirmation Order, the Creditor Trust shall be governed in all respects by the Creditor Trust Agreement.

M. Substantive Consolidation

Substantive consolidation is an equitable remedy that a bankruptcy court from its equitable powers under Bankruptcy Code section 105(a) may be asked to apply in chapter 11 cases involving affiliated debtors. Substantive consolidation involves the pooling and merging of the assets and liabilities of the affected debtors. All of the debtors in the substantively consolidated group are treated as if they were a single corporate and economic entity. Consequently, a creditor of one of the substantively consolidated debtors is treated as a creditor of the substantively consolidated group of debtors and issues of individual corporate ownership of property and individual corporate liability obligations are ignored.

Substantive consolidation of two or more debtors' estates generally results in the deemed consolidation of the assets and liabilities of the debtors, the deemed elimination of intercompany claims, multiple and duplicative creditor claims, joint and several liability claims and guaranties, and the payment of allowed claims from a common fund. Absent such substantive consolidation, payment of such duplicative claims would be dilutive of the amounts ultimately payable to certain holders of Allowed Claims against the Debtors.

The principle of substantive consolidation is well-established in this circuit and was affirmed by the United States Court of Appeals for the Third Circuit in *In re Owens Corning*, 419 F.3d 195 (3d Cir. 2005). Criteria utilized to permit substantive consolidation include (i) pre-petition disregard of corporate separateness or (ii) post-petition scrambling of assets and liabilities. The Debtors submit that here a case for substantive consolidation is established under both criteria. The Debtors' creditors (whether secured, unsecured, trade or

otherwise) have consistently ignored the separateness of the Debtors and dealt with the Debtors as a single economic unit. In addition, the affairs of the Debtors are so intertwined that substantive consolidation will benefit creditor recoveries by relieving the Debtors of certain administrative costs. The applicable facts demonstrate a substantial identity and an extensive and inseparable interrelationship and entanglement between and among the Debtors. For example:

(i) the Debtors have maintained one corporate office, which is located in Syracuse, New York;

(ii) the Debtors have common officers, directors, corporate employees and outside professionals;

(iii) prior to filing Chapter 11, the Debtors issued their financial statements only on a consolidated basis;

(iv) the Debtors file joint federal income tax returns;

(v) the value of the assets indicated on the books and records Debtors other than Penn Traffic are less than 3% of the total value of the Debtors' assets on a consolidated basis;

(vi) substantially all of the Debtors' assets were sold to Tops on a consolidated basis without regard by the Debtors to the allocation of value among the individual Debtor entities, except with respect to the allocation of value to the Fayetteville, New York store which was required for tax filing purposes only;

(vii) all of the Debtors were jointly and severally obligated to the Prepetition Lenders on account of the obligations under the Prepetition Credit Facilities, either as direct obligors or as guarantors, without regard to a direct relationship between borrowings and a specific Debtor, for reasons including that, among other things, the Debtors were treated as a single consolidated entity under such facilities, and all Debtor entities benefited from the financing facility regardless of whether funds were directly attributable to a particular Debtor corporate entity by having access to such liquidity;

(viii) all intercompany loans among the Debtors had been canceled and forgiven twice before in the Debtors' prior Chapter 11 reorganizations, and have not been determined in connection with the Debtors' Chapter 11 Cases;

(ix) the Debtors have invoiced all suppliers on a consolidated basis;

(x) the Debtors commingled assets and business functions among the business entities to be consolidated;

(xi) the Debtors, as shown in Article 4, above, share the same ultimate corporate parent, which is Penn Traffic, one of the Debtors;

(xii) the Debtors always have maintained a consolidated cash management system;

(xiii) while the Debtors operated both prior and subsequent to their Chapter 11 filings, creditors extended credit to the Debtors based on the overall financial condition of the consolidated entities, not on an entity-by-entity basis;

(xiv) the Debtors purchased all inventory and booked all accounts receivable on behalf of, and as, the consolidated entity;

(xv) vendors provided consolidated weekly and monthly statements to the Debtors regarding open invoices;

(xvi) vendor promotional agreements were made on a consolidated or banner level, regardless of legal entity;

(xvii) corporate overhead for the Debtors has been and is booked and paid by the Debtors as a single consolidated entity, and was never allocated to separate entities;

(xviii) the Debtors have consolidated risk management, insurance procurement, payroll and benefits;

(xix) almost all of the Debtor's employees are employed by Penn Traffic, and the employee-related obligations of all Debtors have been and are funded on a consolidated basis irrespective of a particular Debtors independent financial wherewithal; and

(xx) keeping distinct entities will reduce recovery for the creditor body and consolidation will benefit every creditor.

Accordingly, the Debtors believe that substantive consolidation is warranted and will provide appropriate evidence to the Bankruptcy Court at the Confirmation Hearing.

The Debtors have analyzed the assets and liabilities of the subsidiary Debtors. Only two of the subsidiary Debtors, P.T. Fayetteville/Utica, LLC and Pennway Express, Inc., have assets as indicated on the books and records, and together those assets comprise at most 3% of the total asset value of the Debtors' Estates. When factoring in the respective liabilities of each Debtor, including each Debtor's share of secured, administrative and priority liabilities, the Debtors believe that there would be no remaining asset value available for distribution to creditors of the subsidiary Debtors. In addition, it appears that the significant claims against the subsidiary Debtors are duplicative of claims filed against Penn Traffic and arise out of guaranty, co-obligor or other joint liability theories. Accordingly, it would be inequitable for such creditors to have artificially inflated claims compared to those creditors asserting claims against only Penn Traffic.

Finally, Bankruptcy Code section 1123(a)(5)(B) expressly contemplates plan provisions that provide for a merger or consolidation of the debtor with one or more persons as a means for the implementation of the Plan. Here, not only does this contemplated substantive consolidation implement the Plan, but, it also presents the means for the highest possible recovery for the creditors.

Unless the Bankruptcy Court has ordered substantive consolidation of the Bankruptcy Cases before the Confirmation Hearing, the Plan will serve as, and will be deemed to be, a motion for entry of an order substantively consolidating the Bankruptcy Cases. If no objection to substantive consolidation is timely filed and served by any holder of a Claim or Equity Interest on or before the deadline for submitting objections to the Plan or such other date as may be established by the Bankruptcy Court, an order approving substantive consolidation (which may be the Confirmation Order) may be entered by the Bankruptcy Court. If any such objections are timely filed and served, a hearing with respect to the substantive consolidation of the Bankruptcy Cases and the objections thereto will be scheduled by the Bankruptcy Court, which hearing may, but is not required to coincide with the Confirmation Hearing.

If no objection to substantive consolidation is timely filed and served by any holder of a Claim or Equity Interest Impaired by the Plan on or before the deadline for submitting objections to the Plan or such other date as may be established by the Bankruptcy Court, an order approving substantive consolidation (which may be the Confirmation Order) may be entered by the Bankruptcy Court. If any such objections are timely filed and served, a hearing with respect to the substantive consolidation of the Bankruptcy Cases and the objections thereto will be scheduled by the Bankruptcy Court, which hearing may, but is not required to coincide with the Confirmation Hearing.

The Debtors reserve the right at any time up to the conclusion of the Confirmation Hearing to withdraw their request for substantive consolidation of these Bankruptcy Cases, to seek Confirmation of the Plan as if there were no substantive consolidation, and to seek Confirmation of the Plan with respect to one Debtor even if Confirmation with respect to the other Debtors is denied or delayed.

To the extent the Debtors do not file a stand alone motion for substantive consolidation, the Plan shall serve as such motion.

N. Dissolution of the Committee

The Committee shall be automatically dissolved on the later of: (a) the Effective Date; and (b) the conclusion of any appeals or other challenges or matters with respect to the Confirmation Order (but such functions shall relate solely to services performed related to such appeal, challenges or matters), except with respect to the review and prosecution of Professional Compensation Claims and any objections thereto. Following the Effective Date, the attorneys and financial advisors to the Committee shall be entitled to assert any reasonable claims for compensation for services rendered or reimbursement for expenses incurred after the Effective Date in connection with services to the Committee, including, the pursuit of their own Professional Compensation Claims or the representation of the Committee in connection with the review of and the right to be heard in connection with all Professional Compensation Claims. The Plan Administrator shall pay, within ten (10) Business Days after submission of a detailed invoice to the Plan Administrator, such reasonable claims for compensation or reimbursement of expenses incurred by the attorneys and financial advisors to the Committee. If the Plan Administrator disputes the reasonableness of any such invoice, the Plan Administrator or the affected professional may submit such dispute to the Bankruptcy Court for a determination of the reasonableness of any such invoice, and the disputed portion of such invoice shall not be paid until the dispute is resolved. The undisputed portion of such reasonable fees and expenses shall be paid as provided herein. Except as otherwise provided in the Plan, on the Effective Date, all members, employees or agents of the Committee shall be released and discharged from all rights and duties arising from, or related to, the Bankruptcy Cases. The dissolution or termination of the Committee shall not prejudice the rights of any agents of the Committee (including their Professionals and Committee members) to pursue their separate Claims for compensation and reimbursement of expenses, including Professional Compensation Claims under Bankruptcy Code sections 330, 331, and/or 503(b)(3)(F).

O. Injunction

Except as otherwise provided in the Plan, the Plan Administration Agreement or the Confirmation Order, as of the Confirmation Date, but subject to the occurrence of the Effective Date, all entities that have held, hold or may hold a Claim or other debt or liability against any of the Debtors or Equity Interest in any of the Debtors are permanently enjoined from taking any of the following actions against any of the Debtors, the Estate, the Committee, the Plan Administrator**,** the Post-Confirmation Oversight Committee or the Creditor Trustee, if any, or the Trust Board, if any, along with each of their respective present or former affiliates, members, employees, agents, officers, directors and principals and professionals on account of any such Claims or Equity Interests: (i) commencing or continuing, in any manner or in any place, any action or other proceeding on account of any such Claim or Equity Interest; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order on account of any such Claim or Equity Interest; (iii) creating, perfecting or enforcing any lien or encumbrance on account of any such Claim or Equity Interest; (iv) asserting a setoff of any kind against any debt, liability or obligation due to any of the Debtors to the extent such right of setoff was or could have been asserted on or before the applicable bar date on account of any such Claim or Equity Interest; (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan on account of any such Claim or Equity Interest or (vi) taking any actions to interfere with the implementation of the Plan; provided, however, that nothing contained herein shall preclude such persons from exercising their rights pursuant to and consistent with the terms of the Plan.

P. Releases

1. Officer and Director Releases

Except as otherwise provided for in the Plan and except with respect to any Claims assigned to the Creditor Trust, on the Effective Date, each of (i) the Debtors; and (ii) the Committee, as applicable, shall be deemed to have released the Directors and Officers (solely in

their respective capacities as directors and/or officers of the Debtors) and their professionals, from any and all claims, causes of actions, and other liabilities accruing on or before the Effective Date, and arising from or relating to any actions taken or not taken in connection with the decision to file bankruptcy on behalf of the Debtors, the sale or shutdown of the Debtors' operations, the wind down and operation of the Debtors during chapter 11, the administration of the Bankruptcy Cases, the negotiation and implementation of the Plan, Confirmation of the Plan, consummation of the Plan (including all distributions thereunder), the administration of the Plan, and the property to be distributed under the Plan; *provided, however,* that the foregoing shall not operate as a release from any claim, cause of action, or other liability arising out of (i) any express contractual obligation owing by any such Directors and Officers, or (ii) the willful misconduct or gross negligence of such Directors and Officers in connection with, related to, or arising out of the Bankruptcy Cases, the pursuit of Confirmation of the Plan or the consummation of the Plan.

In this release, the Debtors, the Committee and the Creditors are releasing the Debtors' officers and directors, (but solely in their capacity as officers and directors of the Debtors) and a number of related parties from any and all Claims relating to any actions taken and not taken in connection with various decisions related to the bankruptcy filing, administration of these Bankruptcy Cases, negotiation of the Plan and Distributions to be made under the Plan.

2. Creditor Releases

Except as otherwise provided for in the Plan, effective on the Effective Date, each holder of a Claim who votes in favor of the Plan and <u>does not opt-out of such release by checking the appropriate box on the Ballot and properly and timely completing and returning such Ballot pursuant to the Solicitation Materials</u> shall be conclusively presumed to have released the Debtors, the Committee, and their respective Directors and Officers, members, employees, insurers, attorneys, advisors, and professionals, each in its capacity as such, from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Cases or during the course of the Bankruptcy Cases (including through the Effective Date), in any way relating to the Debtors, the Bankruptcy Cases, or the ownership, management, and operation of the Debtors.

This release is similar to an exculpation by providing that any Creditor who votes in favor of the Plan or receives a Distribution under the Plan, is deemed to have released the Debtors and various related parties from any Claims relating to the Debtors, these Bankruptcy Cases or ownership, management and operation of the Debtors. The Debtors believe this release is appropriate.

3. Exculpation

On the Effective Date, each of (a) the Debtors and the Directors and Officers (solely in their respective capacities as directors and/or officers of the Debtors); (b) the Debtors' attorneys, advisors and other professionals; (c) the Committee and its members, solely in their capacity as Committee members; (d) the Committee's attorneys, advisors and other professionals; (e) the Plan Administrator and the Creditor Trustee, if any, their members, principals, employees and agents; (f) the attorneys advisors and other professionals to the Plan Administrator and the Creditor Trustee, if any; (g) the Post-Confirmation Oversight Committee and the Trust Board, if any, and their members (solely in their capacity as such); (h) the attorneys, advisors and other professionals to the Post-Confirmation Oversight Committee and the Trust Board, if any; (i) the Disbursing Agent, its members, principals, employees and agents; and (j) the attorneys, advisors and other professionals to the Disbursing Agent, shall have no liability to any holder of a Claim or

Equity Interest or to any other person for any action taken or not taken in connection with the decision to file a bankruptcy petition on behalf of the Debtors, the sale or shutdown of the Debtors' operations, the operation, sale and wind down of the Debtors during chapter 11, the administration of the Bankruptcy Cases, the negotiation and implementation of the Plan, Confirmation of the Plan, consummation of the Plan (including all Distributions hereunder), the administration of the Plan, and the property to be distributed under the Plan. In all such instances, such parties shall be and have been entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities in connection with the Bankruptcy Cases and under the Plan. Nothing contained in this section shall operate as a release, waiver, or discharge of any Claim, cause of action, right, or other liability against Person listed in subsection (a)-(j) above in any capacity other than as in subsections (a)-(j) above; provided, however, that the foregoing shall not operate as a release from any claim, cause of action, right or other liability arising out of the willful misconduct or gross negligence in connection with, related to, or arising out of the Bankruptcy Cases, the pursuit of Confirmation of the Plan or the consummation of the Plan, the wind down of the Debtors' Estates or the administration of Estate Property.

In this exculpation, the Debtors, and the Committee and various related parties are deemed to have no liability to any holder of a Claim or Equity Interest for any actions taken and not taken in connection with various decisions related to the bankruptcy filing, administration of these Bankruptcy Cases, negotiation of the Plan and Distributions to be made under the Plan. This Distribution would otherwise not be available without the efforts of these parties and their role in the settlement process and the administration of these Bankruptcy Cases. The exculpation is limited to actions taken or not taken in connection with these Bankruptcy Cases as described above.

Notwithstanding any language to the contrary contained in this Disclosure Statement, the Plan, and/or the Confirmation Order, no provision shall release any non-debtor, including any of the Directors and Officers, from liability in connection with any legal action or claim brought by the United States Securities and Exchange Commission. For the avoidance of doubt, the United States Securities and Exchange Commissions is not currently investigating any Director or Officer or other employee of the Debtors for any violation of the United States securities laws, nor does it currently intend to do so.

Nothing in the Bankruptcy Cases, the Confirmation Order, Plan, the Bankruptcy Code (and section 1141 thereof), or any other document filed in the Debtors' Bankruptcy Cases shall in any way be construed to discharge, release, limit, or relieve any Debtor or non-Debtor party, in any capacity, from any liability or responsibility with respect to the Defined Benefit Plans or any other defined benefit pension plan under any law, governmental policy, or regulatory provision. The PBGC and the Defined Benefit Plans shall not be enjoined or precluded from enforcing such liability or responsibility by any of the provisions of the Plan, Confirmation Order, Bankruptcy Code, or any other document filed in any of the Debtors' bankruptcy cases. Solely with respect to the liabilities asserted in its proofs of claims filed in the Debtors' bankruptcy proceedings, PBGC will be paid from the Debtors' estates pursuant to its Allowed Claims in these Chapter 11 cases, and in accordance with the Plan.

Q. Resolution of Disputed Claims

1. Right to Objection to Claims

On and after the Effective Date, the Plan Administrator shall have and retain the exclusive right to any and all objections (whether or not filed), rights and defenses the Debtors or their Estates had with respect to any Claim or Equity Interest immediately prior to the Effective Date, subject to the provisions of the Plan. The Plan Administrator shall have the exclusive right, but not the obligation, to object to any Claims.

2. Deadline for Objecting to Claims

Objections to Claims must be filed with the Bankruptcy Court in accordance with its local rules, and a copy of the objection must be served on the subject Claimant(s) before the expiration of the Claim Objection Deadline; otherwise such Claims shall be deemed allowed in accordance with Bankruptcy Code section 502. The objection shall notify the Claimholder of the deadline for responding to such objection.

3. Deadline for Responding to Claim Objections

Within thirty (30) days after service of an objection, the Claimholder whose Claim was objected to must, in accordance with the local rules of the Bankruptcy Court, serve and file a written response to the objection with the Bankruptcy Court and serve a copy on the respective Plan Administrator and the parties identified in section 13.2 of the Plan. Failure to serve and file a written response within the thirty (30) day time period may result in the Bankruptcy Court granting the relief demanded in the Claim objection without further notice or hearing.

4. Right to Request Estimation of Claims

Pursuant to Bankruptcy Code section 502(c), the Debtors and the Plan Administrator, as applicable, may request estimation or liquidation of any Disputed Claim that is contingent or unliquidated or any Disputed Claim arising from a right to an equitable remedy or breach of performance.

Before the Effective Date, the Debtors may (but are not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim that is contingent or unliquidated pursuant to Bankruptcy Code section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. From and after the Effective Date, the Plan Administrator may (but is not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim that is contingent or unliquidated pursuant to Bankruptcy Code section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. With respect to any request for estimation, the Bankruptcy Court shall retain jurisdiction to estimate any such Claim at any time, including during the litigation of any objection to any Claim or during the pendency of any appeal relating to such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute a maximum limitation on such Claim for all purposes under the Plan (including for purposes of distributions), and the relevant party may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

5. Setoff Against Claims

The Debtors and the Plan Administrator (in consultation with the Post-Confirmation Oversight Committee), as applicable, may set off against any Claim, and the payments made pursuant to this Plan in respect of such Claim, any claims of any nature whatsoever that any of the Debtors may have against the holder of the Claim, but neither the failure to do so nor the allowance of such Claim shall constitute a waiver or release by the Debtors of any claims or rights against the holder of the Claim. Any payment in respect of a disputed, unliquidated, or contingent Claim shall be returned promptly to the Plan Administrator in the event and to the extent such Claims are determined by the Bankruptcy Court or any other court of competent jurisdiction not to be Allowed Claims.

6. Alternate Claim Resolution Procedures

Not later than five (5) Business Days before the Voting Deadline, the Debtors, with the consent of the Committee, may file as part of the Plan Supplement, Alternative Claim Resolution Procedures applicable to contingent, unliquidated and/or disputed claims as a Plan Document, which shall become a part of the Plan and effective on the Effective Date.

7. Disallowance of Late Claims

ANY AND ALL PROOFS OF CLAIM FILED AFTER THE GENERAL BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS ON OR BEFORE THE CONFIRMATION HEARING SUCH LATE CLAIM HAS BEEN DEEMED TIMELY FILED BY A FINAL ORDER.

8. Tax Implications for Recipients of Distributions

Notwithstanding any other provision of the Plan, each entity receiving a distribution of Cash or other consideration pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on it by any Governmental Unit on account of the distribution, including income, withholding and other tax obligations.

9. No Levy

Except as otherwise provided herein, distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment or like legal process, so that each holder of an Allowed Claim shall have and receive the benefit of the distributions in the manner set forth in the Plan.

10. Offer of Judgment

The Plan Administrator, in consultation with the Post-Confirmation Oversight Committee is authorized to serve upon a holder of a Claim an offer to allow judgment to be taken on account of such Claim, and, pursuant to Bankruptcy Rules 7068 and 9014, Federal Rule of Civil Procedure 68 shall apply to such offer of judgment. To the extent the holder of a Claim must pay the costs incurred by the Debtors after the making of such offer, the Plan Administrator is entitled to setoff such amounts against the amount of any distribution to be paid to such holder without any further notice to or action, order or approval of the Bankruptcy Court.

11. Adjustments to Claims Without Objection

Any Claim that has been paid or satisfied in full, or any Claim that has been amended or superseded by the Claimant as confirmed by the Claims Agent, may be adjusted or expunged on the Claims Register by the Plan Administrator, as applicable, without a claim objection having to be filed and without any further notice to or action, order or approval of the Bankruptcy Court. Beginning on the end of the first full calendar quarter that is at least ninety (90) days after the Effective Date and every calendar quarter thereafter, the Plan Administrator shall file a list of all Claims that have been allowed, settled, paid, satisfied, amended or superseded during such prior calendar quarter and distribute it to the Court and U.S. Trustee and others requesting service.

12. Litigation Claims

Any Litigation Claim that has been determined and liquidated shall be deemed an Allowed Claim only to the extent that the holder of such Claim establishes that such Claim is not recoverable from third parties through the Debtors' insurance coverage (exclusive of the Debtors' self-insurance).

R. Provisions Governing Distributions

1. Disbursing Agent

The Disbursing Agent shall make all distributions required under this Plan. The Plan Administrator, in consultation with the Post-Confirmation Oversight Committee, shall determine whether to give a bond or other surety in an applicable amount. In the event that a Disbursing Agent is required to give a bond or surety or other security for the performance of its duties, all costs and expenses of procuring any such bond or surety or other security shall be a Plan Administrator Operating Expense.

2. Distributions to Holders of Class 3 Allowed General Unsecured Claims

On each Quarterly Distribution Date, the Disbursing Agent shall make all distributions that became deliverable to holders of Allowed Claims during the preceding calendar quarter; provided, however, that if the Plan Administrator determines, in consultation with the Post-Confirmation Oversight Committee, that the amount of any quarterly distribution otherwise to be made should not be made, including if the amount of any quarterly distribution otherwise to be made is too small to justify the administrative costs associated with such distribution, the Plan Administrator may postpone such quarterly distribution. On each Quarterly Distribution Date, each holder of a Class 3 Allowed General Unsecured Claim that has been Allowed as of the applicable Quarterly Test Date shall receive, from the Plan Administrator, its Pro Rata Share of Cash in the amount of the difference between (1) the amount such holder would have received on the Effective Date, if its Claim had been Allowed as of the Effective Date, if all other Class 3 Claims that were Allowed or disallowed on or prior such to the Quarterly Test Date were Allowed or disallowed as of the Effective Date, and if the Cash that was available for distribution or that were previously distributed had been available for distribution of the Effective Date, minus (2) the aggregate amount of Cash previously distributed on account of the Claim. On each Quarterly Distribution Date, each holder of an Allowed Claim other than a Class 3 Allowed General Unsecured Claim that has been Allowed as of the Quarterly Test Date shall receive its Distribution minus the aggregate the amount of any Distribution previously distributed to such holder on account of such claims.

3. Distributions to Holders of Class 5 Allowed Convenience Class Claims.

On the first practicable Quarterly Distribution Date (as determined by the Plan Administrator), the Disbursing Agent shall make all distributions to all holders of Allowed Class 5 Claims.

4. Distributions for Claims Allowed as of the Effective Date

Except as otherwise provided, distributions to be made on the Effective Date to holders of Claims that are Allowed as of the Effective Date shall be deemed made on the Effective Date if made on the Effective Date or as promptly thereafter as practicable or such later date when the applicable conditions of the Plan and the Plan Administration Agreement are satisfied. Distributions on account of Claims Allowed after the Effective Date shall be made pursuant to applicable provisions of the Plan and the Plan Administration Agreement.

5. Special Rules for Distributions to Holders of Disputed Claims

Notwithstanding any other provision of the Plan and except as otherwise agreed by the relevant parties, the Plan Administrator shall not be required to (i) make any partial payments or partial distributions to a Person, estate or trust with respect to a Disputed Claim until all such disputes in

connection with such Disputed Claim have been resolved by settlement or Final Order or (ii) make any distributions on account of an Allowed Claim of any Person, estate or trust that holds both an Allowed Claim and a Disputed Claim, unless and until all objections to the Disputed Claim have been resolved by settlement or Final Order and both Claims have been Allowed. To the extent that there is any holder of a Claim that is the subject of a Right of Action, the Plan Administrator shall have the authority to withhold any Distribution to such holder of a Claim until such Right of Action is subject to final non-appealable order or otherwise is settled or adjudicated in the Bankruptcy Court.

6. Limited Recourse for Disputed Claims

The holder of a Disputed Claim is not entitled to recover unless a Disputed Claim becomes an Allowed Claim and in such event any Disputed Claimholder may only be entitled to receive a Distribution on its Allowed Claim from the Disputed Claim Reserve.

7. Claim Amounts

Notwithstanding anything in the applicable holder's proof of Claim or otherwise to the contrary, the holder of a Claim shall not be entitled to receive or recover a distribution under the Plan on account of a Claim in excess of the lesser of the amount: (i) stated in the holder's proof of Claim, if any, as of the Distribution Date, plus interest thereon (if any) to the extent provided for by the Plan; (ii) if the Claim is denominated as contingent or unliquidated as of the Distribution Date, the amount the Plan Administrator, elects to reserve on account of such Claim, or such other amount as may be estimated by the Bankruptcy Court prior to the Confirmation Hearing; (iii) if a Claim has been estimated, the amount reserved by the Plan Administrator to satisfy such Claim after such estimation; or (iv) as Allowed by Bankruptcy Court order.

8. Surrender of Certificates

The Plan Administrator may require, as a condition to making any payment or other distribution under the Plan, that each holder of an Allowed Claim surrender the note, certificate or other document evidencing such Allowed Claim to the Plan Administrator with respect to distributions on account of Allowed Claims. In that event, any holder of an Allowed Claim that fails, upon request, to surrender such note, certificate or other document (or, in lieu thereof if requested by the Plan Administrator, furnish an indemnity or bond in the form, substance and amount reasonably satisfactory to the Plan Administrator) within one-hundred twenty (120) days after the date of the Plan Administrator's request shall be deemed to have forfeited all rights and may not participate in any distribution under the Plan.

9. Right to Setoff

The Plan Administrator may (but shall not be required to), pursuant to Bankruptcy Code sections 553 and 558 or applicable non-bankruptcy law, setoff against or recoup from any Distribution to be made under the Plan any claims or causes of action of any nature whatsoever the Plan Administrator or Creditor Trustee, if any, may have; provided, however, that neither the failure to effect such offset or recoupment nor the allowance of any Claim shall constitute a waiver or release by the Plan Administrator or Creditor Trustee, if any, of any setoff or recoupment the Plan Administrator or Creditor Trustee, if any, may have, nor of any other claim or cause of action. Any payment in respect of a disputed, unliquidated or contingent Claim shall be returned promptly to the Plan Administrator in the event and to the extent such Claims are determined by the Bankruptcy Court or any other court of competent jurisdiction not to be Allowed Claims. Confirmation of this Plan shall bar any right of setoff claimed by a Creditor unless such Creditor filed, prior to the Confirmation Date, a motion for relief from the automatic stay seeking the authority to effectuate such a setoff right. All defenses of any of the Debtors of the Plan Administrator, as the success or the Debtors or otherwise with respect to any such motion, are hereby preserved.

10. Distribution Record Date

As of the close of business on the Distribution Record Date under the Plan, the Claims register shall be closed, and there shall be no further changes in the record holder of any Claim. The Plan Administrator shall not have any obligation to recognize any transfer of any Claim occurring after the Distribution Record Date, and shall instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the claims register as of the close of business on the Distribution Record Date; provided, however, the Plan Administrator may choose, in its sole discretion, to recognize a transfer of any Claim upon presentation of appropriate and acceptable documentation.

11. Delivery of Distributions

Subject to Bankruptcy Rule 9010 and except as otherwise set forth in the Plan, all distributions under the Plan shall be made: (i) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004, (ii) to the signatory set forth on any of the Proofs of Claim filed by such holder or other representative identified therein (or at the last known addresses of such holder if no proof of Claim is filed or if the Debtors, the Claims Agent, or Plan Administrator, as applicable, has been notified in writing of a change of address), (iii) at the addresses set forth in any written notices of address changes delivered to the Debtors, the Claims Agent, or the Plan Administrator, as applicable, after the date of any related proof of Claim, (iv) at the addresses reflected in the Debtors' Schedules of Assets and Liabilities if no proof of Claim has been filed and the Claims Agent has not received a written notice of a change of address or (v) on any counsel that has appeared in the Bankruptcy Cases on the holder's behalf. Subject to the provisions herein specifically governing unclaimed distributions, in the event that any distribution to any holder is returned as undeliverable, the Plan Administrator shall use reasonable efforts to determine the current address of such holder, but no distribution to such holder shall be made unless and until the Plan Administrator has determined the then current address of such holder, at which time such distribution shall be made to such holder without interest.

12. Distributions of Cash

Any distribution of Cash under the Plan shall, at the Plan Administrator's option, be made by check drawn on a domestic bank or wire transfer.

13. Timing of Distributions

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

14. Minimum Distributions

Notwithstanding any other provision of the Plan Administration Agreement or the Plan to the contrary, in consultation with the Post-Confirmation Oversight Committee, the Plan Administrator shall not be required to make Distributions of Available Cash unless the aggregate amount to be distributed on such date is at least $100,000.00 (other than in connection with a final Distribution and payments to be made relating to the Priority Claim Reserve, the Plan Administration Reserve, the Professional Compensation Claim Reserve or the Disputed Claim Reserve). No payment of Cash less than $25 shall be made by the Plan Administrator to any holder of a Claim unless: a request therefor is made in writing to the Plan Administrator no later than thirty (30) days after the Effective Date; provided that the Plan Administrator shall not be required to make any interim distributions to the holder of a Claim in an amount less than $25 provided, further, that any such payments shall be withheld until final distribution under the Plan. Moreover, as to a final distribution, in no event shall the Plan Administrator be required to make payment of Cash less than an amount as determined by the Plan Administrator, in consultation with the Post-Confirmation Oversight Committee. In the event there are funds remaining after final distributions, the Plan Administrator is authorized to donate any such remaining funds to a recognized

tax-exempt charity, and/or provide appropriate retainers to the Plan Administrator's professionals, in consultation with the Post-Confirmation Oversight Committee.

15. Unclaimed or Undeliverable Distributions

In the event (i) a claimant entitled to payments from the Plan Administrator under the Plan fails to provide to the Plan Administrator its Federal Tax Identification Number within ninety (90) days after the date of the Plan Administrator's written request, (ii) a check issued to a claimant remains uncashed for one-hundred twenty (120) days after its issuance date, (iii) a request made directly to the Plan Administrator by the holder of the Allowed Claim to whom an uncashed check originally was issued is not made on or before one-hundred eighty (180) days after the date of issuance of such check, or (iv) a Distribution or other payment is returned as undeliverable, then the Distribution or payment and any related Claim or obligation shall be deemed waived, or claimant shall no longer be entitled to receive Distributions or payments, and such unclaimed or undeliverable Distribution or payment shall be distributed on the next Distribution Date to the claimants entitled to payments from the Plan Administrator.

16. Fractional Distributions

The Plan Administrator shall not be required to make distributions or payments of fractions of dollars. Whenever payment of a fraction of a dollar under the Plan or the Plan Administration Agreement would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down) with half dollars or less rounded down.

17. Allocation Between Principal and Accrued Interest

To the extent applicable, all distributions to a holder of an Allowed Claim shall apply first to the principal amount of such Claim until such principal amount is paid in full and then to any interest accrued on such Allowed Claim, if any.

18. Compromise and Settlement of Claims and Controversies

Pursuant to Bankruptcy Code section 363 and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Equity Interests and controversies relating to the contractual, legal and subordination rights that a holder of a Claim may have with respect to any Claim or Equity Interest, or any distribution to be made on account of such a Claim or Equity Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Equity Interests, controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates and holders of Claims and Equity Interests and is fair, equitable and reasonable. In accordance with and subject to the applicable provisions of the Plan, pursuant to Bankruptcy Code section 363 and Bankruptcy Rule 9019(a), without any further notice to or action, order or approval of the Bankruptcy Court, after the Effective Date, the Plan Administrator, in accordance with the Plan and the Plan Administration Agreement, may compromise and settle Claims against them and Rights of Action against other entities.

19. Payments and Distributions on Disputed Claims

Except as otherwise provided in the Plan, a Final Order or as agreed to by the relevant parties, distributions under the Plan on account of Disputed Claims that become Allowed after the Effective Date shall be made on the Quarterly Distribution Date that is at least thirty (30) days after the Disputed Claim becomes an Allowed Claim; provided, however, that in consultation with the Post-Confirmation Oversight Committee, Disputed Secured Claims, Disputed Priority Tax Claims and Disputed Priority Non-tax Claims that become Allowed Claims after the Effective Date, unless otherwise agreed by the parties, shall be paid in full in Cash on the Quarterly Distribution Date that is at least thirty (30) days

after the Disputed Claim becomes an Allowed Claim or over a five (5)-year period as provided in § 1129(a)(9)(C) of the Bankruptcy Code with annual interest provided by applicable non-bankruptcy law.

20. Subordinate Claims

The allowance, classification and treatment of all Allowed Claims and Equity Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, Bankruptcy Code section 510 or otherwise. Pursuant to Bankruptcy Code section 510, the Debtors or the Plan Administrator, as applicable reserve the right to re-classify any Allowed Claim or Equity Interest in accordance with any contractual, legal or equitable subordination relating thereto.

S. Retention of Jurisdiction

The Bankruptcy Court, even after the Bankruptcy Cases have been closed by entry of a final decree, shall have jurisdiction over all matters arising under, arising in, or relating to the Bankruptcy Cases, including proceedings to:

- ensure that the Plan is fully consummated and implemented;
- enter such orders that may be necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;
- consider any modification of the Plan under Bankruptcy Code section 1127;
- hear and determine all Claims, controversies, suits, and disputes against the Debtors to the full extent permitted under 28 U.S.C. §§ 157 and 1334;
- allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of any and all objections to the allowance or priority of Claims;
- hear, determine, and adjudicate any litigation involving the Rights of Action, to recover property and assets of the Estate (in each case, as successors in interest to the Debtors) wherever located, and to adjudicate any and all other Rights of Actions, suits, adversary proceedings, motions, applications, and contested matters that may be commenced or maintained in these Bankruptcy Cases or pursuant to the Plan, proceedings to adjudicate the Disputed Claims, and all controversies and issues arising from or relating to any of the foregoing;
- decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any motions or applications involving the Debtors that are pending on or commenced after the Effective Date, including without limitation any matters arising out of or relating to the Bankruptcy Cases that are subsequently remanded to the Bankruptcy Court;
- resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan, or any entity's obligations incurred in connection with the Plan, or any other agreements governing, instruments evidencing, or documents relating to any of the foregoing, including the interpretation or enforcement of any rights, remedies, or obligations under any of the foregoing;

- hear and determine all controversies, suits, and disputes that may arise out of or in connection with the enforcement of any subordination and similar agreements among Creditors under Bankruptcy Code section 510;

- hear and determine all Professional Compensation Claims and all other requests for compensation and/or reimbursement of expenses that may be made for fees and expenses incurred before the Effective Date;

- enforce any Final Order, the Confirmation Order, the final decree, and all injunctions contained in those orders;

- enter an order concluding and terminating these Bankruptcy Cases;

- correct any defect, cure any omission, or reconcile any inconsistency in the Plan, or the Confirmation Order, or any other document or instruments created or entered into in connection with the Plan;

- determine all questions and disputes regarding title to the Estate Property;

- classify the Claims of any Claimholders and the treatment of those Claims under the Plan, re-examine Claims that may have been allowed for purposes of voting, and determine objections that may be filed to any Claims;

- take any action described in the Plan involving the Debtors;

- enforce, by injunction or otherwise, the provisions contained in the Plan, the Confirmation Order, any final decree, and any Final Order that provides for the adjudication of any issue by the Bankruptcy Court;

- enter and implement such orders that are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

- hear, determine, and adjudicate any motions, contested or litigated motions brought pursuant to Bankruptcy Code section 1112;

- enter a final decree as contemplated by Bankruptcy Rule 3022;

- hear, determine, and adjudicate any and all Claims brought by the Plan Administrator;

- to hear and adjudicate any and all disputes of the type contemplated under the Plan;

- hear and determine all controversies, suits, and disputes that may arise out of or in connection with the Creditor Trust, Creditor Trustee and/or the Creditor Trust Agreement; and

- hear, determine, and adjudicate any and all Claims brought by the Creditor Trustee.

T. Defects, Omissions, and Amendment of the Plan

The Debtors may, with the approval of the Bankruptcy Court and without notice to holders of Claims, insofar as it does not materially and adversely affect holders of Claims, correct any defect, omission, or inconsistency in the Plan in such a manner and to such extent necessary or desirable to expedite the execution of the Plan. The Debtors may, with the consent of the Committee, propose amendments or alterations to the Plan before the Confirmation Hearing as provided in Bankruptcy Code section 1127 if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of holders of Claims,

so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123 and the Debtors have complied with Bankruptcy Code section 1125. The Debtors may, with the consent the Plan Administrator, propose amendments or alterations to the Plan after the Confirmation Date but prior to substantial consummation, in a manner that, in the opinion of the Bankruptcy Court, does not materially and adversely affect holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123, the Debtors have complied with Bankruptcy Code section 1125, and after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under Bankruptcy Code section 1129.

ARTICLE VII.
ALTERNATIVES TO THE PLAN

A. Chapter 7 Liquidation

A straight liquidation bankruptcy or "chapter 7 case" requires liquidation of a debtor's assets by an impartial trustee. In a chapter 7 case, the amount holders of general unsecured claims would receive depends upon the net estate available after all assets of a debtor have been reduced to cash. The cash realized from liquidation of each of the Debtors' assets would be distributed in accordance with the order of distribution prescribed in Bankruptcy Code section 507. Whether a bankruptcy case is one under chapter 7 or chapter 11, secured claims, administrative claims and priority claims are entitled to be paid in cash and in full before holders of general unsecured claims receive any funds.

If these Bankruptcy Cases were converted to one under chapter 7 of the Bankruptcy Code, the present General Unsecured Claims (including Convenience Claims) would have a priority lower than Claims generated by the chapter 7 case, such as the chapter 7 trustee's fee or the fees of attorneys, accountants, and other professionals the trustee may engage. Conversion to chapter 7 then would create an additional layer of Priority Claims.

In a chapter 7 liquidation case, a fully secured creditor would be entitled to full payment, including interest, from the proceeds of sale of the secured creditor's collateral, provided the realized value of the collateral is sufficient to pay both the principal and interest. A secured creditor whose collateral is insufficient to pay its Secured Claim in full will be entitled to assert a general unsecured claim for its deficiency and share with holders of general unsecured claims.

If these Bankruptcy Cases were converted to one under chapter 7, the Bankruptcy Court would appoint a trustee to liquidate the assets of the Debtors' Estates and to distribute the proceeds as described immediately above. The chapter 7 trustee would be entitled to receive compensation under Bankruptcy Code section 326. The trustee's fee on all monies disbursed or turned over in the case by the trustee to parties in interest, excluding the Debtors, but including holders of Secured Claims would not exceed (i) twenty-five percent (25%) on the first $5,000 or less, (ii) ten percent (10%) on any amount in excess of $5,000 but not in excess of $50,000, (iii) five percent (5%) on any amount in excess of $50,000 but not in excess of $1,000,000, and (iv) reasonable compensation not to exceed three percent (3%) on any amount in excess of $1,000,000. The trustee's fees would be paid as a cost of administration and may be paid in full prior to the costs and expenses incurred in a chapter 11 case and prior to any payment to holders of General Unsecured Claims.

It is also highly likely that the chapter 7 trustee would retain his or her own attorneys and accountants, and perhaps other professionals such as appraisers, whose fees would also constitute priority claims in a chapter 7 case, with a priority that may be higher than those claims arising under a chapter 11 case.

Liquidation under chapter 7 of the Bankruptcy Code would also entail the appointment of a trustee probably having no experience or knowledge of the Debtors' business, their records, or assets. A substantial period of education would be required in order for any chapter 7 trustee to wind-up the cases effectively. Also, in the event litigation proves necessary on multiple issues, the chapter 7 trustee would likely be in an inferior position to prosecute such actions without prior knowledge regarding the Debtors' business and without any source of funding to support such efforts other than funds which could otherwise be utilized in satisfaction of claims.

Annexed hereto as **Exhibit 3** is the Debtors' Liquidation Analysis (the "Liquidation Analysis"). The Liquidation Analysis demonstrates that Creditors will receive a greater Distribution under the Plan than pursuant to a hypothetical liquidation under chapter 7 of the Bankruptcy Code. The analysis provided is believed to be reasonable and conservative. Readers are urged to review the notes and assumptions contained in **Exhibit 3**.

B. Dismissal

If dismissal of these Bankruptcy Cases were to occur, the Debtors would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In the event of dismissal, it is highly unlikely that holders of General Unsecured Claims would receive any amount on their Claims. Dismissal would permit a race among Creditors to take over and dispose of the Debtors' available assets. Even the most diligent holders of General Unsecured Claims would likely fail to realize any recovery from the Debtors' Estates on their Claims.

C. Alternative Plan

Because the Debtors have filed the Plan and seek its confirmation during the respective Exclusive Periods established under the Bankruptcy Code, no other alternative plans can be proposed at this time. Moreover, the Debtors believe that the Plan is in the best interest of Creditors.

ARTICLE VIII.
FEASIBILITY AND CERTAIN RISK FACTORS TO BE CONSIDERED

A. Feasibility

The Bankruptcy Code requires the Debtors to demonstrate that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared a pro forma closing balance sheet (the "Closing Balance Sheet") and a cash flow model with unsecured creditor distribution (the "Cash Flow and Distribution Estimates" and together with the Closing Balance Sheet, the "Financial Statements") from the Effective Date through 2010 (the "Forecast Period"). The Closing Balance Sheet is annexed hereto as **Exhibit 4** and the Cash Flow and Distribution Estimate is annexed hereto as **Exhibit 2**. Based on the Financial Statements, the Debtors believe that all payments required to be made pursuant to the Plan will occur and therefore, confirmation of the Plan is feasible.

The Financial Statements are based on the assumption that the Plan will be confirmed by the Bankruptcy Court and for forecast purposes, that the Effective Date and the initial Distributions thereunder take place during the third quarter of 2010. Although the forecasts and information are based upon claim and financial information available as of August 31, 2010, the Debtors believe that an actual Effective Date in the fourth quarter of 2010 would not have any material effect on the forecasts.

The Debtors have prepared the Financial Statements based upon certain assumptions which they believe to be reasonable under the circumstances. Those assumptions that are considered to be significant are described in the notes to the Financial Statements. The Financial Statements have not been examined or compiled by independent accountants. The Debtors make no representation as to the accuracy of the forecasts. Many of the assumptions on which the forecasts are based are subject to significant uncertainties. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved throughout the Forecast Period may vary from the forecasted results and the variations may be material. In evaluating the Plan, all holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Financial Statement are based.

B. Certain Other Risk Factors to be Considered

Creditors should carefully consider the following factors, as well as the other information contained in this Disclosure Statement (as well as the documents delivered herewith or incorporated by reference herein) before deciding whether to vote to accept or to reject the Plan.

The principal purpose of these Bankruptcy Cases is the formulation of the Plan, which establishes how Claims against and Equity Interests in the Debtors will be satisfied. Under the Plan, certain Claims may receive partial distributions, and other Claims may not receive any distributions at all. Interestholders will receive no distributions.

1. Failure to Confirm or Consummate the Plan

If the Plan is not confirmed and consummated, it is possible that an alternative plan can be negotiated and presented to the Bankruptcy Court for approval, however, there is no assurance that the alternative plan would be confirmed, that these Bankruptcy Cases would not be converted to a liquidation, or that any alternative chapter 11 plan could or would be formulated on terms as favorable to the Creditors as terms of this Plan. Interestholders would receive no recovery under this Plan or in a liquidation. If a liquidation or protracted reorganization were to occur, there is a risk that there would be little, if any, value available for distribution to the Claimholders.

2. Claim Estimates May Be Incorrect

There can be no assurance that the estimated Allowed Claim amounts set forth herein are correct. The actual allowed amounts of Claims may differ from the estimates. The estimated amounts are subject to certain risks. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, the actual allowed amounts of Claims may vary from those estimated herein.

ARTICLE IX.
CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN.

THIS SUMMARY IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "TAX CODE"), TREASURY REGULATIONS PROMULGATED AND PROPOSED THEREUNDER, JUDICIAL DECISIONS, AND PUBLISHED ADMINISTRATIVE RULES AND PRONOUNCEMENTS OF THE IRS IN EFFECT ON THE DATE HEREOF. CHANGES IN, OR NEW INTERPRETATIONS OF, SUCH RULES MAY HAVE RETROACTIVE EFFECT AND COULD SIGNIFICANTLY AFFECT THE FEDERAL INCOME TAX CONSEQUENCES DESCRIBED BELOW.

THE DEBTORS HAVE NOT REQUESTED A RULING FROM THE IRS OR AN OPINION OF COUNSEL WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. THUS, NO ASSURANCE CAN BE GIVEN AS TO THE INTERPRETATION THAT THE IRS WILL ADOPT AND WHETHER THE IRS WILL CHALLENGE ONE OR MORE OF THE TAX CONSEQUENCES OF THE PLAN DESCRIBED BELOW. IN ADDITION, THIS SUMMARY DOES NOT ADDRESS FOREIGN, STATE, OR LOCAL TAX CONSEQUENCES OF THE PLAN, AND IT DOES NOT PURPORT TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN TAXPAYERS, BROKER-DEALERS, BANKS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, TAX-EXEMPT ORGANIZATIONS, AND INVESTORS IN PASS-THROUGH ENTITIES). MOREOVER, THIS SUMMARY DOES NOT PURPORT TO COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY APPLY TO HOLDERS OF CLAIMS OR EQUITY INTERESTS.

ACCORDINGLY, THIS SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF A HOLDER OF A CLAIM OR EQUITY INTEREST. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

A. Federal Income Tax Consequences to Holders of Claims and Equity Interests

Holders of Claims should generally recognize income or gain (or loss) to the extent the amount realized under the Plan in respect of their Claims exceeds or is exceeded by the tax bases in their Claims. The amount realized for this purpose will generally equal the amount of cash, and fair market value of the Pro Rata interest in the Plan Property received under the Plan in respect of their Claims.

The tax treatment of holders of Claims and the character and amount of income, gain or loss recognized as a consequence of the Plan and the distributions provide for by the Plan will depend upon, among other things, (i) the manner in which a holder acquired a Claim; (ii) the length of time a Claim has been held; (iii) whether the Claim was acquired at a discount; (iv) whether the holder has taken a bad debt deduction with respect to a Claim in the current or prior years; (v) whether the holder has previously included accrued but unpaid interest with respect to a Claim; (vi) the method of tax accounting of a holder; and (vii) whether a Claim is an installment obligation for federal income tax purposes. Therefore, holders of Claims should consult their own tax advisor for information that may be relevant to their particular situation and circumstances and the particular tax consequences to such holders as a result thereof.

A Creditor not previously required to include in its taxable income any accrued but unpaid interest on a Claim may be treated as receiving taxable interest, to the extent any cash or property it receives pursuant to the Plan is allocable to such accrued but unpaid interest. A Creditor previously required to include in its taxable income any accrued but unpaid interest on a Claim may be entitled to recognize a deductible loss, to the extent the amount of interest actually received by the Creditor is less than the amount of interest taken into income by the Creditor. The extent to which the consideration received under the Plan by a holder of Claims will be attributable to accrued interest on the debts constituting the Claims is unclear. Also, regardless how the Plan allocates payments to principal versus interest, the IRS could take the view that consideration received pursuant to the Plan should be allocated differently.

Under the Plan, all Equity Interests in the Debtors will be cancelled, and the Interestholders will receive nothing on account of their Equity Interests. As a result, each Equity Interest holder will be entitled to a worthless stock deduction. Such deduction will be viewed for federal income tax purposes, as resulting from a sale or exchange of the Debtors' stock. The loss from the worthlessness of the Debtors' stock will generally be a capital loss, subject to the limitations of section 1211 and 1212 of the Internal Revenue Code.

B. Information Reporting and Backup Withholding

Certain payments, including the payments on account of Claims pursuant to the Plan, are generally subject to information reporting by the payor (the Debtors) to the IRS. Moreover, such reportable payments are subject to backup withholding rules, a holder of a Claim may be subject to backup withholding at a rate of twenty eight percent (28%) with respect to distributions or payments made pursuant to the Plan, unless the holder: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax. Any amounts withheld from a payment under the backup withholding rules will be allowed as a credit against such holder's federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

C. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON THE PARTICULAR CIRCUMSTANCES OF THE CLAIMHOLDER OR INTERESTHOLDER. ACCORDINGLY, CLAIMHOLDERS AND INTERHOLDERS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE, AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

D. Treasury Circular 230 Disclosure

This disclosure is provided to comply with Treasury Circular 230. This written disclosure is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax penalties that may be imposed on the person. This disclosure was written to support the marketing of the transaction(s) or matter(s) addressed by this written disclosure, and the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

ARTICLE X.
CONCLUSION

This Disclosure Statement provides information regarding the Debtors' bankruptcy and the potential consequences that might accrue to holders of Claims against and Equity Interests in the Debtors under the Plan as proposed. The Plan is the result of extensive efforts by the Debtors and their advisors to provide the holders of Allowed Claims with a meaningful recovery. The Debtors believe that the Plan is feasible and will provide each holder of an Allowed Claim against the Debtors with an opportunity to receive greater benefits than those that would be received by any other alternative. The Debtors, therefore, urge interested parties to vote in favor of the Plan.

Dated: September 14, 2010

THE DEBTORS

/s/ Susan D. Watson
By: Susan D. Watson
Its: Wind Down Officer