

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

In re:

TSG INCORPORATED

Debtor.

:
: Chapter 11
:
: Case No. 09-19124 (JKF)
:
:
:
:
:

**DISCLOSURE STATEMENT IN CONNECTION WITH PLAN OF REORGANIZATION
OF THE DEBTOR UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

Dated: January 21, 2011

BENESCH FRIEDLANDER COPLAN
& ARONOFF LLP

By: /s/ Michael J. Barrie
Michael J. Barrie (PA Bar No. 85625)
Raymond H. Lemisch (PA Bar No. 43343)
Jennifer R. Hoover (PA Bar No. 87910)
1650 Market Street, Suite 3628
Philadelphia, PA 19103
(267) 207-2947 (Telephone)
(267) 207-2949 (Facsimile)

Counsel for TSG Incorporated,
Debtor and Debtor-In-Possession

**NO MATERIALS OTHER THAN THIS DISCLOSURE STATEMENT,
THE PLAN OF REORGANIZATION
AND RELATED MATERIALS APPROVED BY THE BANKRUPTCY COURT
HAVE BEEN AUTHORIZED FOR USE IN SOLICITING ACCEPTANCES
OR REJECTIONS OF THIS PLAN**

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
A. General Background	1
B. General Terms of the Treatment Under the Plan of Holders of Claims and Equity Interests	1
C. Recommendation	2
D. Voting	3
E. Voting Instructions.....	4
F. Confirmation Hearing	5
G. Other Important Information.....	6
II. GENERAL INFORMATION	6
A. The Debtor’s Business and Prepetition Operations	6
B. The Debtors’ Secured Prepetition Indebtedness and Events Leading to the Filing of the Bankruptcy Case	7
C. The Debtors’ Reorganization Efforts.....	7
D. Summary of Significant Postpetition Events and Orders	7
1. Postpetition Secured Indebtedness and Cash Collateral	8
2. Debtor’s Retention of Professionals	8
3. Employee Payments and Other Orders	8
4. Administrative Expenses	9
5. Administrative Orders.....	9
E. Assets of the Debtor.....	9

III. THE DEBTOR’S CHAPTER 11 PLAN	9
A. Classification and Treatment of Claims and Interests	10
1. Classification.....	10
B. Treatment of Claims and Interests	12
1. Priority Claims (Class I)	13
2. PNC Bank Secured Claim (Class II).....	13
3. Other Secured Claims (Class III).....	15
4. General Unsecured Claims (Class IV).....	16
5. Convenience Class Claims (Class V)	16
6. Retiree Claims (Class VI)	16
7. Officer Loan Claims (Class VII).....	16
8. Equity Interests (Class VIII)	17
C. Funding of Distributions and Provisions for Treatment of Disputed Claims	17
1. Disposition of Certain Estate Assets.....	17
2. Disbursing Agent	17
3. The Initial Distribution	17
4. The Cash Distribution to General Unsecured Claims.....	17
5. Establishment of Accounts and Reserves	18
6. Distributions on Account of Disputed Claims	18
7. Timing of Final Distributions	18
8. Minimum Distribution	18
9. Unclaimed Property	19
10. Distributions Paid to Holders of Record.....	19

D.	Implementation and Means of Consummating the Plan	19
1.	Management of Estate Assets	19
2.	Shareholder, Officer and Director of the Debtors.....	19
3.	Transfer of Estate Assets and Closing of Bankruptcy Case.	20
E.	Other Plan Provisions	20
1.	Condition Precedent to Confirmation	20
2.	Conditions Precedent to Consummation.....	21
3.	Procedures for Resolving Disputed Claims and Payments or Distributions Thereon	21
4.	Executory Contracts.....	21
5.	Revesting of Property and Retention of Actions and Defenses.....	22
F.	Effects of Plan Confirmation	22
1.	Satisfaction of Claims	22
2.	Injunction	23
3.	No Liability for Solicitation or Participation.....	23
4.	Limitation of Liability of Exculpated Persons.....	23
5.	Indemnification by Debtor.....	24
6.	Term of Injunctions and Stays	24
7.	Release of Liens.....	24
8.	Cancellation of Instruments	24
9.	Bankruptcy Court to Retain Jurisdiction.....	24
IV.	CONFIRMATION AND CONSUMMATION PROCEDURE	26
A.	Confirmation Hearing	26
B.	Requirements of section 1129(a) of Bankruptcy Code.....	26

1.	Best Interests Test	26
2.	Feasibility.....	27
3.	Acceptance by Impaired Classes	27
4.	Confirmation Without Acceptance by All Impaired Classes.....	28

V. CONCLUSION AND RECOMMENDATION	29
---	-----------

DISCLOSURE STATEMENT EXHIBITS

Exhibit A: Debtor's Chapter 11 Plan

NOTICE

NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE CHAPTER 11 PLAN OF REORGANIZATION FOR DEBTOR, TSG INCORPORATED (THE "PLAN") OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CLAIMHOLDERS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT (INCLUDING ALL EXHIBITS) AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND OTHER EXHIBITS ANNEXED TO THE PLAN AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THE DEADLINE FOR VOTING TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M. (PREVAILING EASTERN TIME) ON MARCH 25, 2011, UNLESS EXTENDED. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND ACTUALLY RECEIVED BY SUCH DEADLINE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW.

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EVENTS LEADING TO THIS BANKRUPTCY CASE AND FINANCIAL INFORMATION. ALTHOUGH THE PLAN PROPONENT BELIEVES THAT THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR, EXCEPT IF OTHERWISE SPECIFICALLY NOTED, AND SUCH INFORMATION IS BELIEVED TO BE ACCURATE; HOWEVER, THE PLAN PROPONENT IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT INACCURACY OR OMISSION.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE

PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. THE DESCRIPTIONS SET FORTH HEREIN OF THE ACTIONS, CONCLUSIONS, OR RECOMMENDATIONS OF THE PLAN PROPONENT OR ANY OTHER PARTY IN INTEREST HAVE BEEN SUBMITTED TO OR APPROVED BY SUCH PARTY, BUT NO SUCH PARTY MAKES ANY REPRESENTATION REGARDING SUCH DESCRIPTIONS.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT, LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY PROCEEDING (OTHER THAN THE BANKRUPTCY CASE) INVOLVING THE PLAN PROPONENT OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR. YOU SHOULD CONSULT YOUR OWN COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON HOLDERS OF CLAIMS OR EQUITY INTERESTS.

I. INTRODUCTION

TSG Incorporated, a Pennsylvania corporation (the “Debtor”) submits this disclosure statement (the “Disclosure Statement”) pursuant to section 1125 of Title 11 of the United States Code §§ 101, *et seq.* (the “Bankruptcy Code”) in connection with the solicitation of acceptances of the Plan of Reorganization of the Debtor Under Chapter 11 of the Bankruptcy Code (the “Plan”). A copy of the Plan, which was filed with the Bankruptcy Court on January 21, 2011, is annexed hereto as Exhibit A and made a part hereof. Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan. This Disclosure Statement should be read in conjunction with the Plan.

A. General Background

On November 29, 2009 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor’s Bankruptcy Case is currently pending in the United States Bankruptcy Court for the Eastern District of Pennsylvania (the “Bankruptcy Court”) before the Honorable Jean K. FitzSimon, United States Bankruptcy Judge. No official committee of unsecured creditors has been appointed by the United States Trustee for the Eastern District of Pennsylvania (the “U.S. Trustee”) in this Bankruptcy Case. Since the Petition Date, the Debtor has operated as a debtor and debtor-in-possession under the Bankruptcy Code.

The Debtor has worked with its professionals to propose a Plan which provides for the sale of certain assets of the Debtor and distributions to be made to certain creditors of the Debtor in accordance with the priorities set forth in the Bankruptcy Code.

THE DEBTOR BELIEVES THE PLAN COMPLIES WITH ALL REQUIREMENTS OF THE BANKRUPTCY CODE AND PROVIDES THE BEST AVAILABLE RECOVERY TO ITS CLAIMHOLDERS AND ESTATE.

B. General Terms of the Treatment Under the Plan of Holders of Claims and Equity Interests

The Plan is a reorganizing plan for the Debtor. On and after the Effective Date, the Reorganized Debtor will dispose of certain of its assets and treat claims and interests as set forth below and in the Plan, including (i) exposing certain real estate holdings for sale, including the Lake House Property and the 321 Property (and under certain circumstances the Combeau Property), subject to Bankruptcy Court approval, (ii) exposing certain personal property and equipment, including one or more of its wide width processing lines used in connection with the Combeau Division, subject to Bankruptcy Court approval, (iii) enforcing and prosecuting claims, interests, rights and privileges of the Debtor, (iv) resolving Disputed Claims, and (v) administering the Plan.

Set forth below is a summary description of the classification and treatment of all Classes of Claims and Equity Interests provided for in the Plan. Consistent with section 1123(a)(1) of the Bankruptcy Code, all Allowed Administrative Claims and all Allowed Priority Tax Claims are not included in any Classes of Claims or Equity Interests, and are defined as Unclassified Claims in the Plan. The summary of the Plan contained in this section is qualified in its entirety by

reference to the more detailed information elsewhere in this Disclosure Statement, in the Plan and in the exhibits to this Disclosure Statement and the Plan, including the Plan Supplement. It is the Plan and not this Disclosure Statement that governs the rights and obligations of the parties. The summary does not purport to be complete and should not be relied upon for voting purposes. A more complete description of the Plan is provided in Article III.

Summary Chart of Classes of Claims and Interests

Class	Treatment	Voting Rights
Class I: Allowed Priority Claims	Unimpaired	Deemed to accept; not entitled to vote
Class II: Allowed PNC Secured Claim	Impaired	Entitled to vote
Class III: Allowed Other Secured Claims	Unimpaired	Deemed to accept; not entitled to vote
Class IV: Allowed General Unsecured Claims	Impaired	Entitled to vote
Class V: Allowed Convenience Class Claims	Impaired	Entitled to vote
Class VI: Allowed Retiree Claims	Impaired	Entitled to vote
Class VII: Officer Loan Claims	Impaired	Entitled to vote
Class VIII: Equity Interests	Impaired	Deemed to reject the Plan; not entitled to vote

The Debtor believes that the Plan provides the best possible result in this case for all Claimholders. The Debtor further believes that, under the Plan, Claimholders will receive a greater recovery than if the Debtor's chapter 11 case was converted to a case under chapter 7 of the Bankruptcy Code.

C. Recommendation

The Plan represents the effort of the Debtor to maximize the immediate cash distribution to holders of Claims. With respect to Claimholders entitled to vote, the Debtor believes that the Plan offers the highest, best and quickest recovery to Claimholders entitled to distributions under the Plan. **THE DEBTOR THEREFORE RECOMMENDS THAT ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.**

D. Voting

The Plan is being distributed, with ballots, to holders of Claims in Classes II, IV, V, VI, and VII which are the Classes of Claims that are impaired under the Plan and will receive a distribution under the Plan. Accordingly, holders of Claims in Classes II, IV, V, VI, and VII are entitled to vote **either to accept or to reject** the Plan. Holders of Claims in Classes I and III are deemed to have **accepted** the Plan because their respective Claims are not impaired, and are therefore not entitled to vote on the Plan. Holders of Equity Interests in Class VIII are deemed to have **rejected** the Plan because their Equity Interests are being cancelled, and they will neither receive nor retain any property under the Plan on account of their Equity Interests. Accordingly, the holders of Claims in Classes I and III and Equity Interests in Class VIII **cannot** vote on the Plan (although they are free to file a written objection to the Plan with the Bankruptcy Court, in accordance with the procedures set forth below). For a more detailed description of the Classes of Claims and Equity Interests and their treatment under the Plan, see Article III of this Disclosure Statement.

The Debtor, in consultation with its professionals, have prepared this Disclosure Statement in connection with their solicitation of votes from holders of Claims in Classes II, IV, V, VI, and VII. On February 23, 2011, the Bankruptcy Court entered an order (the "Disclosure Statement Order"), approving this Disclosure Statement as containing information of a kind and in sufficient detail to enable a hypothetical, reasonable investor, typical of each of the holders of Claims in Classes II, IV, V, VI, and VII to make an informed judgment whether to accept or reject the Plan. Such approval by the Bankruptcy Court does not constitute a recommendation of the Plan by the Bankruptcy Court.

Section 1129(a) of the Bankruptcy Code allows the Bankruptcy Court to confirm a plan if certain conditions have been met and, with certain exceptions, if each class of claims or interests that is impaired under the plan has voted to accept the plan. If any impaired Class of Claims entitled to vote shall not accept the Plan by the requisite majorities discussed below, the Debtor reserves its rights to amend the Plan or to have the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code or both. With respect to impaired Classes of Claims that are deemed to reject the Plan or that reject the Plan, the Debtor shall request that the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code.

Under section 1126(c) of the Bankruptcy Code, a class of claims has accepted a plan if such plan has been accepted by Claimholders in that class that hold at least two-thirds in dollar amount and more than one-half in number of the allowed claims of such class, excluding holders whose acceptances or rejections were found not to be in good faith. Under the Bankruptcy Code, only parties that actually vote will be counted for purposes of determining acceptance or rejection by any impaired class. Therefore, the Plan could be approved by Classes II, IV, V, VI, and VII with Claims with the affirmative vote of significantly less than two-thirds in total dollar amount and one-half in total number of the Claims of each Class. However, it should also be noted that even if the holders of all Claims in Classes impaired under the Plan accept or are deemed to have accepted the Plan, the Plan is subject to certain other requirements under section 1129(a) of the Bankruptcy Code and might not be confirmed by the Bankruptcy Court. The Debtor is confident, however, that the Plan satisfies those requirements of section 1129(a), and can be confirmed by the Bankruptcy Court.

Any holder of an impaired Claim (i) whose Claim has been scheduled by the Debtor in the schedules of assets and liabilities filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated), (ii) who has timely filed a proof of Claim, on or prior to the Bar Date with respect to which the Debtor, as applicable, has not filed an objection, or (iii) whose claim has been determined or estimated for voting purposes by the Bankruptcy Court, is entitled to accept or reject the Plan (unless such Claim has been disallowed by the Bankruptcy Court for purposes of accepting or rejecting the Plan).

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, NO DISPUTED CLAIM WILL BE COUNTED FOR ANY PURPOSE IN DETERMINING WHETHER THE REQUIREMENTS OF SECTION 1126(c) OF THE BANKRUPTCY CODE HAVE BEEN MET, UNLESS A CLAIMANT WHOSE CLAIM IS DISPUTED HAS FILED A MOTION FOR TEMPORARY ALLOWANCE FOR VOTING PURPOSES UNDER BANKRUPTCY RULE 3018(a), AND THE BANKRUPTCY COURT GRANTS SUCH MOTION FOR TEMPORARY ALLOWANCE PRIOR TO THE VOTING DEADLINE.

E. Voting Instructions

This Disclosure Statement and other documents described herein are being furnished by the Plan Proponent to certain holders of Claims against the Debtor pursuant to the Disclosure Statement Order for the purpose of soliciting votes on the Plan. The Debtor is seeking the acceptance of the Plan by Classes II, IV, V, VI, and VII.

A ballot to be used to accept or to reject the Plan has been enclosed with all copies of this Disclosure Statement mailed to holders of Claims that are impaired by the Plan and entitled to vote. A copy of the Disclosure Statement Order entered by the Bankruptcy Court and a notice of, among other things, voting procedures and the dates set for objections to and the hearing on confirmation of the Plan (the "Notice of the Confirmation Hearing") are also being transmitted with this Disclosure Statement. The Disclosure Statement Order and the Notice of the Confirmation Hearing set forth in detail the deadlines, procedures, and instructions for casting votes to accept or reject the Plan, for filing objections to confirmation of the Plan, the treatment for balloting purposes of certain types of Claims, and the assumptions for tabulating ballots. In addition, detailed voting instructions accompany each ballot for each Class. Each holder of a Claim within a Class entitled to vote should read the Disclosure Statement, the Plan (and their exhibits), the Plan Supplement, the Disclosure Statement Order, the Notice of Confirmation Hearing, and the instructions accompanying the ballots in their entirety before voting on the Plan. These documents contain important information concerning how Claims and Equity Interests are classified for voting purposes and how votes will be tabulated.

If you hold Claims in more than one Class and are entitled to vote Claims in more than one Class, you must use separate ballots for each separate Class. Please vote and return your ballot(s) in accordance with the instructions set forth herein and the instructions accompanying your ballot(s). PLEASE CAREFULLY FOLLOW THE DIRECTIONS CONTAINED ON EACH ENCLOSED BALLOT. To be counted, your vote indicating acceptance or rejection of the Plan must be properly completed in accordance with the instruction on the ballot.

To be counted, your vote indicating acceptance or rejection of the Plan must actually be received by the Debtor's counsel, Benesch, Friedlander, Coplan & Aronoff LLP, 1650 Market Street, Suite 3628, Philadelphia, Pennsylvania 19103, Attention: Michael J. Barrie, Esquire, (the "Voting Agent"), no later than 5:00 p.m., prevailing Eastern Time, on March 25, 2011 (the "Voting Deadline"). Ballots may only be delivered to the Voting Agent via first class mail, courier delivery, or overnight delivery. Ballots sent via facsimile and email will not be counted. Ballots received after the Voting Deadline will not be counted, except to the extent the Debtor so determines or as permitted by the Bankruptcy Court pursuant to Bankruptcy Rule 3018.

All ballots must be sent to the Voting Agent at the following address:

VIA U.S. MAIL OR OVERNIGHT DELIVERY

**Michael J. Barrie, Esquire
Benesch, Friedlander, Coplan & Aronoff LLP
1650 Market Street, Suite 3628
Philadelphia, PA 19103**

Consistent with the provisions of Rule 3018 of the Bankruptcy Rules, the Bankruptcy Court has fixed a Record Date of February 23, 2011 (the "Record Date"). This is the date for the determination of holders of record of Claims who are entitled to vote on the Plan. All votes to accept or reject the Plan must be cast by using a ballot. Votes which are cast in any manner other than by using a ballot will not be counted.

If your ballot is damaged or lost, or if you do not receive a ballot, you may request a replacement by contacting the Voting Agent.

After carefully reviewing the Plan, this Disclosure Statement and all exhibits thereto, including the Plan Supplement, please indicate your vote on the enclosed ballot, sign it, and then return it in the envelope provided. In voting to accept or to reject the Plan, please use only a ballot sent to you with this Disclosure Statement or by the Voting Agent.

A ballot may be withdrawn by delivering a written notice of withdrawal to the Voting Agent, so that the Voting Agent actually receives such notice prior to the Voting Deadline. Thereafter, withdrawal may be effected only with the approval of the Bankruptcy Court by filing a motion in accordance with Bankruptcy Rule 3018(a).

F. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing (the "Confirmation Hearing") with respect to the Plan. At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the applicable requirements of section 1129 of the Bankruptcy Code are met. The Confirmation Hearing has been scheduled to commence at 11:00 a.m. (Prevailing Eastern Time) on March 30, 2011 before the Honorable Jean K. FitzSimon, United States Bankruptcy Court for the Eastern District of Pennsylvania, Robert N.C. Nix Senior, Federal Courthouse, 900 Market Street, Philadelphia, Pennsylvania, Courtroom 3. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice other than an announcement of the adjourned date made at the Confirmation

Hearing.

Any objection to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court and served upon the following on or before 5:00 p.m. (Prevailing Eastern Time) on or before March 25, 2011, on the following:

Michael J. Barrie, Esquire
Benesch Friedlander Coplan & Aronoff LLP
1650 Market Street, Suite 3628
Philadelphia, PA 19103

Office of the United States Trustee
Attn: George M. Conway
833 Chestnut Street
Suite 500
Philadelphia, PA 19107

G. Other Important Information

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THIS DISCLOSURE STATEMENT IS PROVIDED FOR USE SOLELY BY HOLDERS OF CLAIMS IN CLASSES II, IV, V, VI, AND VII, AND THEIR ADVISORS, IN CONNECTION WITH THEIR DETERMINATION TO ACCEPT OR TO REJECT THE PLAN, OR TO ALL CLASSES TO OBJECT TO THE PLAN. THIS DISCLOSURE STATEMENT, UPON WRITTEN REQUEST, WILL ALSO BE PROVIDED TO OTHER CLAIMHOLDERS IN THIS CASE AND TO HOLDERS OF EQUITY INTERESTS OF THE DEBTOR (TO THE EXTENT KNOWN BY THE DEBTOR) IN ORDER FOR SUCH PARTIES TO DETERMINE WHETHER TO OBJECT TO THE PLAN.

HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH SUCH HOLDER SHOULD THEREFORE CONSULT WITH HIS, HER OR ITS OWN LEGAL, BUSINESS, FINANCIAL AND/OR TAX ADVISORS AS TO ANY MATTER CONCERNING THIS CASE, THE PLAN, AND THE TRANSACTIONS CONTEMPLATED THEREBY.

II. GENERAL INFORMATION

A. The Debtor's Business and Prepetition Operations

The Debtor was founded in 1901 under the name of Levy's International Water Shrinking and Drying Company. The Debtor has operated as a privately held, family owned business for nearly 110 years. Now managed by the fifth family generation of the founder's descendants, the

Debtor grew from a small business having a single location to a company with nearly 500 employees at its height and five production and warehouse facilities in Pennsylvania and North Carolina. Currently, the Debtor has approximately 150 employees.

Locally headquartered in North Wales, Pennsylvania, the Debtor is in the business of fabric finishing, coating and embossing. TSG — which is an acronym for “The Synthetics Group” — is one of the largest commission finishers in the United States. While the Debtor does not manufacture or market any of its own fabrics, it supplies fabric finishing services that enhance the fabrics of others for uses in a variety of industries.

Through its four operating divisions — Synfin Industries, Synthetics Finishing, Combeau Industries, and Longview Machinery Company — the Debtor enhances and manufactures equipment to enhance fabrics by applying unique chemicals, colors, coatings, laminations, and/or mechanical processes that make fabrics perform specific job functions.

B. The Debtors’ Secured Prepetition Indebtedness and Events Leading to the Filing of the Bankruptcy Case

Prior to the bankruptcy filing, the Debtor was indebted to PNC Bank, National Association (“PNC”) in the approximate total amount of \$4.9 million under three separate loans (collectively, the “Loans”). The Debtor’s obligation to repay the Loans was secured by substantially all of its personal property and mortgages on some, but not all, of its real estate.

In light of the maturity of certain of the Loans and the Debtor and PNC’s inability to reach an agreement to extend those maturity dates, it was necessary for the Debtor to seek protection under Chapter 11 of the Bankruptcy Code. Since the Petition Date (and as of the filing of this Disclosure Statement), the Debtor and PNC have entered into six stipulations and interim orders regarding the agreed, consensual use of cash collateral pursuant to the Cash Collateral Order(s) defined herein in Section II.D.1. The Plan provides for the treatment of the PNC Bank Secured Claim.

C. The Debtors’ Reorganization Efforts

Since the Petition Date, the Debtor has continued to operate its business and manage its assets as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or official committee of unsecured creditors was appointed or designated by the Office of the United States Trustee. During the Bankruptcy Case, the Debtor has undertaken substantial efforts to, inter alia, (i) streamline its operations; (ii) negotiate with certain of its trade vendors and PNC Bank, and (iii) sell certain assets comprising part of one of its operating divisions. Additional reorganization efforts of the Debtor will be implemented pursuant to the terms of the Plan by the Reorganized Debtor, as set forth in detail in Section II of the Disclosure Statement and Article VIII of the Plan.

D. Summary of Significant Postpetition Events and Orders

As in any major chapter 11 case, many motions, applications and orders have been filed and entered on the Bankruptcy Court’s official docket for the Bankruptcy Case. The following

information relates to certain significant events and orders in this Bankruptcy Case, but is not intended to fully summarize the official docket for this Bankruptcy Case:

1. Postpetition Secured Indebtedness and Cash Collateral

As of the Petition Date, the Debtor was indebted to PNC Bank in the amount of \$4.9 million, which is secured by substantially all of the Debtor's personal property and some, but not all, of the Debtor's real estate holdings. Since the Petition Date, the Debtor and PNC Bank have entered into multiple cash collateral stipulations including, the Interim Agreed Order Granting the Motion of the Debtor and Debtor-in-Possession, Pursuant to 11 U.S.C. §§ 105, 361, 362, and 363 and Fed. R. Bankr. P. 4001, (i) Authorizing Use of Cash Collateral On an Interim and Permanent Basis, (ii) Granting Adequate Protection, (iii) Scheduling Final Hearing and Prescribing Form and Manner of Notice, and (iv) Granting Related Relief (the "Interim Order"), and subsequently, the Second Stipulation and Interim Order, the Third Stipulation and Interim Order, the Fourth Stipulation and Interim Order, the Fifth Stipulation and Interim Order, the Sixth Stipulation and Interim Order, and any other and further cash collateral orders that may be entered by the Bankruptcy Court (collectively, the "Cash Collateral Order(s)").

2. Debtor's Retention of Professionals

The Debtor has retained various categories of professionals in connection with the administration of its Bankruptcy Case, including, the following professionals: Benesch, Friedlander, Coplan & Aronoff LLP as Debtor's bankruptcy counsel [Docket No. 61], Wouch Maloney & Co. as Debtor's accountants [Docket No. 118], Duane Morris LLP as Debtor's special intellectual property counsel [Docket No. 194], Levin Associates as Debtor's business consultant [Docket No. 197], Prudential Hickory Metro Real Estate Brokers as Debtor's realtor in connection with the sale of certain of its real estate holdings [Docket No. 230], Morison Cogen LLP as Debtor's auditors [Docket No. 238], and Binswanger as Debtor's appraiser [Docket No. 284] (collectively, the "Professionals"). Each of the Professionals has expended efforts on behalf of the Debtor in connection with the Bankruptcy Case.

3. Employee Payments and Other Orders

On December 1, 2009, the Bankruptcy Court entered certain orders allowing the Debtor to more easily transition into bankruptcy. Among other orders entered by the Bankruptcy Court, were an order authorizing the Debtor to pay prepetition employee wages, compensation, and employment benefits, [Docket No. 17] and allowing the Debtor to continue using its existing checking accounts, [Docket No. 16].

In addition, on August 18, 2010, the Bankruptcy Court entered an Order authorizing the Debtor to sell the Lake House Property, [Docket No. 232]. That sale, however, did not occur because the buyer for that property was unable to then obtain financing. On February 3, 2010, the Bankruptcy Court entered an order authorizing the Debtor to assume certain executory contracts relating to the Debtor's insurance policies, [Docket No. 101].

4. Administrative Expenses

Administrative expenses payable in the Bankruptcy Cases include, among other things, fees and expenses of attorneys, accountants, financial advisors and other professionals retained by the Debtor, including the Professionals referenced above. These fees are generally calculated as the product of the customary hourly billing rates and the aggregate hours billed by such Professionals. Some advisors may be paid a monthly fee plus expenses incurred or other approved basis, rather than on an hourly basis. All fees and expenses of Professionals are subject to Bankruptcy Court review and approval. As of December 31, 2010, approximately \$299,251 has been paid to Professionals (i) on account of work performed subsequent to the Petition Date, and (ii) for reimbursement of actual out-of-pocket expenses.

Additional administrative expenses include the fees payable to the U.S. Trustee. These fees have been paid by the Debtor as they have accrued during the pendency of the Bankruptcy Case. Any unpaid fees due to the U.S. Trustee will be paid in full on the Effective Date.

5. Administrative Orders

On December 10, 2009, the Bankruptcy Court granted the Debtor's motion to extend the Debtor's time to file the Schedules of Assets, Liabilities and Executory Contracts, and the Statement of Financial Affairs (collectively, the "Schedules"). The Debtor's Schedules were filed with the Bankruptcy Court on January 29, 2010. On April 15, 2010, the Bankruptcy Court entered an order fixing a bar date of May 28, 2010, for the filing of certain proofs of claim against the Debtor, [Docket No. 143].

E. Assets of the Debtor

The Debtor's assets are disclosed in details in its Schedules on file with the Bankruptcy Court. The Debtor's assets consist primarily of certain real estate holdings, personal property and equipment, and intellectual property. Pursuant to the Plan, the Debtor will expose certain of its real estate holdings for sale. Moreover, the Debtor will seek approval of the Bankruptcy Court to sell certain personal property and equipment comprising part of the Debtor's Combeau division. The treatment of the Debtor's assets is discussed in detail in Article VIII of the Plan.

In addition to the above assets that the Reorganized Debtor intends to expose for sale pursuant to the Plan, the Reorganized Debtor retains, as of the Effective Date, all rights to investigate, pursue, initiate, commence, file, prosecute and/or enforce the Estate Actions and Avoidance Actions, including avoidance of fraudulent and preferential transfers. Any recoveries of the Estate Actions and Avoidance Actions shall inure to the benefit of the Debtor's estate and be distributed in accordance with the Plan.

III. THE DEBTOR'S CHAPTER 11 PLAN

The summary of the Plan contained herein is qualified in its entirety by reference to the Plan, the Plan Supplement, and the exhibits to this Disclosure Statement and the Plan. It is the Plan and orders entered by the Bankruptcy Court (and not this Disclosure Statement) that govern the rights and obligations of the parties.

A. Classification and Treatment of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan of reorganization must designate classes of claims and equity interests, each of which must contain only substantially similar claims or equity interests. The following describes the significant Claims and Equity Interests in the Debtor's Bankruptcy Case and the manner in which they are classified and treated under the Plan.

Consistent with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not included in any Classes of Claims or Equity Interests and are, as such, defined as Unclassified Claims in the Plan. As defined in the Plan, "Administrative Expense Claims" are any Claims for costs and expenses of administration of the Bankruptcy Cases allowed under sections 503(b) and 507(a)(2) of the Bankruptcy Code, and all fees and costs assessed against the Estate pursuant to 28 U.S.C. § 1930. Also as defined in the Plan, "Priority Tax Claims" are any Claims entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code.

1. Classification

The Plan provides for the classification and treatment of eight Classes of Claims and Interests. A Claim or Interest will be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class, and will be deemed classified in a different Class to the extent that any remainder of the Claim or Interest qualifies within the description of such different Class.

a) Class I—Allowed Priority Claims

Class I Claims consist of all Allowed Priority Claims. A Priority Claim is all or a portion of any Claim entitled to priority in payment under section 507(a)(3),(4),(5),(6),(7), or (9) of the Bankruptcy Code, excluding any Claim that is an Administrative Expense Claim or a Priority Tax Claim.

b) Class II—PNC Bank Secured Claim

Class II consists of the PNC Bank Secured Claim. A Secured Claim is a Claim that is secured (i) by a Lien that is valid, perfected and enforceable under the Bankruptcy Code or applicable non-bankruptcy law or by reason of a Final Order; or (ii) as a result of rights of setoff under section 553 of the Bankruptcy Code, but in any event only to the extent of the value, determined in accordance with section 506(a) of the Bankruptcy Code, of the holder's interest in the Estate's interest in such property or to the extent of the amount subject to such setoff, as the case may be.

c) Class III—Other Secured Claims

Class III Claims consists of the Secured Claims of Axa Equitable Life Insurance Company and Canada Life Assurance Company. A Secured Claim is a Claim that is secured (i) by a Lien that is valid, perfected and enforceable under the Bankruptcy Code or applicable non-bankruptcy law or by reason of a Final Order; or (ii) as a result of rights of setoff under section 553 of the Bankruptcy Code, but in any event only to the extent of the value, determined in accordance with

section 506(a) of the Bankruptcy Code, of the holder's interest in the Estate's interest in such property or to the extent of the amount subject to such setoff, as the case may be.

d) Class IV—General Unsecured Claims

Class IV Claims consist of all Allowed General Unsecured Claims, which are all Claims that are not Administrative Expense Claims, Priority Claims, Priority Tax Claims, Secured Claims, Convenience Class Claims, or Equity Interests. The Debtor's general unsecured claims include, but are not limited to, general unsecured trade claims (but exclude Retiree Claims and Convenience Class Claims). The Debtor has listed various trade and other unsecured claims in the Schedules.

e) Class V—Convenience Class Claims

Class V Claims consist of all Allowed Claims that are not Administrative Expense Claims, Priority Claims, Priority Tax Claims, Secured Claims, Retiree Claims, or Equity Interests and total less than three thousand dollars (\$3,000.00) or an Allowed General Unsecured Claim that elects to be treated as a Convenience Class Claim in accordance with the terms of the Plan.

f) Class VI—Retiree Claims

Class VI Claims consist of all Allowed Retiree Claims arising under a written non-qualified retirement and death benefits agreement entered into by and between the Debtor, on one hand, and an employee or former employee of the Debtor, on the other hand, prior to the Petition Date.

g) Class VII—Officer Loan Claims

Class VII Claims consist of the Allowed Officer Loan Claims arising out of the unsecured loans made by Jack Rosenstein and Jeffrey Goldman in the aggregate amount of \$1,100,000.

h) Class VIII—Equity Interests

Class VIII consists of all Equity Interests, defined as any ownership interest or share in the Debtor (including, without limitation, all options, warrants or other rights to obtain such an interest or share in the Debtor) whether or not transferable, preferred, common, voting, or denominated "stock" or a similar security.

The following chart sets forth the Debtor's estimate of the amounts of the Claims.

Summary Chart of Claims and Equity Interests

Class	Estimated Amount	Estimated Recovery
Administrative Expense Claims	\$384,582	100%
Priority Tax Claims	\$103,000	100%

Class I – Allowed Priority Claims	\$0	100%
Class II – Allowed PNC Bank Secured Claim	\$4,726,230	100%
Class III – Allowed Other Secured Claims	\$1,323,054	100%
Class IV – Allowed General Unsecured Claims	\$1,366,145	70%
Class V – Allowed Convenience Class Claims	\$148,290	70%
Class VI - Allowed Retiree Claims	\$980,700	100%
Class VI – Allowed Officer Loan Claims	\$1,145,833	All stock of the Reorganized Debtor
Class VII – Equity Interests	\$0	0%

The Allowed amount of Claims may be materially higher or lower than the estimated amounts. The applicable deadlines for objecting the allowance of such Claims has not yet passed. Until such time, the maximum amount of Claims cannot be determined.

B. Treatment of Claims and Interests

A Claim is entitled to a distribution only to the extent that the Claim is “Allowed” and entitled to distributions under the Plan. “Allowed” means, as it relates to any Claim, a Claim (i) which has been scheduled as undisputed, noncontingent and liquidated in the Schedules and as to which no proof of Claim has been timely filed (subject to the Debtor’s right to amend the Schedules) and as to which no objection or request for estimation has been filed on or before any Claim objection deadline, if any, set by the Bankruptcy Court or the expiration of such other period fixed by the Bankruptcy Court; (ii) as to which a proof of Claim has been properly and timely filed and either (a) no objection thereto has been timely filed, or if an objection has been timely filed, any portion of which is not subject to such objection, or (b) such Claim has been allowed (but only to the extent allowed) by a Final Order of the Bankruptcy Court; or (iii) which has been expressly allowed under the provisions of the Plan. An Allowed Claim will not, for purposes of computation of distributions under the Plan, include interest on such Claim from and after the Petition Date or include any penalty on such Claim.

A number of Claimholders may file claims in excess of their scheduled amounts, and certain Claimholders that are not listed in the Schedules may file Claims against the Debtor. The Debtor will review these filed Claims, attempt to reconcile them with their books and records and file objections as necessary.

In accordance with section 1123(a)(1) of the Bankruptcy Code, Allowed Administrative Expense Claims and Allowed Priority Tax Claims are not included in any Classes of Claims or Equity Interests. Each holder of an Allowed Administrative Expense Claim will receive for such Claim, if not paid earlier pursuant to an Order of the Bankruptcy Court, in full satisfaction, release and discharge of and in exchange for such Claim (i) the unpaid amount of such Allowed Administrative Expense Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Administrative Expense Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Debtor.

Each holder of an Allowed Priority Tax Claim will receive for such Claim, if not paid earlier pursuant to an Order of the Bankruptcy Court, in full satisfaction, release, and discharge of and in exchange for such Claim (i) the amount of such Allowed Priority Tax Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Debtor.

Notwithstanding the foregoing, with regard to the Allowed Priority Tax Claim of Catawba County, North Carolina, the Debtor and Catawba County Tax Department have agreed that Catawba County shall have an Allowed Priority Tax Claim in the amount of \$103,110.61, which the Debtor shall satisfy by making ten (10) monthly payments of \$10,000 and a final payment of \$3,110.61, which such payments shall begin to be made on the first day of the first month following the Effective Date. No interest shall be paid on the Allowed Priority Tax Claim of Catawba County.

The following is a summary of the manner in which the Classes of Claims and Equity Interests are treated under the Plan. The Debtor believes that the treatment afforded all Classes of Claims and Equity Interests under the Plan fully comports with the requirements of the Bankruptcy Code and case law.

1. Priority Claims (Class I)

Holders of Allowed Priority Claims are unimpaired and, pursuant to §1126(f) of the Bankruptcy Code, are not entitled to vote on the Plan and deemed to accept the Plan. Unless otherwise provided for in the Plan or by Order of the Bankruptcy Court, each holder of an Allowed Priority Claim shall receive in full satisfaction, release, and discharge of and in exchange for such Claim (i) the amount of such Allowed Priority Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Debtor.

2. PNC Bank Secured Claim (Class II)

PNC Bank shall receive the following treatment in full satisfaction of its Allowed Claim under the Plan:

a) On the Effective Date of the Plan, PNC shall receive in Cash the amount of \$250,000 (the “PNC Bank Effective Date Payment”) and the PNC Bank Allowed Secured Claim shall be reduced by the amount of the PNC Bank Effective Date Payment. The PNC Bank Allowed Secured Claim after the PNC Bank Effective Date Payment shall be referred to as the “PNC Bank Post Effective Date Indebtedness.”

b) PNC Bank shall receive, in full satisfaction of the balance remaining due on account of the PNC Bank Post Effective Date Indebtedness, sixty (60) equal monthly payments of \$15,120¹ (the “PNC Bank Monthly Payments”). The PNC Bank Monthly Payment is comprised of principal plus interest based on a twenty (20) year amortization at a rate equal to the Prime Rate (in effect as of January 21, 2011) minus fifty (50) basis points (0.5%) *per annum*, which equals the contract rates of interest under the loan documents evidencing the PNC Bank Pre-Petition Indebtedness. That rate currently is two and seventy-five one hundredths percent (2.75%) *per annum*. On the fifth anniversary of the Effective Date, the Debtor shall pay to PNC Bank all remaining principal then due, together with any interest accrued and outstanding thereon, on account of the PNC Bank Post Effective Date Indebtedness. The PNC Bank Monthly Payments shall commence on the first day of the first month following the date of the PNC Effective Bank Date Payment and continue on the first day of each of the next succeeding fifty-nine (59) months. The Reorganized Debtor may, in its sole and absolute discretion, prepay, either in whole or in part, any of the PNC Bank Post Effective Date Indebtedness, without penalty or fee of any kind.

c) Except as otherwise provided for in the Plan, PNC Bank shall retain its Lien(s) on all Estate Assets securing its Allowed Claim, whether such Estate Assets subject to Liens are retained by the Debtor or otherwise transferred to another entity, to the extent of the PNC Bank Post Effective Date Indebtedness.

d) Subject to subsection e) below, any Collateral of PNC Bank that is sold as contemplated by the Plan shall be sold free and clear of any liens, claims, interests, and/or encumbrances in the Collateral, with such liens, claims, interests, and/or encumbrances attaching to the PNC Bank Collateral Net Sale Proceeds. The PNC Bank Collateral Net Sale Proceeds shall be distributed as follows: (i) twenty-five percent (25%) to PNC Bank and seventy-five percent (75%) to the Reorganized Debtor for working capital to the extent that the Debtor’s Cash on hand is less than \$1,000,000; (ii) fifty percent (50%) to PNC Bank and fifty percent (50%) to the Reorganized Debtor for working capital to the extent that the Reorganized Debtor’s Cash on hand is or exceeds \$1,000,000 but is less than

¹ Assumes that: (i) two (2) additional payments totaling \$60,000 will be made by the Debtor to reduce the principal balance from and after January 22, 2011 and through and including the Effective Date, and (ii) the Debtor will pay to PNC Bank a total of \$1,627,500 on account of the PNC Bank Collateral Net Sale Proceeds realized from the Ahlstrom Transaction in accordance with the terms of this Plan. Such assumptions are subject to change.

\$1,500,000; (iii) seventy-five percent (75%) to PNC Bank and twenty-five percent (25%) to the Reorganized Debtor for working capital to the extent that the Reorganized Debtor's Cash on hand is or exceeds \$1,500,000 but is less than \$2,000,000, and/or (iv) one hundred percent (100%) to PNC Bank to the extent that the Reorganized Debtor's Cash on hand is or exceeds \$2,000,000. For purposes of this Section 5.3.4, Cash on hand shall be the Cash on hand in the Debtor's operating account, net of any outstanding checks and/or unsent wire transfers, as of the later of the following dates: (i) the Effective Date, or (ii) the business day preceding the closing on such sale, regardless of whether the purchase price is paid at Closing or through installments. Any payment to PNC Bank from the PNC Collateral Net Sale Proceeds shall reduce the principal under the PNC Bank Post Effective Date Indebtedness. In the event any Collateral of PNC Bank is sold and the purchase price for such Collateral is to be paid in installments, the PNC Bank Collateral Net Sale Proceeds shall be distributed within three (3) business days after the Reorganized Debtor receives such installment payment. Upon any payment to PNC Bank from the PNC Bank Collateral Net Sale Proceeds, the PNC Bank Post Effective Date Indebtedness shall re-amortized over the then remaining time frame as set forth above, and the PNC Bank Monthly Payments shall be recalculated and reduced accordingly. PNC Bank shall be granted replacement lien(s) on the Debtor's unencumbered property to the extent, and only to the extent, that the Debtor retains any of the PNC Bank Collateral Net Sale Proceeds.

e) Notwithstanding any provision contained in subsection d) to the contrary, PNC Bank shall receive all of the PNC Bank Collateral Net Sale Proceeds realized from the Ahlstrom Transaction. Any payment to PNC Bank from the PNC Bank Collateral Net Sale Proceeds realized from the Ahlstrom Transaction shall reduce the principal under the PNC Bank Post Effective Date Indebtedness. Within three (3) business days of receiving any installment payment on account of the Ahlstrom Transaction, the Debtor shall pay PNC Bank the PNC Bank Collateral Net Sale Proceeds realized from such installment payment; provided, however, that the Debtor shall pay PNC Bank on the Effective Date any PNC Bank Collateral Net Sale Proceeds realized from the Ahlstrom Transaction that it received prior to the Effective Date. Upon payment of any PNC Bank Collateral Net Sale Proceeds to PNC Bank, the PNC Bank Post Effective Date Indebtedness shall re-amortized over the then remaining time frame as set forth above, and the PNC Bank Monthly Payments shall be recalculated and reduced accordingly.

3. Other Secured Claims (Class III)

Each holder of an Allowed Secured Claim shall receive in full satisfaction, release and discharge or and in exchange for such Claim the amount of such Other Secured Claim, without interest, in accordance with the terms agreed upon in writing by the holder of such Claim and the Debtor.

4. General Unsecured Claims (Class IV)

Each holder of an Allowed General Unsecured Claim in Class IV shall receive in full satisfaction, release, and discharge of and in exchange for such Claims, an amount equal to seventy percent (70%) of their Allowed General Unsecured Claims, without interest. The timing and nature of the distributions to be made to the holders of Allowed Class IV General Unsecured Claims shall be paid in Cash from the Reorganized Debtor's cash flow and as follows: (i) on the Effective Date, holders of Allowed Class IV General Unsecured Claims shall receive twenty percent (20%) of the total distribution to be made on account of such Allowed General Unsecured Claim; (ii) on the first anniversary of the Effective Date, holders of Allowed Class IV General Unsecured Claims shall receive twenty percent (20%) of the total distribution to be made on account of such Allowed General Unsecured Claim; (iii) on the second anniversary of the Effective Date, holders of Allowed Class IV General Unsecured Claims shall receive twenty percent (20%) of the total distribution to be made on account of such Allowed General Unsecured Claim; (iv) on the third anniversary of the Effective Date, holders of Allowed Class IV General Unsecured Claims shall receive twenty percent (20%) of the total distribution to be made on account of such Allowed General Unsecured Claim; and (v) on the fourth anniversary of the Effective Date, holders of Allowed Class IV General Unsecured Claims shall receive twenty percent (20%) of the total distribution to be made on account of such Allowed General Unsecured Claim. On the fifteenth (15th) day of each month following the Effective Date, the Reorganized Debtor shall deposit one-twelfth (1/12) of the annual payment required to be made hereunder into an escrow account, and payments to be made to Allowed General Unsecured Claims shall be made from such escrow account.

5. Convenience Class Claims (Class V)

Each holder of an Allowed Convenience Class Claim shall receive in Cash on the Effective Date, in full satisfaction, release and discharge of and in exchange for such Claim, an amount equal to seventy percent (70%) of its Allowed General Unsecured Claim. No holder of an Allowed Convenience Claim shall be entitled to any future distributions under the Plan.

6. Retiree Claims (Class VI)

Each holder of an Allowed Class VI Retiree Claim shall receive in full satisfaction, release, and discharge of and in exchange for such Claims (i) the amount of such Retiree Claim, without interest, in accordance with the terms and conditions of any applicable agreement between the Debtor and the holder of the Retiree Claim which gives rise to the Retiree Claim, provided, however, that the first payment due under any such agreement shall occur on a date that is the later of the following: (a) the first day of the first month following the sixtieth day after the Effective Date, or (b) the date that the Debtor is required to first make payments under such agreement; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Debtor.

7. Officer Loan Claims (Class VII)

Each holder of an Allowed Class VII Officer Loan Claim shall receive in full satisfaction,

release, and discharge of and in exchange for the subordination of such Claims, and contribution of any distribution that would be permissible on account of such Claims to Class IV Allowed General Unsecured Claims, all of the stock of the Reorganized Debtor.

8. Equity Interests (Class VIII)

On the Effective Date, all Equity Interests of the Debtor shall be cancelled, annulled and voided, and holders thereof shall be entitled to no distribution whatsoever under this Plan or in the Bankruptcy Case on account of such Equity Interests.

C. Funding of Distributions and Provisions for Treatment of Disputed Claims

1. Disposition of Certain Estate Assets

After the Effective Date, the Reorganized Debtor intends to expose for sale and dispose of certain of its real estate holdings and personal property and equipment in accordance with Article VIII of the Plan. The proceeds of such sales of assets, along with Cash on hand, and Cash generated from the Reorganized Debtor's business operations, will fund certain of the distributions provided for by the Plan.

2. Disbursing Agent

On and after the Effective Date, the Reorganized Debtor shall make all distributions and payments provided under the Plan for and on behalf of the Debtor as set forth in Section 9.4 of the Plan.

3. The Initial Distribution

Except as otherwise provided herein or by order of the Bankruptcy Court, the Initial Distribution to be made on the Effective Date on account of Claims that are Allowed as of the Effective Date and are entitled to receive distributions under the Plan shall be made on the Effective Date or as promptly thereafter as is practicable as determined by the Debtor or the Reorganized Debtor, as the case may be, in its sole discretion from Cash on hand, from the proceeds from the sale of assets, or from Cash generated from business operations.

On the Effective Date, or as soon thereafter as is practicable, and unless otherwise agreed to between the Debtor or the Reorganized Debtor, as the case may be, and the Creditor, the Debtor or the Reorganized Debtor, as the case may be, shall pay, in full and in Cash, (a) all Allowed Administrative Expense Claims, (b) all Allowed Priority Tax Claims, (c) all Allowed Priority Claims that are to be satisfied pursuant to Section 5.2 of the Plan, (d) all Allowed other Secured Claims that are to be satisfied pursuant to Section 5.4 of the Plan, and (e) 70% of all Allowed Convenience Class Claims that are to be satisfied pursuant to Section 5.6 of the Plan, from Cash on hand, from the proceeds from the sale of assets, or from Cash generated from business operations.

4. The Cash Distribution to General Unsecured Claims

The Debtor or the Reorganized Debtor, as the case may be, shall pay holders of Allowed General

Unsecured Claims, whose Claims are Allowed as of the Effective Date, as provided for in Article 5.5 of the Plan, from Cash on hand, from the proceeds from the sale of assets, or from Cash generated from business operations.

5. Establishment of Accounts and Reserves

On and after the Effective Date, the Reorganized Debtor shall hold in an escrow account (the "Disputed Claims Reserve Escrow Account") Cash in an aggregate amount sufficient to pay to each holder of a Disputed Administrative Priority Claim, Disputed General Unsecured Claim, Disputed Priority Claim, and/or Disputed Convenience Class Claim at the time distributions are made pursuant to the Plan the amount of Cash that such holder would have been entitled to receive if such Claim had been an Allowed Claim on the Effective Date. Cash withheld and reserved for payments to holders of such Disputed Claims shall be held and deposited by the Reorganized Debtor in one or more segregated bank accounts to be used to satisfy such Disputed Claims that become Allowed Claims. If practicable, the Reorganized Debtor may invest Cash from any account in a manner that will yield a reasonable net return, taking into account the safety of the investment.

6. Distributions on Account of Disputed Claims

Notwithstanding any provision in the Plan or Confirmation Order to the contrary, except as otherwise permitted by the Reorganized Debtor in its sole and absolute discretion, or as otherwise Ordered by the Bankruptcy Court, no partial payments and no partial distributions shall be made with respect to a Disputed Claim until the resolution of such disputes by settlement or Final Order. A Disputed Claim, to the extent it becomes an Allowed Claim for distribution purposes, shall be paid on the first applicable Payment Date after such claim becomes an Allowed Claim in the same manner as all other Allowed Claims of the same Class. Notwithstanding the foregoing, any Person or governmental unit who holds both an Allowed Claim(s) and a Disputed Claim(s) shall receive the appropriate payment or distribution on the Allowed Claim(s), although, except as otherwise agreed by the Reorganized Debtor in its sole and absolute discretion, no payment or distribution shall be made on the Disputed Claim(s) until such dispute is resolved by settlement or Final Order. To the extent any Disputed Claim does not become an Allowed Claim, any amounts reserved on account of such Claim shall be transferred and conveyed to and become revested in the Reorganized Debtor.

7. Timing of Final Distributions

The Final Distribution shall occur when the final distribution has been made to holders of Allowed General Unsecured Claims pursuant to Section 5.5 of the Plan.

8. Minimum Distribution

Notwithstanding anything to the contrary in the Plan, the Reorganized Debtor shall not be required to make any distribution of less than twenty-five dollars (\$25.00) (the "Minimum Distribution Amount") to any Claimant unless either a request therefor is made in writing to the Reorganized Debtor by the Claimant with respect to such Claim or the Reorganized Debtor so determines to make such payment in its sole and absolute discretion. Notwithstanding anything

to the contrary in Section 9.9 of the Plan, any Claimant that does not notify the Reorganized Debtor in writing requesting the payment of a distribution that is less than twenty-five dollars (\$25.00) prior to fifteen (15) Business Days prior to a subsequent distribution by the Reorganized Debtor shall be forever barred from recovering any prior distribution that is less than the Minimum Distribution Amount from the Reorganized Debtor. Notwithstanding the foregoing, the Reorganized Debtor shall have no obligation whatsoever to pay any Claimant an amount less than the Minimum Distribution Amount for the Final Distribution, and such Claimant shall be forever barred from seeking payment of such amount from the Reorganized Debtor and its Estate.

9. Unclaimed Property

If any property distributed by the Reorganized Debtor remains unclaimed, or in the case of a check, not negotiated, for a period of ninety (90) calendar days after it has been delivered (or delivery has been attempted and such has been returned as undeliverable or otherwise) or has otherwise been made available, such unclaimed property shall be forfeited by the Person entitled to receive the property and the unclaimed property and the right to receive it shall revert to and vest in the Estate Assets free and clear of any rights, claims or interests. In addition, the Reorganized Debtor shall make no further distributions to the Person that failed to claim such property, and any subsequent distributions that would have been made to such Person shall not be made. The use of regular mail, postage prepaid, to the last known address of a holder of a Claim shall constitute delivery for purposes of the Plan.

10. Distributions Paid to Holders of Record

Section 9.11 of the Plan provides that all distributions to be made pursuant to the Plan may be made by the Reorganized Debtor to the holder of record as of the Record Date.

D. Implementation and Means of Consummating the Plan

Prior to the Effective Date, the Debtor shall form two wholly owned subsidiaries organized under the limited liability laws of the Commonwealth of Pennsylvania. The Debtor and the Reorganized Debtor shall be the sole member of each such subsidiary. Prior to the Effective Date, the Debtor shall transfer all of its real property to one of the subsidiaries, and all of its assets (except its real property) to the other subsidiary in accordance with Article 8.2 of the Plan.

1. Management of Estate Assets

From and after the Effective Date, the Estate Assets will be managed by the Reorganized Debtor, subject to the provisions of the Plan and Confirmation Order.

2. Shareholder, Officer and Director of the Debtors

On the Effective Date, operation of the Reorganized Debtor shall become the general responsibility of the Board of Directors of the Reorganized Debtor, which shall, thereafter, continue to have the responsibility for the management, control, and operation thereof. On the Effective Date, Jack Rosenstein and Jeffrey Goldman shall be the holders of one hundred percent (100%) of all capital stock of the reorganized Debtor, subject to the limitations set forth herein,

and shall have the right to elect the Board of Directors of the Reorganized Debtor and/or to sell, transfer, alienate, or otherwise dispose of their capital stock. The directors and officers of the Reorganized Debtor shall be identified in the Plan Supplement.

All capital stock of the reorganized Debtor shall be issued in accordance with the provisions of the Reorganized Debtor's bylaws and be subject to the terms and conditions of any shareholder agreement among the shareholders of the Reorganized Debtor.

As of the Effective Date, the Reorganized Debtor is authorized to: (i) issue the common Stock of the Reorganized Debtor to Jack Rosenstein and Jeffrey Goldman, as contemplated by the Plan, and (ii) execute, deliver, file or record any documents, and take any other actions as may be necessary to implement and to effectuate the terms and provisions of the Plan.

3. Transfer of Estate Assets and Closing of Bankruptcy Case.

The transfer, sale, assignment, or other disposition of any Estate Assets shall be made pursuant to the terms of the Plan and, accordingly, to the fullest extent permitted by law, any transfers from the Debtor to the Reorganized Debtor or any other Person pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee or similar tax, mortgage recording tax or other similar tax or governmental assessment, and the Confirmation Order shall serve as a direction to the appropriate state or local government officials to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without payment of any such tax or governmental assessment.

When all Disputed Claims filed against the Debtor have become Allowed Claims or have been disallowed by Final Order, and two of five distributions to holders of Allowed General Unsecured Claims have occurred, or at such earlier time as the Reorganized Debtor deems appropriate, the Reorganized Debtor shall seek authority from the Bankruptcy Court to close the Bankruptcy Case in accordance with the Bankruptcy Code, the Bankruptcy Rules and the Local Rules of the Bankruptcy Court.

E. Other Plan Provisions

1. Condition Precedent to Confirmation

The following are conditions precedent to the Effective Date of the Plan:

- (a) The Bankruptcy Court has entered the Confirmation Order;
- (b) The Confirmation Order has become a Final Order;
- (c) No stay of the Confirmation Order is in effect; and
- (d) The occurrence of any one of the following: (i) the Closing of any transaction described in Section 8.4 of the Plan; (ii) the Closing of any transaction of any transaction described in Sections 8.3 or 8.5 of the Plan for a purchase price of

more than \$1 million is paid to the Debtor or the Reorganized Debtor; or (iii) the Debtor files a certification with the Court that it projects to have funds exceeding \$1,250,000 after making all payments required to be made on the Effective Date.

2. Conditions Precedent to Consummation.

The Plan shall become substantially consummated upon the Effective Date.

3. Procedures for Resolving Disputed Claims and Payments or Distributions Thereon

Notwithstanding any provision in the Plan or Confirmation Order to the contrary, except as otherwise permitted by the Reorganized Debtor in its sole and absolute discretion, or as otherwise Ordered by the Bankruptcy Court, no partial payments and no partial distributions shall be made with respect to a Disputed Claim until the resolution of such disputes by settlement or Final Order. A Disputed Claim, to the extent it becomes an Allowed Claim for distribution purposes, shall be paid on the first applicable Payment Date after such claim becomes an Allowed Claim in the same manner as all other Allowed Claims of the same Class. Notwithstanding the foregoing, any Person or governmental unit who holds both an Allowed Claim(s) and a Disputed Claim(s) shall receive the appropriate payment or distribution on the Allowed Claim(s), although, except as otherwise agreed by the Reorganized Debtor in its sole and absolute discretion, no payment or distribution shall be made on the Disputed Claim(s) until such dispute is resolved by settlement or Final Order. To the extent any Disputed Claim does not become an Allowed Claim, any amounts reserved on account of such Claim shall be transferred and conveyed to and become revested in the Reorganized Debtor.

In the event of any dispute between or among Claimants as to the right of any Person or governmental unit to receive or retain any distribution to be made to such Claimant under this Plan, the Debtor may, in lieu of making such distribution to such Person or governmental unit, make it instead to the Bankruptcy Court or into an escrow for payment or distribution, as ordered by the Bankruptcy Court or as the interested parties to such dispute may otherwise agree in writing among themselves.

4. Executory Contracts

As of the Effective Date, all Executory Contracts that are designated to be rejected by the Debtor in the Plan Supplement shall be deemed rejected. Any assumed Executory Contract to which the Debtor is a party shall be, as of the Effective Date, deemed to be assigned to, and assumed by, the Reorganized Debtor. The Confirmation Order shall constitute an order of the Bankruptcy Court under Section 365 of the Bankruptcy Code approving the contract and lease assumptions and assignments described above, as of the Effective Date. Any monetary amounts required as cure payments with respect to any Executory Contract to be assumed pursuant to this Plan shall be set forth in the Plan Supplement and satisfied by the Debtor (i) upon such terms as the Bankruptcy Court may Order or the parties to such Executory Contracts may agree, (ii) by a payment in Cash on the Effective Date if such cure amount is less than \$3,000, or (iii) if such cure amount exceeds \$3,000, then (a) by a payment in Cash on the Effective Date equal to twenty percent (20%) of such cure amount, (b) by a payment in Cash on the first anniversary of

the Effective Date equal to twenty percent (20%) of such cure amount; (c) by a payment in Cash on the second anniversary of the Effective Date equal to twenty percent (20%) of such cure amount; (d) by a payment in Cash on the third anniversary of the Effective Date equal to twenty percent (20%) of such cure amount; and (e) by a payment in Cash on the fourth anniversary of the Effective Date equal to twenty percent (20%) of such cure amount. In the event of a dispute regarding whether a default exists under any Executory Contract or the amount of any cure payment, the cure of any default shall occur after the entry of a Final Order of the Bankruptcy Court resolving the dispute.

Effective on and as of the Effective Date, all Executory Contracts that exist between a Debtor and any Person and that have not previously been assumed or rejected by the Debtor, and which are not designated in the Plan Supplement as rejected, will be deemed assumed pursuant to Section 365 of the Bankruptcy Code. Entry of the Confirmation Order shall constitute approval, pursuant to Section 365(a) of the Bankruptcy Code, of the assumption of such Executory Contracts.

5. Revesting of Property and Retention of Actions and Defenses

Except as otherwise provided for in the Plan, as of the Effective Date, all property of the Estate or the Debtor shall be the property of, and vest in, the Reorganized Debtor and shall be under the exclusive dominion and control of the Reorganized Debtor for the benefit of the creditors of the Estate. All Estate Actions which constitute property of the Estate within the meaning of Section 541 of the Bankruptcy Code, as well as all of the Avoidance Actions, shall be and hereby are preserved for the benefit of the holders of Allowed General Unsecured Claims and the other beneficiaries of the Estate Assets, and shall be and hereby are retained by and vested in the Debtor for all purposes as of the Effective Date. On and after the Effective Date, the Reorganized Debtor will retain and have the exclusive right, to investigate, pursue, initiate, commence, file, prosecute, abandon, settle and/or enforce any and all Estate Actions and Avoidance Actions against any Person or governmental unit that arose before or after the Petition Date.

F. Effects of Plan Confirmation

1. Satisfaction of Claims

The treatment of and consideration to be received by holders of Allowed Claims pursuant to the Plan shall be in full satisfaction, settlement, discharge and release of such holders' respective Claims against the Estate. Notwithstanding the foregoing, unless an Estate Action or Avoidance Action is expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Final Order of the Bankruptcy Court, all Estate Actions and Avoidance Actions are expressly reserved for later adjudication and therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to such Estate Actions or Avoidance Actions upon or after the confirmation or consummation of the Plan, and the Debtor and the Reorganized Debtor retains the exclusive right to enforce any and all present and future rights, claims or causes of action against any Person.

2. Injunction

From and after the Effective Date, all Persons that have held, currently hold or may hold a Claim or other debt or liability against the Debtor or its Estate, or who have held, currently hold or may hold an Equity Interest in the Debtor, are permanently enjoined from taking any of the following actions (whether directly, indirectly, derivatively or otherwise) on account of such Claim or Equity Interest: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the Debtor, the Reorganized Debtor or the Estate with respect to any property to be distributed under the Plan including funds or reserves held or maintained by any of them pursuant to the Plan; (ii) enforcing, levying, attaching, collecting, or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree, or order against the Debtor, Reorganized Debtor or the Estate with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to the Plan; (iii) creating, perfecting or enforcing in any manner directly or indirectly, any lien, charge or encumbrance of any kind against the Debtor, Reorganized Debtor or the Estate with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to the Plan; and (iv) proceeding in any manner in any place whatsoever against the Debtor, Reorganized Debtor or the Estate with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to the Plan in any way that does not conform to, or comply, or is inconsistent with, the provisions of the Plan; provided, however, that nothing in Section of the Plan shall prohibit any Person or governmental unit from enforcing the terms of the Plan or the terms of the Confirmation Order in the Bankruptcy Court.

3. No Liability for Solicitation or Participation

Pursuant to Section 1125(e) of the Bankruptcy Code, Persons that solicit acceptances or rejections of the Plan and/or that participate in the offer, issuance, sale, or purchase of securities offered or sold under the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, or purchase of securities.

4. Limitation of Liability of Exculpated Persons

The Exculpated Persons shall not have or incur any liability to any Person or governmental unit for any act taken or omission made in connection with or in any way related to negotiating, formulating, implementing, confirming, consummating or administering the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with or related to the Plan or the Bankruptcy Case, or any other act taken or omission made in connection with the Bankruptcy Case; provided that the foregoing provisions of this section shall have no effect on the liability of any Person that results from any act or omission that is determined in a Final Order to have constituted fraud, gross negligence or willful misconduct.

5. Indemnification by Debtor

The Debtor and Reorganized Debtor will indemnify, hold harmless and reimburse the Exculpated Persons from and against any and all losses, claims, causes of action, damages, fees, expenses, liabilities, and actions for which liability is limited pursuant to Article XIII of the Plan, and the losses, claims and expenses of the Exculpated Persons shall be paid from the Estate Assets as they are incurred by the Exculpated Persons. All rights of the Exculpated Persons indemnified pursuant to Article XIII of the Plan shall survive confirmation, effectiveness and consummation of this Plan.

6. Term of Injunctions and Stays

Unless otherwise provided herein or in a Final Order of the Bankruptcy Court, all injunctions or stays provided for in the Bankruptcy Case pursuant to Sections 105, 362 and 524 of the Bankruptcy Code, or otherwise, and in effect on the Confirmation Date shall remain in full force and effect until this Bankruptcy Case is closed by the Clerk of the Bankruptcy Court.

7. Release of Liens

Except as otherwise provided in the Plan or the Confirmation Order, all Liens, security interests, deeds of trust, pledges, guaranties, indemnities or mortgages against property of the Debtor or such Debtor's Estate shall, and shall be deemed to, be released, cancelled, terminated, and nullified on the Effective Date.

8. Cancellation of Instruments

Unless otherwise provided for herein, on the Effective Date, all notes, certificates, shares, instruments or other evidences of any Equity Interest shall be cancelled and deemed null and void as of the Effective Date.

9. Bankruptcy Court to Retain Jurisdiction

Following the Effective Date, and notwithstanding the entry of the Confirmation Order, the Bankruptcy Court shall retain exclusive jurisdiction of the Bankruptcy Case and all matters arising under, arising out of, or related to, the Bankruptcy Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

- a) Hear and determine motions, applications, adversary proceedings, and contested matters pending or commenced after the Effective Date;
- b) Hear and determine objections (whether filed before or after the Effective Date) to, or requests for estimation of any Claim, and to enter any order requiring the filing of proof of any Claim before a particular date;
- c) Ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan;
- d) Enter and implement such orders as may be appropriate in the

event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

e) Construe and take any action to enforce the Plan and the Confirmation Order;

f) Issue such orders as may be necessary for the implementation, execution and consummation of the Plan and to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan and the Confirmation Order;

g) Hear and determine any applications to modify the Plan, to cure any defect or omission or to reconcile any inconsistency in the Plan, the Disclosure Statement or in any order of the Bankruptcy Court including, without limitation, the Confirmation Order;

h) Hear and determine all applications for Professional Claims required by the Plan;

i) Hear and determine other issues presented or arising under the Plan, including disputes among holders of Claims and arising under agreements, documents or instruments executed in connection with the Plan;

j) Determine such other matters and for such other purposes as may be provided in the Confirmation Order;

k) Hear and determine any other matters related hereto and not inconsistent with Chapter 11 of the Bankruptcy Code;

l) Enter the Final Decree;

m) Hear and determine any action concerning the recovery and liquidation of Estate Assets, wherever located, including, without limitation, litigation to liquidate and recover Estate Assets that consist of, among other things, the Avoidance Actions and the Estate Actions, or other actions seeking relief of any sort with respect to issues relating to or affecting Estate Assets;

n) Hear and determine any action concerning the determination of taxes, tax refunds, tax attributes, and tax benefits and similar or related matters with respect to a Debtor or its Estate including, without limitation, matters concerning federal, state and local taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code; and

o) Hear and determine any dispute with regard to any Retiree Claim whether against the Debtor or any current or former officers and/or directors of the Debtor or Reorganized Debtor.

CLAIMHOLDERS ARE URGED TO READ THE PLAN IN FULL SO THAT THEY MAY MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

IV. CONFIRMATION AND CONSUMMATION PROCEDURE

A. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing with respect to the Plan. At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code described below are met.

The Confirmation Hearing is scheduled to commence on March 30, 2011, at 11:00 a.m. (Prevailing Eastern Time) before the Honorable Jean K. FitzSimon, United States Bankruptcy Court, Eastern District of Pennsylvania, Robert N.C. Nix Senior, Federal Courthouse, 900 Market Street, Philadelphia, Pennsylvania, Courtroom 3. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing.

B. Requirements of section 1129(a) of Bankruptcy Code

The Bankruptcy Court will confirm the Plan only if it finds that all of the applicable requirements enumerated in section 1129(a) of the Bankruptcy Code have been met or, if all of the requirements of section 1129(a) other than the requirements of section 1129(a)(8) have been met (i.e., that all impaired classes have accepted the plan), that all of the applicable requirements enumerated in section 1129(b) of the Bankruptcy Code have been met.

Among other things, sections 1129(a) and (b) require that the Plan be (i) accepted by all impaired Classes of Claims and Equity Interests or, if rejected by an impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class, (ii) feasible, and (iii) in the “best interests” of Claimholders and equity interest holders that are impaired under the Plan.

The Plan provides that Class VIII is not receiving any distribution under the Plan and is deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, as to such Class and any other Class that votes to reject the Plan, the Debtor is seeking confirmation of the Plan in accordance with sections 1129(a) and (b) of the Bankruptcy Code either under the terms provided herein or upon such terms as may exist if the Plan is modified in accordance with section 1127(d) of the Bankruptcy Code.

THE DEBTOR BELIEVES THAT THE PLAN SATISFIES OR WILL SATISFY, AS OF THE CONFIRMATION DATE, ALL OF THE REQUIREMENTS FOR CONFIRMATION.

1. Best Interests Test

In order to confirm the Plan, the Bankruptcy Court must, pursuant to section 1129(a)(7) of the Bankruptcy Code, independently determine that the Plan is in the best interests of each holder of a Claim or Equity Interest in any impaired Class who has not voted to accept the Plan. This is often called the “best interests of Claimholders” test. Accordingly, if an impaired Class does not

unanimously accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such impaired Class a recovery on account of the Class member's Claim or Equity Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

As of the date of this Disclosure Statement, the Debtor believes that more funds are likely to exist after the sales of certain assets of the Debtor and the prosecution, collection or settlement of certain causes of action if the case continues in chapter 11 rather than if the case is converted to chapter 7 for completion.

The only issue under the best interest of Claimholders test is the value of distributions available for Claimants if the Plan is confirmed compared to the value of distributions available to Claimants if the case is converted to chapter 7. As more fully set forth in the liquidation analysis that will be filed with the Court and served on all parties-in-interest within seven (7) days from the hearing on the Debtor's Motion to Approve this Disclosure Statement, the Debtor believes that larger distributions will be available to Claimants under the Plan than under chapter 7 and, therefore, that the Plan meets the best interest of Claimholders test. Conversion of the Bankruptcy Case to chapter 7 of the Bankruptcy Code would replace the Debtor with a chapter 7 trustee. As a consequence, the liquidation and completion of this case would be substantially disrupted. Disruption would occur because a chapter 7 trustee would be unfamiliar with the case, as would the chapter 7 trustee's counsel. A chapter 7 trustee may be required to employ new counsel that might be unfamiliar with the issues requiring resolution in the estate. The Claimants would bear the cost of educating the chapter 7 trustee, resulting in delays and reduced distributions. Furthermore, all fees of, and expenses incurred by, the chapter 7 trustee and its professionals would have priority over all Allowed Administrative Expense Claims, all Allowed Priority Claims and Priority Tax Claims, all Allowed General Unsecured Claims, and all Allowed Convenience Class Claims previously incurred in this chapter 11 Case under section 726(b) of the Bankruptcy Code.

2. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation should not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan. Under the terms of the Plan, the Allowed Claims potentially being paid in Cash are the Allowed Administrative Claims, Priority Tax Claims, PNC Bank Secured Claim, General Unsecured Claims, Retiree Claims, and Convenience Class Claims. The Debtor believes that the distributions to be made pursuant to the Plan are feasible and will not be followed by a need for further financial reorganization.

3. Acceptance by Impaired Classes

By this Disclosure Statement, the Debtor is seeking the affirmative vote of each impaired Class of Claims under the Plan that is proposed to receive a distribution under the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, a class that is not "impaired" under a plan will be conclusively presumed to have accepted such plan; solicitation of acceptances with respect to

any such class is not required. Pursuant to section 1126(g) of the Bankruptcy Code, a class of claims or interests that does not receive or retain any property under a plan of reorganization is deemed not to have accepted the plan, although members of that class are permitted to consent, or waive objections, to its confirmation.

Pursuant to section 1124 of the Bankruptcy Code, a class is “impaired” unless a plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or interest entitles the holder thereof, or (b) (i) cures any default (other than defaults resulting from the breach of an insolvency or financial condition provision), (ii) reinstates the maturity of such claim or interest, (iii) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on any contractual provision or applicable law entitling such holder to demand or receive accelerated payments after the occurrence of a default, and (iv) does not otherwise alter the legal, equitable or contractual rights to which the holder of such claim or interest is entitled.

Pursuant to section 1126(c) of the Bankruptcy Code, a class of impaired claims has accepted a plan of reorganization when such plan has been accepted by Claimholders (other than an entity designated under section 1126(e) of the Bankruptcy Code) that hold at least two thirds in dollar amount and more than one half in number of the allowed claims of such class held by Claimholders (other than any entity designated under section 1126(e) of the Bankruptcy Code) that have actually voted to accept or reject the plan. A class of interests has accepted a plan if the plan has been accepted by holders of interests (other than any entity designated under section 1126(e) of the Bankruptcy Code) that hold at least two thirds in amount of the allowed interests of such class held by interest holders (other than any entity designated under section 1126(e) of the Bankruptcy Code) that have actually voted to accept or reject the plan. Section 1126(e) of the Bankruptcy Code allows the Bankruptcy Court to designate the votes of any party that did not vote in good faith or whose vote was not solicited or procured in good faith or in accordance with the Bankruptcy Code. Holders of claims or interests who fail to vote are not counted as either accepting or rejecting the plan.

4. Confirmation Without Acceptance by All Impaired Classes

Because Class VIII (Equity Interests) is deemed not to have accepted the Plan, the Debtor is seeking confirmation of the Plan as to such Class, and as to any other Class that votes to reject the Plan, pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code provides that the Bankruptcy Court may still confirm a plan at the request of a debtor if, as to each impaired class that has not accepted the plan, the plan “does not discriminate unfairly” and is “fair and equitable.”

Section 1129(b)(2)(A) of the Bankruptcy Code provides that with respect to a non accepting class of impaired secured claims, “fair and equitable” includes the requirement that the plan provides (a) that each holder of a claim in such class (i) retains the liens securing its claim to the extent of the allowed amount of such claim and (ii) receives deferred cash payments at least equal to the allowed amount of its claim with a present value as of the effective date of such plan at least equal to the value of such creditor’s interest in the debtor’s interest in the property securing the creditor’s claim, (b) for the sale, subject to section 363(k) of the Bankruptcy Code, of the property securing the creditor’s claim, free and clear of the creditor’s liens, with those

liens attaching to the proceeds of the sale, and such liens on the proceeds will be treated in accordance with clauses (a) or (c) thereof, or (c) for the realization by the creditor of the "indubitable equivalent" of its claim.

Section 1129(b)(2)(B) of the Bankruptcy Code provides that with respect to a non accepting class of impaired unsecured claims, "fair and equitable" includes the requirement that (a) the plan provide that each holder of a claim in such class receives or retains property of a value as of the effective date equal to the allowed amount of its claim, or (b) the holders of claims or interests in classes that are junior to the claims of the dissenting class will not receive or retain any property under the plan on account of such junior claim or interest.

Section 1129(b)(2)(C) of the Bankruptcy Code provides that with respect to a non accepting class of impaired equity interests, "fair and equitable" includes the requirement that (a) the plan provides that each holder of an impaired interest in such class receives or retains property of a value as of the effective date equal to the greatest of (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, and (iii) the value of such interest, or (b) the holders of all interests that are junior to the interests of the dissenting class will not receive or retain any property under the plan on account of such junior interest.

In light of the above, the Debtor believes that the Plan does not discriminate unfairly against, and is fair and equitable as to, each impaired Class under the Plan.

V. CONCLUSION AND RECOMMENDATION

The Debtor believes that the confirmation and consummation of the Plan is preferable to all other alternatives.

THE DEBTOR URGES ALL CLAIMHOLDERS TO ACCEPT THE PLAN BY RETURNING THEIR BALLOTS TO THE DEBTOR SO THAT THEY WILL BE RECEIVED BY MARCH 25, 2011.

Dated: January 21, 2011
Philadelphia, Pennsylvania

TSG INCORPORATED

By: /s/ Jack E. Rosenstein
Name: Jack E. Rosenstein
Title: Chief Executive Officer

Debtor and Debtor in Possession