

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE ~~SECOND~~ THIRD AMENDED PLAN OF REORGANIZATION OF DEVAL CORPORATION FILED BY PDI DEVAL ACQUISITION, LLC DATED JUNE 9, 2017 (AS MAY BE FURTHER AMENDED IN ACCORDANCE WITH THE TERMS THEREOF AND APPLICABLE LAW, THE “PLAN”). THE INFORMATION CONTAINED HEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS AND SHAREHOLDERS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT 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 THE EXHIBITS ANNEXED TO THE PLAN. 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 SHALL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. EXCEPT AS OTHERWISE SPECIFICALLY AND EXPRESSLY STATED HEREIN, THIS DISCLOSURE STATEMENT DOES NOT REFLECT ANY EVENTS THAT MAY OCCUR SUBSEQUENT TO THE DATE HEREOF AND THAT MAY HAVE A MATERIAL IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. PDI DEVAL ACQUISITION, LLC (THE “PROPONENT”) DOES NOT ANTICIPATE THAT ANY AMENDMENTS OR SUPPLEMENTS TO THIS DISCLOSURE STATEMENT WILL BE DISTRIBUTED TO REFLECT SUBSEQUENT OCCURRENCES. ACCORDINGLY, THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION HEREIN IS CORRECT OR COMPLETE AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING

SECURITIES OR CLAIMS OF EITHER OF THE DEBTOR AND DEBTOR IN POSSESSION IN THIS CASE SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND NON-BANKRUPTCY PROCEEDINGS OR THREATENED ACTIONS INVOLVING THE DEBTOR OR ANY OTHER PARTY, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR AND DEBTOR IN POSSESSION IN THIS CASE.

THE PROPONENT BELIEVES THAT THE PLAN WILL ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR, ITS CREDITORS AND ITS ESTATE. THE PROPONENT URGES ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT THE PLAN.

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I. INTRODUCTION

This Disclosure Statement describes the ~~Second~~Third Amended Plan of Reorganization (the “Plan”) of DeVal Corporation (the “Debtor”) proposed by PDI DeVal Acquisition, LLC (the “Proponent”) dated June 9, 2017. The Plan was filed in the Debtor’s chapter 11 case (the “Chapter 11 Case”), which is pending in the United States Bankruptcy Court for the Eastern District of Pennsylvania (the “Bankruptcy Court”).

The Proponent presents this disclosure statement (as may be amended, the “Disclosure Statement”) pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”) for review by creditors of the Debtor in connection with their votes on the Plan. A copy of the Plan is attached hereto as Appendix A. **Each capitalized term used in this Disclosure Statement but not otherwise defined herein has the meaning ascribed to such term in the Plan.** See Article I, Section 1.01 of the Plan.

This Disclosure Statement sets forth certain information regarding the Debtor’s prepetition operating and financial history, its reasons for seeking protection and reorganization under chapter 11 and significant events that have occurred during the Chapter 11 Case. This Disclosure Statement also describes the principal terms and provisions of the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims entitled to vote on the Plan must follow for their votes to be counted.

By order entered on _____, 2017, the Bankruptcy Court has approved this Disclosure Statement as containing “adequate information,” in accordance with section 1125 of the Bankruptcy Code, to enable a hypothetical, reasonable investor typical of holders of Claims against the Debtor to make an informed judgment as to whether to accept or reject the Plan, and has authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.** No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, holders of Claims entitled to vote should not rely on any information relating to the Debtor and their businesses, other than that contained in this Disclosure Statement, the Plan, and all exhibits and appendices hereto and thereto.

Pursuant to the provisions of the Bankruptcy Code, only classes of Claims or Interests that are (a) “impaired” by a plan and (b) entitled to receive a distribution under such plan are entitled to vote on the plan. Here, Claims in Classes 2, 3, 4, 5, and 6 are Impaired by and entitled to receive a distribution under the Plan; accordingly, only the holders of Claims in those Classes are entitled to vote to accept or reject the Plan. Because Class 7 (Subordinated) Claims and Class 8 Equity Interests are to be extinguished, with no distributions to be made on account thereof, the votes of Class 7 and 8 will not be counted toward the requisite votes required for the Debtor to confirm the Plan and the holders are conclusively presumed to have rejected the Plan. Claims in Class 1 are Unimpaired by the Plan; accordingly, the holders thereof are conclusively presumed to have accepted the Plan.

II. OVERVIEW OF THE PLAN

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms and provisions of the Plan, see Article VI of this Disclosure Statement, entitled “Summary of the Plan.”

The Plan provides for the classification and treatment of Claims against and Interests in the Debtor. The Plan designates seven Classes of Claims and one Class of Interests. These Classes take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Interests.

A. General Structure of the Plan

The Plan contemplates the reorganization of the Debtor and the resolution of all outstanding Claims against, and Interests in, the Debtor. The Debtor, after the Effective date of the plan, is referred to as the “Reorganized Debtor.” Under the Plan, the Debtor’s outstanding stock will be extinguished and the stock in the Reorganized Debtor will be issued to the Proponent. The Proponent has a Claim against the Debtor in the amount of \$1,048,000 plus interest accrued after the Petition Date. The Claim is secured by liens on substantially all of the Debtor’s assets. In exchange for the stock in the Reorganized Debtor, the Proponent will release its Claim, contribute substantial cash to the Reorganized Debtor, guarantee a new bank loan to the Reorganized Debtor and guarantee the payment of a portion of the secured Claims to be paid over time by the Reorganized Debtor under the Plan and cause PDI Ground Support Systems, Inc., an affiliate, to provide the same guarantees.

Under the Plan, secured Claims and priority Claims will be paid in full and partial payments will be made on account of unsecured Claims over the three year period following the Effective Date of the Plan. In addition, if the Reorganized Debtor realizes a recovery on account of Debtor Causes of Action against third parties, unsecured creditors will receive a share.

The Proponent believes that if, the Plan is not consummated, it is likely that holders of Claims against the Debtor’s estate will receive less than they would if the Plan is confirmed because the termination of the Debtor’s business and liquidation of its assets will not result in a higher distribution to any Class of Claims or Interests.

B. Summary of Treatment of Claims and Interests under the Plan

The table below summarizes the classification and treatment of the prepetition Claims against and Interests in the Debtor under the Plan. Estimated percentage recoveries are also set forth below. Estimated percentage recoveries have been calculated based upon a number of assumptions, including (where not expressly Allowed by the Plan) the amount of Allowed Claims in each Class.

For certain Classes of Claims, the actual amounts of Allowed Claims could materially differ from the estimated amounts shown in the table that follows. Except for Claims Allowed by the Plan, estimated Claim amounts for each Class set forth below are based upon the schedules of liabilities filed by the Debtor, as amended by any proofs of claim filed by creditors.

Accordingly, for these reasons, no specific representation can be or is being made with respect to whether the estimated percentage recoveries shown in the table below (other than for Classes 7 and 8) will actually be realized by the holders of Allowed Claims in such Classes.

Type of Claim or Interest	Description and Treatment under Plan
<p>Unclassified — Administrative Claims</p> <p>Estimated Aggregate Allowed Amount: Approximately \$298,000, consisting of Professional Fees of \$100,000 and post-petition accounts payable and accrued expenses of \$198,000</p>	<p>An Administrative Claim is a Claim for (a) any cost or expense of administration (including, without limitation, the fees and expenses of Professionals) of any of the Chapter 11 Cases asserted or arising under sections 503, 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code including, but not limited to (i) any actual and necessary post Petition Date cost or expense of preserving the Debtors’ respective Estates or operating the organizations of the Debtors, (ii) any post Petition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of their respective organizations, (iii) compensation or reimbursement of expenses of Professionals to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code, and (iv) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code; (b) any fees or charges assessed against the Debtors’ respective Estates under section 1930 of title 28 of the United States Code.</p> <p>Under the Plan, Administrative Claims are Unimpaired. Unless otherwise provided for therein, each holder of an Allowed Administrative Claim shall receive, from the Debtor against whom such Claim has been Allowed, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the date the Claim becomes payable in the ordinary course of business, or (iii) the date on which such Administrative Claim becomes Allowed, or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the holder of such Claim and the applicable Debtor, or as the Bankruptcy Court may order.</p> <p>Administrative Claims are not classified and are treated as required by the Bankruptcy Code. The holders of such Claims are not entitled to vote on the Plan.</p> <p>Estimated Percentage Recovery: 100%</p>

Type of Claim or Interest	Description and Treatment under Plan
<p>Unclassified — Priority Tax Claims Estimated Aggregate Allowed Amount: \$33,000</p>	<p>The Plan defines Priority Tax Claims as any and all Claims accorded priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims include Claims of governmental units for taxes owed by the Debtor that are entitled to a certain priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. The taxes entitled to priority are (a) taxes on income or gross receipts that meet the requirements set forth in section 507(a)(8)(A) of the Bankruptcy Code, (b) property taxes meeting the requirements of section 507(a)(8)(B) of the Bankruptcy Code, (c) taxes that were required to be collected or withheld by the Debtors and for which the Debtors are liable in any capacity as described in section 507(a)(8)(C) of the Bankruptcy Code, (d) employment taxes on wages, salaries or commissions that are entitled to priority pursuant to section 507(a)(4) of the Bankruptcy Code, to the extent that such taxes also meet the requirements of section 507(a)(8)(D), (e) excise taxes of the kind specified in section 507(a)(8)(E) of the Bankruptcy Code, (f) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F) of the Bankruptcy Code and (g) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G) of the Bankruptcy Code.</p> <p>Under the Plan, Allowed Priority Tax Claims will be paid, with interest at the rate of 4% per annum, in equal regular monthly installments, calculated such that the Claims will be paid in full on the 5th anniversary of the Petition Date (i.e., November 11, 2021), commencing on the later of the first day of the calendar month following (i) the Effective Date Effective Date or (ii) the date on which such Priority Tax Claim becomes Allowed, or on such other terms and conditions as may be agreed upon in writing by the holder of such Priority Tax Claim and the Debtor, or as the Bankruptcy Court may order. Prior to the Effective Date, the Proponent shall have the right to prepay at any time, in whole or in part, any Allowed Priority Tax Claim without premium or penalty of any sort or nature.</p> <p>Priority Tax Claims are not classified and are treated as required by the Bankruptcy Code. The holders of such Claims are not entitled to vote on the Plan.</p>

Type of Claim or Interest	Description and Treatment under Plan
	Estimated Percentage Recovery: 100%
<p>Class 1 — Other Priority Claims Estimated Aggregate Allowed Amount: \$0</p>	<p>Class 1 consists of Other Priority Claims, which are defined as any Claim arising before the Petition Date that is entitled to priority under Section 507(a) of the Bankruptcy Code, other than Administrative Expenses and Priority tax Claims.</p> <p>Under the Plan, each Class 1 Claim will be paid in full, without interest, as soon as practicable following the later of the: (a) Effective Date; or (b) first business date on which such Class 1 Claim becomes an Allowed Claim. Notwithstanding anything herein to the contrary, the holders of a Class 1 Claims may be paid on such other date and upon such other terms as may be mutually agreed upon by the holder of such Class 1 Claim and the Debtor. Class 1 is unimpaired. holders of Class 1 Claims are not entitled to vote on the plan, and are deemed to have accepted the Plan.</p> <p>The Proponent believes that all Claims that would have constituted Class 1 Claims were paid pursuant to the Bankruptcy Court’s order permitting the payment of prepetition wages, with the exception of Claims of the shareholders. The Proponent believes such insider Claims would be disallowed pursuant to Section 502(f) of the Bankruptcy Code.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 2 — BB&T Estimated Aggregate Allowed Amount: \$1,760,000.00*</p>	<p>Class 2 consists of the Allowed Claim of Branch Bank and Trust Company, (“BB&T”), which is secured by liens on substantially all of the Debtor’s property, and arise out of three separate loans, a Line of Credit, a Term Loan and a Mortgage Loan.</p> <p>Under the Plan, the Class 2 Claim will be paid in full as follows: the Line of Credit and the Term Loan will be paid in full on the Effective Date, and the Mortgage Loan will be paid in full, with interest at the prepetition, non-default, contract rate, in monthly installments equal to the regular prepetition regular monthly installments. Any outstanding amount due on the Mortgage loan will be paid no later than December 31, 2017. BB&T will retain liens securing the Mortgage Loan. The Class 2 Claim is impaired under the</p>

Type of Claim or Interest	Description and Treatment under Plan
	<p>Plan and BB&T is entitled to vote on the plan.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 3 – Susquehanna</p> <p>Estimated Allowed Amount: \$167,912.18*</p>	<p>Class 3 consists of the Allowed Claim of Susquehanna Commercial Finance, Inc., an affiliate of BB&T, which arises from equipment loans secured by first priority security interests in the subject equipment. The Class 3 Claim will be paid in full, with interest at the prepetition, non-default, contract rate, in monthly installments equal to the regular prepetition regular monthly installments. Susquehanna will retain its security interests. The Class 3 Claim is Impaired and Susquehanna will be entitled to vote on the Plan.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 4 — PDI</p> <p>Estimated Allowed Amount: \$1,048,000*</p>	<p>Class 4 consists of the Claim of the Proponent, which is secured by a security interest and judgment lien in substantially all of the Debtor’s real and personal property, junior in priority to those of BB&T, Susquehanna, and Wells Fargo Equipment Finance.</p> <p>Under the Plan, Class 4 will receive 100% of the stock in the Reorganized Debtor on account of the Class 4 Claim. The Class 4 Claim is Impaired, and the Proponent is entitled to vote on the Plan.</p> <p>Estimated Percentage Recovery: Unknown</p>
<p>Class 5 — Wells Fargo</p> <p>Estimated Allowed Amount: \$76,686*</p>	<p>Class 5 consists of the Allowed Claim of Wells Fargo Equipment Finance (“Wells Fargo”), arising from equipment financing secured by a first priority security interest in the subject equipment. The Class 5 Claim will be paid in full, with interest at the prepetition, non-default, contract rate, in monthly installments equal to the regular prepetition regular monthly installments. Susquehanna will retain its security interests. The Class 5 Claim is Impaired and Susquehanna will be entitled to vote on the Plan.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 6 — Unsecured</p>	<p>Class 6 consists of all Allowed Claims other than any</p>

Type of Claim or Interest	Description and Treatment under Plan
Estimated Aggregate Allowed Amount: \$730,000	<p>of the Claims described above, and includes general unsecured Claims.</p> <p>Under the Plan, each holder of a Class 6 Claim will receive a pro rata share of (a) \$150,000<u>250,000</u> and (b) 25% of any net recovery from the pursuit of Causes of Action the Debtor may have against third parties.</p> <p>Class 6 is Impaired and holders of Class 6 Claims are entitled to vote on the Plan.</p> <p>Estimated Percentage Recovery: 34.2% plus an unknown amount of a share of the proceeds, if any, of Causes of Action.</p>
<p>Class 7 – Subordinated Claims Estimated aggregate amount: \$455,000</p>	<p>Class 7 consists of unsecured Claims that are subject to subordination pursuant to Section 510(b) of the Bankruptcy Code. The holders of such claims will receive no distribution. Class 7 is impaired. The holders are not entitled to vote on the Plan and are deemed to have rejected the Plan.</p> <p>Estimated Percentage Recovery: 0%</p>
<p>Class 8 — Shareholders</p>	<p>Class 8 consists of all equity security Interests in the Debtor, which includes the Debtor’s common stock. The Class 8 Interests will be extinguished under the Plan. Class 8 is Impaired. The holders of Class 8 Interests are not entitled to vote on the Plan and are deemed to have rejected the plan.</p> <p>Estimated Percentage Recovery: 0%</p>
<p>*In addition to the amounts listed for Classes 2, 3, 4, and 5, interest continues to accrue from and after the Petition Date.</p>	

III. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to holders of Claims and Interests

Approval by the Bankruptcy Court of this Disclosure Statement means that the Bankruptcy Court has found that this Disclosure Statement contains information of a kind and in sufficient and adequate detail to enable holders of Claims to make an informed judgment whether to accept or reject the Plan.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR THEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF THE PLAN IS APPROVED BY THE REQUISITE VOTE OF HOLDERS OF CLAIMS ENTITLED TO VOTE AND IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTOR, WHETHER OR NOT THEY WERE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.

No solicitation of votes may be made except after distribution of this Disclosure Statement and no person has been authorized to distribute any information concerning the Debtor other than the information contained herein.

B. Voting Rights

Pursuant to the provisions of the Bankruptcy Code, only holders of Claims in classes that are (a) treated as "impaired" by the plan and (b) entitled to receive a distribution under such plan are entitled to vote on the plan. In this Chapter 11 Case, under the Plan, only holders of Claims in Classes 2, 3, 4, 5, and 6 are entitled to vote on the Plan. Claims in Class 1 are Unimpaired and their holders are deemed to have accepted the Plan. Claims in Class 7 and Interests in Class 8 will receive no distribution and are deemed to have rejected the Plan.

Only holders of Allowed Claims in the voting Classes are entitled to vote on the Plan. A Claim that is unliquidated, contingent or disputed is not an Allowed Claim, and is thus not entitled to vote, unless and until the amount is estimated or determined, or the dispute is determined, resolved or adjudicated in the Bankruptcy Court or another court of competent jurisdiction, or pursuant to agreement with the Debtor. However, the Bankruptcy Court may deem a contingent, unliquidated or disputed Claim to be Allowed on a provisional basis, for purposes only of voting on the Plan.

C. Solicitation Materials

In soliciting votes for the Plan pursuant to this Disclosure Statement, the Proponent will send to holders of Claims who are entitled to vote copies of (a) the Disclosure Statement and Plan, (b) the notice of, among other things, (i) the date, time and place of the hearing to consider confirmation of the Plan and related matters and (ii) the deadline for filing objections to confirmation of the Plan (the "Confirmation Hearing Notice"), (c) one or more ballots (and return envelopes) to be used in voting to accept or to reject the Plan and (d) other materials as authorized by the Bankruptcy Court.

If you are the holder of a Claim that is entitled to vote, but you did not receive a ballot, or if your ballot is damaged or illegible, or if you have any questions concerning voting procedures, you may contact the Proponent's lawyer:

If by regular mail, overnight courier or hand delivery:

Dilworth Paxson, LLP
1500 Market Street, Suite 3500E
Philadelphia, PA 19102
Attn: James M. Matour, Esquire

If by email:

jmatour@dilworthlaw.com

If by telephone:

James M. Matour
(215) 575-7134

D. Voting Procedures, Ballots and Voting Deadline

After reviewing the Plan and this Disclosure Statement, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying ballot. You should complete and sign your original ballot (copies will not be accepted) and return it in the envelope provided.

Each ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded ballot or ballots sent to you with this Disclosure Statement.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN _____, 2017 AT 5:00 P.M. PREVAILING EASTERN TIME (THE "VOTING DEADLINE") BY THE FOLLOWING:

Dilworth Paxson, LLP
1500 Market Street, Suite 3500E
Philadelphia, PA 19102
Attn: James M. Matour, Esquire

UNLESS OTHERWISE PROVIDED IN THE INSTRUCTIONS ACCOMPANYING THE BALLOTS, FAXED BALLOTS WILL NOT BE ACCEPTED. BALLOTS THAT ARE RECEIVED BUT NOT SIGNED WILL NOT BE COUNTED. BALLOTS THAT ARE SIGNED BUT DO NOT SPECIFY WHETHER THE HOLDER ACCEPTS OR REJECTS THE PLAN WILL BE NULL AND VOID. DO NOT RETURN ANY DEBT INSTRUMENTS OR OTHER EVIDENCE OF YOUR CLAIM WITH YOUR BALLOT.

For further information and general instruction on voting to accept or reject the Plan, see Article XI of this Disclosure Statement and the instructions accompanying your ballot.

E. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for _____, 2017 _____.m. (prevailing Eastern time). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. Objections to confirmation of the Plan or proposed modifications to the Plan, if any, may be raised at the Confirmation Hearing.

IV. GENERAL INFORMATION CONCERNING THE DEBTOR AND THE PROPONENT

A. Overview

The Debtor is a Pennsylvania corporation which manufactures and sells armament transport and support equipment, primarily to the United States Navy, and also to other customers. The Debtor operates out of a manufacturing plant, offices and warehouse space it owns, consisting of three contiguous parcels of real estate located in the Northeast section of Philadelphia

B. Management and Employees

1. *Management*

For a number of years prior to the Petition Date, and continuing thereafter, Dominic Durinzi is the current President and Chief Executive Officer. Ronald Penska is the Chief Operating Officer. In response to a motion filed by the Proponent seeking the appointment of a Chapter 11 Trustee, the Debtor has engaged Herbert McDonald of the Fulcrum Group, as Chief Restructuring Officer (the "CRO"), as a result of which the Proponent withdrew its motion.

2. *Employees/Labor Relations*

As of the Petition Date, the Debtor employed approximately 31 employees, of whom approximately 20 are members of the International Association of Machinists and Aerospace Workers (the "Union"). The Debtor enjoys a positive working relationship with the Union, which has been supportive of the Debtor's efforts to reorganize and has made various

concessions to enable the Debtor to continue operating without interruption. The collective bargaining agreement between the debtor and the Union will be assumed under the Plan.

C. Summary of Assets

The Debtor filed Schedules with the Bankruptcy Court that detail the assets owned by the Debtor. These include cash on hand, bank accounts and investments, deposits, insurance policies, accounts receivable, inventory, real property, equipment, furnishings and supplies, fixtures, equipment and supplies used in operations, and other items of personal property. The Schedules will provide asset values on a net book basis, which are not reflective of actual values. The Schedules may be reviewed on the Bankruptcy Court electronic case filing system or during business hours in the offices of the Clerk of the Bankruptcy Court. Information regarding the Debtor's assets is also available in the Liquidation Analysis attached hereto as Appendix C.

The Debtor's principal assets are:

(1) Real estate, which consists of 3 contiguous parcels in Northeast Philadelphia, containing the buildings that represent the Debtor's manufacturing plant, warehouse and distribution space and offices. The real estate was recently appraised as having a fair market value of \$990,000;

(2) Equipment, which has recently been appraised as having a fair market value of \$735,530;

(3) Inventory, which has an appraised fair market value of \$220,000;

(4) Accounts receivable with a face value of approximately \$120,000; and

(5) Cash which ranges from approximately \$10,000 - \$50,000

(6) Engineering drawings and related technical data, with no market value but an essential asset to the operation of the debtor's business;

(7) Patterns and tooling in the possession of outside vendors, with little if any market value, but essential to the operation of the Debtor's business; and

(8) Causes of Action in favor of the Debtor, in its capacity as debtor in possession. The extent and value have not been determined. Among the potential Causes of Action are (a) claims against creditors of the Debtor for the avoidance and recovery of payments made within 90 days before the Petition Date that constitute preferential transfers which might be avoided, (b) claims for the recovery of prepetition dividends or other distributions paid by the Debtor to shareholders while the Debtor was insolvent or otherwise financially distressed which may constitute fraudulent transfers, and (c) claims for the recovery of prepetition payments made to Joseph

Capozzoli, a former shareholder of the Debtor, on account of the redemption of his stock or on account of his shares prior to their sale, which may constitute fraudulent transfers. The Debtor's Statement of Financial Affairs lists dividends paid to the Debtor's shareholders in 2015 and 2016 of over \$185,000. The amount of dividends paid to them or Mr. Capozzoli in prior years, that may be recoverable, is not known. The Reorganized Debtor will not prosecute preference or other claims against any continuing vendors, suppliers or employees, but will investigate and evaluate the merits, value and viability of other claims before deciding whether to pursue any of those Causes of Action.

D. Events Leading to the Commencement of the Chapter 11 Cases

The Debtor was obligated to repay the Proponent the amounts the Proponent had advanced under the Management Services Agreement, commencing in February 2013. The Debtor has never made any payments on account of this obligation. The Proponent brought suit against the Debtor in 2013 and obtained a judgment against the Debtor in March 2016 arising from obligations to the Proponent incurred by the Debtor in 2011. The Proponent began proceedings to enforce the judgment in August 2016, which included the attachment of bank accounts and the listing of the Debtor's real and personal property for sheriff's sale. These actions prompted the Debtor to commence this case by filing a voluntary petition under Chapter 11 on November 11, 2016.

E. Debtor's Historical Financial Information

Attached as Appendix D are the Debtor's financial statements for the fiscal years ended December 31, 2015 and December 31, 2016, both of which were reviewed, but not audited, by the Debtor's outside accountant.

F. The Proponent

The Proponent, PDI DeVal Acquisition, LLC, is an affiliate of PDI Ground Support Systems, Inc, ("PDI"). The Proponent was formed in 2009 for the purpose of acquiring the assets and business of the Debtor. The Proponent entered into an Asset Purchase Agreement with the Debtor, along with a Management Services Agreement which was to be in effect until the acquisition was consummated. Under the Management agreement, the Proponent was to provide certain management or administrative services and to make working capital advances to enable the Debtor to continue to operate until closing. The transaction never closed and was terminated.

PDI located in Cleveland, Ohio, has been in existence since 1962 and is a leading manufacturer of munitions trailers, weapons storage containers, weapons counter measure/transport modules, munitions assembly conveyor systems and other weapons and armament support equipment for the United States Air Force and Navy. Additionally, PDI produces its weapons and armament support equipment for 43 allied air forces worldwide.

PDI's manufacturing facility spans over 100,000 square feet and includes many value-added operations, such as precision CNC machining; manual machining using punch presses, shears, chuckers, and drill presses; welding of both aluminum and steel (welders are certified to AWS D1.1, D1.2, SAE-ASM-STD-1595); industrial coating paint booths (meet or exceed OSHA, EPA, NFPA, State and Federal requirements); assembly of sub and final components; and packaging/shipping per military standard specifications. PDI's manufacturing managers and supervisors have a combined 100+ years of experience in the manufacture of weapons handling products and ground support equipment.

In addition to manufacturing new products, PDI also specializes in repairs and remanufacturing of existing products. Its Enterprise Resource Planning system consists of over 50,000 part numbers with accompanying drawings and data on each part.

PDI is an ISO 9001:2008 certified company (Certificate Number: 99-1613k-06). Operating in a continuous quality management environment, all employees are cross-trained and perform individual quality conformance checks in addition to final inspection review from the quality manager. In addition, PDI brings decades of experience in the administration of government source inspection contracts. The Company operates under an Alternative Release Procedure through DCMA whereby it can release shipments prior to obtaining a Quality Assurance Representative's signature in Wide Area Workflow (WAWF) or Block 21A of the DD Form 250 – a testament to the historical product quality. The Company's Cleveland DCMA rating currently stands at 100%.

PDI's primary lender is Northwest Bank ("Northwest"). The Northwest credit facility includes a \$2,200,000 line of credit, with an average outstanding balance of less than \$500,000.

V. THE CHAPTER 11 CASE

A. Continuation of Operations; Stay of Litigation

On November 11, 2016, the Debtor filed a petition for relief under chapter 11 of the Bankruptcy Code.

Since the Petition Date, the Debtor has continued to operate as debtor in possession subject to the supervision of the Bankruptcy Court. The Debtor is authorized to operate its business and manage its property in the ordinary course, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of the filing of the Debtor's bankruptcy petition was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtor and the continuation of litigation against the Debtor. The relief provides the Debtor with the "breathing room" necessary to assess their operations and prevents creditors from obtaining an unfair recovery advantage while the Chapter 11 Case is pending.

B. First Day Motions

On the first day of the Chapter 11 Case the Debtor filed several applications and motions seeking certain relief by virtue of so-called “first day orders.” First day motions and orders are intended to facilitate the transition between a debtor’s prepetition and post-petition business operations by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court. The first day motions filed in the Chapter 11 Case are typical of motions filed in Chapter 11 business cases across the country. Such motions sought, among other things, the following relief:

- the maintenance of the Debtor’s bank accounts and operation of its cash management systems substantially as such systems existed prior to the Petition Date;
- the use of funds that are subject to prepetition security interests (“Cash Collateral;”) and the grant of replacement security interests in postpetition assets
- payment of non-shareholder employees’ prepetition compensation, benefits and expense reimbursement amounts;

C. Retention of Professionals

The Debtor is represented in the Chapter 11 Case by Smith Kane Holman LLC (“Smith Kane”). The Debtor has been authorized to engage Michael C. Lingerman, CPA, its outside accountant, primarily for the purpose of reviewing the Debtor’s 2016 financial statement and preparing tax returns.

D. Chief Restructuring Officer

In response to a motion filed by the Proponent alleging that the Debtor’s conducted indicated the need for the engagement of an independent Chief Restructuring Officer (“CRO”), or, in the absence of a CRO, a Chapter 11 Trustee, the Debtor engaged the CRO.

E. Creditors’ Committee

An insufficient number of unsecured creditors expressed the willingness to serve on a Creditors committee; consequently, no committee has been appointed in the case.

F. Postpetition Operations

Since the Petition Date, the Debtor has been filing Monthly Operation Reports as required by the Court. These reports reflect that, from November 11, 2016 through March 31, 2017, the Debtor has had cumulative revenues of \$1,420,000, operating expenses of \$1,523,000, resulting in cumulative net loss of \$103,000. These figures do not reflect accrued professional fees (in excess of \$85,000) or postposition interest on the Debtor’s secured debt (in excess of \$75,000). As of March 31, 2017, the Debtor had received approximately \$250,000 in customer deposits on account of goods not yet delivered.

VI. SUMMARY OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND IMPLEMENTATION OF THE PLAN AND THE CLASSIFICATION AND TREATMENT OF CLAIMS UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTOR UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. Overall Structure of the Plan

The Plan contemplates that the Proponent will become the Reorganized debtor's sole shareholder in exchange for a combination of the infusion of cash, the elimination of the Proponent's secured claim in excess of \$1,100,000 and credit support for new bank financing to fund the Effective Date payments. All secured claims and priority unsecured claims will be paid in full, either in cash or over time with interest. General unsecured creditors will be paid their pro rata shares of the aggregate sum of \$250,000 (representing a dividend of approximately 34%), plus 25% of the net recovery of the pursuit by the Reorganized Debtor of any causes of action. [The unsecured creditors will receive \\$150,000 on the Effective Date, 10 quarterly payments of \\$10,000 starting April 1, 2018, and distributions on account of litigation proceeds if, as and when realized.](#)

The Reorganized Debtor will continue to operate and the work force will generally continue to be employed.

Under the Plan, Claims against and Interests in the Debtor are divided into Classes according to their relative seniority and other criteria, in accordance with the provisions of the Bankruptcy Code.

If the Plan is confirmed by the Bankruptcy Court and consummated: (a) the Claims in certain Classes will be reinstated or modified and receive distributions equal to the full amount of such Claims, (b) the Claims of certain other Classes will be modified and receive distributions constituting a partial recovery on such Claims, and (c) the Claims and Interests in certain other Classes will receive no recovery on such Claims or Interests. On the Effective Date and at certain times thereafter, the Debtor will distribute Cash and other property in respect of certain Classes of Claims as provided in the Plan. The Classes of Claims against and Interests in the

Debtor created under the Plan, the treatment of those Classes under the Plan and the securities and other property to be distributed under the Plan are described below.

B. Classification and Treatment of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1122 of the Bankruptcy Code, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than Administrative Claims and Priority Tax Claims which, pursuant to section 1123(a)(1), do not need to be classified). The Proponent is also required, under section 1122 of the Bankruptcy Code, to classify Claims against and Interests in the Debtor into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class.

The Proponent believes that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code and applicable case law, but it is possible that a holder of a Claim or Interest may challenge the Proponent's classification of Claims and Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In that event, the Proponent intends, to the extent permitted by the Bankruptcy Code, the Plan and the Bankruptcy Court, to make such reasonable modifications of the classifications under the Plan to permit confirmation and to use the Plan acceptances received for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting holder ultimately is deemed to be a member. Any such reclassification could adversely affect the Class in which such holder initially was a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan.

Except as to Claims specifically Allowed in the Plan, the amount of any Impaired Claim that ultimately is Allowed by the Bankruptcy Court may vary from any estimated Allowed amount of such Claim and accordingly the total Claims ultimately Allowed by the Bankruptcy Court with respect to each Impaired Class of Claims may also vary from any estimates contained herein with respect to the aggregate Claims in any Impaired Class. Thus, the value of the property that ultimately will be received by a particular holder of an Allowed Claim under the Plan may be adversely or favorably affected by the aggregate amount of Claims ultimately Allowed in the applicable Class.

The classification of Claims and Interests and the nature of distributions to members of each Class are summarized below. The Proponent believes that the consideration, if any, provided under the Plan to holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority of such Claims and Interests and the fair value of the Debtor's assets. In the event any Class rejects the Plan, the Debtor will seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code as to any dissenting Class. Section 1129(b) of the Bankruptcy Code permits confirmation of a chapter 11 plan in certain circumstances even if the plan has not been accepted by all Impaired classes of Claims and Interests. Although the Proponent believes that the Plan can be confirmed under section 1129(b) of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will find that the requirements to do so have been satisfied.

1. *Treatment of Unclassified Claims under the Plan*

(a) *Administrative Claims*

An Administrative Claim is a Claim for: (a) any cost or expense of administration (including, without limitation, the fees and expenses of Professionals) of any of the Chapter 11 Cases asserted or arising under sections 503, 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code including, but not limited to (i) any actual and necessary post-Petition Date cost or expense of preserving the Debtor's respective Estates or operating the organizations of the Debtor, (ii) any post-Petition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtor in the ordinary course of their respective operations, (iii) compensation or reimbursement of expenses of Professionals to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code, and (iv) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code; (b) any fees or charges assessed against the Debtor's respective Estates under section 1930 of title 28 of the United States Code; and (c) any Allowed administrative claim or superpriority claim granted to the DIP Lender.

Under the Plan, Administrative Claims are Unimpaired. Unless otherwise provided for therein, each holder of an Allowed Administrative Claim shall receive, from the Reorganized Debtor, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Administrative Claim becomes Allowed, or (iii) a date agreed to in writing by the applicable Debtor and the holder of such Administrative Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the holder of such Claim and the applicable Debtor, or as the Bankruptcy Court may order.

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid on or before the Effective Date by the applicable Debtor.

Applications for compensation for services rendered and reimbursement of expenses incurred by Professionals from the Petition Date through the Effective Date shall be filed no later than thirty (30) days after the Effective Date. Such applications shall be served on: (a) the Reorganized Debtor at 7341 Tulip Street, Philadelphia, PA 19119 (Attn: Chief Executive Officer); (b) the Proponent, PDI DeVal Acquisition, LLC, 6225 Cochran Street, Solon, OH 44139, ; (c) James M. Matour, Dilworth Paxson LLP, 1500 Market Street, Suite 3500E, Philadelphia, PA 19102, counsel to the Proponent; and (d) the Office of the United States Trustee, 841 Chestnut Street, Philadelphia, PA 19107. Applications that are not timely filed will not be considered by the Court. The Reorganized Debtor may pay any Professional fees and expenses incurred after the Effective Date without any application to the Bankruptcy Court.

(b) *Priority Tax Claims*

Priority Tax Claims are any and all Claims accorded priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims include Claims of governmental units for taxes owed by the Debtor that are entitled to a certain priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. The taxes entitled to priority are (a) taxes on income or gross receipts that meet the requirements set forth in section 507(a)(8)(A) of the

Bankruptcy Code, (b) property taxes meeting the requirements of section 507(a)(8)(B) of the Bankruptcy Code, (c) taxes that were required to be collected or withheld by the Debtor and for which the Debtor are liable in any capacity as described in section 507(a)(8)(C) of the Bankruptcy Code, (d) employment taxes on wages, salaries or commissions that are entitled to priority pursuant to section 507(a)(4) of the Bankruptcy Code, to the extent that such taxes also meet the requirements of section 507(a)(8)(D), (e) excise taxes of the kind specified in section 507(a)(8)(E) of the Bankruptcy Code, (f) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F) of the Bankruptcy Code and (g) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G) of the Bankruptcy Code.

Each holder of an Allowed Priority Tax Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Priority Tax Claim, the full amount of the Claim, plus interest at the rate of 4% per annum, in regular equal monthly installments based commencing on the first day of the month following the Effective Date; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the holder of such Priority Tax Claim and the Reorganized Debtor or as the Bankruptcy Court may order.

2. *Treatment of Classified Claims and Interests under the Plan*

(a) *Class 1: Other Priority Claims*

Class 1 Other Priority Claims are Unimpaired. Each holder of a Class 1 Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) Cash equal to the amount of such Allowed Secured Claim, plus any interest due through the date of payment, on or as soon as practicable after the later of (i) the Effective Date, (ii) the date that such Secured Claim becomes Allowed, and (iii) a date agreed to by the applicable Debtor and the holder of such Class 1 Secured Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the holder of such Claim and the Reorganized Debtor.

(b) *Class 2: BB&T Claim*

The Class 2 Claim consists of the secured claim of BB&T, which has three components, including a line of credit in the approximate amount of \$700,000, a term loan in the approximate amount of \$135,000, and a mortgage loan in the approximate amount of \$925,000. The Class 2 Claim is secured by first priority liens and security interests in substantially all of the Debtor's assets. The Class 2 Claim shall be paid in full with interest from and after the Effective Date, as follows:

(1) (Line of Credit) On the Effective Date, the entire outstanding balance of the Line of Credit will be paid, in Cash, in full, including principal, accrued interest, and such fees and expenses as are duly provided for in the applicable prepetition loan documents.

(2) (Term Loan) On the Effective Date, the entire outstanding balance of the Term Loan will be paid, in Cash, in full, including principal, accrued interest, and such fees and expenses as are duly provided for in the applicable prepetition loan documents.

(3) (Mortgage Loan) The Mortgage Loan will be paid, in Cash, in full (including principal, interest, and such fees and expenses as are duly provided for in the applicable loan documents) in monthly installments commencing on the first day of the calendar month following the Effective Date, with each installment to be in the amount of the regular monthly prepetition installments contemplated by the applicable loan documents (“Mortgage Payments”), with a balloon payment of the entire outstanding balance to be paid by December 31, 2017 (“Balloon Payment”).

(4) (Interest Rate) In all cases, the applicable interest rate will be the prepetition non-default contract rate.

(5) (Guarantee) PDI Ground Support Systems, Inc. (“PDI”), an Affiliate of the Proponent, shall be deemed to have guaranteed the timely payment of the Mortgage Payments (but not the Balloon Payment). In the event PDI makes any payments on account of the foregoing guarantee, PDI shall be subrogated to the claims, mortgage and other liens and security interests of BB&T, with any rights of subrogation to be postponed and subordinated to the claims of BB&T.

(6) (Liens) BB&T shall retain its liens and security interests securing the Class 2 Claim.

(c) *Class 3: Susquehanna*

Class 3 consists of the allowed secured claim of Susquehanna Commercial Finance, Inc., an affiliate of BB&T (“Susquehanna”). The Class 3 Claims will be paid, in Cash, in full (including principal, interest, and such fees and expenses as are duly provided for in the applicable loan documents) in monthly installments commencing on the first day of the calendar month following the Effective Date, with each installment to be in the amount of the regular monthly prepetition installments contemplated by the applicable loan documents, except for the final installment which shall be limited to the then outstanding loan balance. Susquehanna shall retain its security interest securing the Class 3 Claim. The Class 3 Claim is impaired under the Plan and the holder thereof is entitled to vote on the Plan.

(d) *Class 4: Proponent*

The Proponent shall receive 100% of the common stock of the Reorganized Debtor on account of the Class 4 Claim and the Proponent’s other contributions. The Class 4 Claim is impaired under the Plan and the Proponent, as holder thereof, is entitled to vote on the Plan.

(e) *Class 5: Wells Fargo*

Class 5 consists of the allowed secured claim of Wells Fargo Equipment Finance (“Wells Fargo”). The Class 5 Claim will be paid, in Cash, in full (including principal, interest, and such fees and expenses as are duly provided for in the applicable loan documents) in monthly installments commencing on the first day of the calendar month following the Effective Date, with each installment to be in the amount of the regular monthly prepetition installments contemplated by the applicable loan documents, except for the final installment which shall be limited to the then outstanding loan balance. Wells Fargo shall retain its security interest

securing the Class 5 Claim. The Class 5 Claim is impaired under the Plan and Wells Fargo, as the holder thereof, is entitled to vote on the Plan.

(f) *Class 6: General Unsecured*

Each holder of a Class 6 Claim shall receive Cash in the amount of such holder's pro rata share of the sum of \$250,000 plus 25% of any recovery (net of counsel fees and other litigation expenses) on account of Debtor Causes of Action Unsecured Creditor Fund received by the Reorganized Debtor through judgment, arbitration award or settlement. Distributions on account of Class 6 Claims shall be made as follows: (a) the aggregate amount of \$150,000 on or promptly following the Effective Date, plus (b) 10 quarterly distributions of the aggregate amount of \$10,000 each, commencing ~~on the first day after the end of the first full calendar quarter following the Effective Date,~~ April 1, 2018, plus (c) additional distributions from time to time as soon as practicable following the receipt by the Reorganized Debtor of any recoveries on account of Debtor Causes of Action. As to any Disputed Claim, any scheduled distribution shall be made only after such Disputed Claim becomes a Class 6 Claim

(g) *Class 7: Subordinated Claims*

Class 7 consists of claims that are subordinated to other unsecured claims pursuant to Section 510(b) of the Bankruptcy Code because they arise from the redemption of the Debtor's stock or otherwise. The Proponent believes that the claim of Joseph Capozzoli, a former shareholder of the Debtor, and certain claims of the Debtor's current shareholders, Dominic Durinzi and Ronald Penska arising from their claims for reimbursement of amounts paid by them personally to Mr. Capozzoli constitute Class 7 Claims. The holders of Class 7 Claims will receive no distribution under the Plan. Class 7 Claims are impaired and the holders thereof are not entitled to vote on the Plan, but will be conclusively deemed to have rejected the Plan in accordance with Section 1126(g) of the Bankruptcy Code.

(h) *Class 8: Equity Interests*

All Class 8 Interests will be deemed extinguished on the Effective Date and the holders thereof shall receive no distributions on account of such Interests. Class 8 Interests are impaired and the holders thereof are not entitled to vote on the Plan, but will be conclusively deemed to have rejected the Plan in accordance with Section 1126(g) of the Bankruptcy Code.

C. Reservation of Rights Regarding Claims

Except as otherwise explicitly provided in the Plan, nothing will affect the Reorganized Debtor's rights and defenses, both legal and equitable, with respect to any Claims, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment. The Reorganized Debtor specifically ~~reserve~~reserves all rights, remedies, claims, defenses and Causes of Action.

D. Allowed Claims, Distribution Rights and Objections to Claims

1. *Allowance Requirement*

Only holders of Allowed Claims are entitled to receive distributions under the Plan. An Allowed Administrative Claim is a Claim or any portion thereof that has been Allowed, or

adjudicated in favor of the holder by estimation or liquidation, by a Final Order, that was incurred by the Debtor in the ordinary course of business during the Chapter 11 Cases and as to which there is no dispute as to the Debtor's liability, or that has become Allowed by failure to object pursuant to the Plan. An Allowed Claim is such Claim or any portion thereof (other than an Administrative Claim) of (a) any Claim against the Debtor that has been listed by the Debtor in the Schedules, as such Schedules may have been amended by the Debtor from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of claim has been filed, (b) any Claim specifically allowed under the Plan, (c) any Claim the amount or existence of which has been determined or allowed by a Final Order, or (d) any Claim as to which a proof of claim has been timely filed before the Bar Date, provided that at the time of the Effective Date the Debtor have not identified such Claim as being objectionable in part or in whole and no objection to the allowance thereof has been filed by the Claims Objection Deadline; provided, however, that the term Allowed, with reference to any Claim, shall not include (x) any unliquidated claim or (y) interest or attorneys' fees on or related to any Claim that accrues from and after the Petition Date unless otherwise expressly provided for in the Plan.

2. *Timing of Distributions*

Except as specifically set forth in the Plan, distributions of Property will be made to holders of Allowed Claims in accordance with the Plan. If a Claim is not an Allowed Claim as of the applicable distribution date, distributions will be made only if and when the Claim is Allowed, and then in accordance with Article III of the Plan and, with respect to the cure of defaults for assumed executory contracts and unexpired leases, Section 6.02 of the Plan, and in each case, subject to Article VIII of the Plan. Distributions to be made as of 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 soon as reasonably practicable thereafter. Distributions to be made after the Effective Date shall be made on dates to be established by the Reorganized Debtor pursuant to the terms of the Plan, taking into account the establishment of reserves for Disputed Claims and the Reorganized Debtor's right to defer distributions if the amount of the Cash to be distributed on a particular date is insufficient to justify the costs of effectuating the distribution.

3. *Making of Distributions*

Distributions to holders of Allowed Claims will be made in accordance with Article III of the Plan by the Reorganized Debtor. If any dispute arises as to the identity of a holder of an Allowed Claim who is to receive any distribution, the Reorganized Debtor shall, as appropriate and in lieu of making such distribution to such holder, delay such distribution until the disposition thereof shall be determined by Final Order of the Bankruptcy Court or by written agreement among the interested parties to such dispute.

Distributions to holders of Allowed Claims shall be made: (a) at the last known addresses of such holders or (b) at the addresses set forth in any written notices of address changes delivered to the Debtor. If any holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the Reorganized Debtor is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest.

4. *Failure to Negotiate Checks/Unclaimed Distributions*

Checks issued in respect of distributions under the Plan shall be null and void if not negotiated within ninety (90) days after the date of issuance. Thereafter, all such amounts shall be deemed to be Unclaimed Property, in accordance with Section 5.07 of the Plan, and all holders of Claims in respect of void checks shall be forever barred, estopped and enjoined from asserting a claim to such funds in any manner against the Reorganized Debtor or its assets.

All Property distributed on account of Claims must be claimed prior to the date on which the Bankruptcy Court enters the Final Decree, or, in the case of a distribution made in the form of a check, must be negotiated and a request for reissuance be made as provided for in Section 5.07 of the Plan. All Unclaimed Property will be retained by and will revert to the Debtor. All full or partial payments made by the Reorganized Debtor and received by the holder of a Claim prior to the Effective Date will be deemed to be payments under the Plan for purposes of satisfying the obligations of the Debtor pursuant to the Plan. Nothing contained in the Plan shall require the Reorganized Debtor to attempt to locate any holder of an Allowed Claim other than by reviewing the records of the Debtor and any Claims filed in the Chapter 11 Cases. Pursuant to section 1143 of the Bankruptcy Code, all Claims in respect of Unclaimed Property shall be deemed Disallowed and the holder of any Claim Disallowed in accordance with the Plan will be forever barred, expunged, estopped and enjoined from asserting such Claim in any manner against the reorganized Debtor or its assets.

5. *Objection Procedures*

Unless otherwise ordered by the Court after notice and a hearing, under the Plan, the Reorganized Debtor and any creditor whose distribution would be affected shall have the right, to file objections to Claims (other than Claims specifically Allowed in the Plan) and shall serve a copy of each such objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than the Claims Objection Deadline. An objection to any Claim shall be deemed properly served on the holder thereof if the objector effects service in any of the following manners: (i) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Federal Rule of Bankruptcy Procedure 7004, (ii) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto, or (iii) by first class mail, postage prepaid, on any counsel that has appeared on the holder's behalf in the Chapter 11 Cases.

E. Disposition of Executory Contracts and Unexpired Leases

1. *Contracts and Leases Deemed Rejected*

The Plan provides that the Debtor's executory contracts and unexpired leases listed on Schedule G filed by the debtor, as amended from time to time, shall be deemed automatically assumed as of the Effective Date, except for any executory contract or unexpired lease: (a) that has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (b) that is the subject of a motion to assume or reject pending on the Effective Date, or (c) that is assumed, rejected or otherwise treated pursuant to the Plan.

2. *Approval of Assumption, Rejection, Retention or Assignment of Executory Contracts and Unexpired Leases*

Entry of the Confirmation Order by the Bankruptcy Court shall, subject to the occurrence of the Effective Date, constitute approval of the rejections, retentions, assumptions and/or assignments contemplated by this Plan pursuant to sections 365 and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease that is assumed (and/or assigned) pursuant to the Plan shall vest in and be fully enforceable by the Reorganized Debtor in accordance with its terms as of the applicable Assumption Effective Date, except as modified by the provisions of this Plan, any order of the Bankruptcy Court authorizing or providing for its assumption (and/or assignment), or applicable federal law.

The provisions (if any) of each executory contract or unexpired lease assumed and/or assigned pursuant to the Plan that are or may be in default shall be deemed satisfied in full by the Cure, or by an agreed-upon waiver of the Cure. Upon payment in full of the Cure, any and all Proofs of Claim based upon an executory contract or unexpired lease that has been assumed in the Chapter 11 Cases or under the terms of the Plan shall be deemed disallowed and expunged with no further action required of any party or order of the Bankruptcy Court.

3. *Modifications, Amendments, Supplements, Restatements or Other Agreements*

Unless otherwise provided by the Plan or by separate order of the Bankruptcy Court, each executory contract and unexpired lease that is assumed, whether or not such executory contract or unexpired lease relates to the use, acquisition or occupancy of real property, shall include (i) all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease and (ii) all executory contracts or unexpired leases appurtenant to the premises, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements and any other interests in real estate or rights in remedy related to such premises, unless any of the foregoing agreements has been or is rejected pursuant to an order of the Bankruptcy Court or is otherwise rejected as part of the Plan.

F. Means for Implementation of the Plan

1. *Continued Existence/Structure*

Except as otherwise provided in the Plan, on the Effective Date, DeVal Corporation shall continue to exist as a corporation organized under the laws of the Commonwealth of Pennsylvania.

2. *Organization Action*

The entry of the Confirmation Order shall constitute authorization for the Reorganized Debtor to take or cause to be taken all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court. On or, as applicable, before the Effective Date, the appropriate officers and directors of the Debtor are authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan in the name and on behalf of the Debtor.

G. Management of Reorganized Debtor

Irwin Haber, the CEO of the Proponent and PDI will be the CEO of the Reorganized Debtor, at a rate of compensation not yet determined. No decision has been made as to the identity of other officers or as to the potential roles of the Debtor's current shareholders in the Reorganized Debtor.

H. Confirmation and/or Consummation

Described below are certain important considerations under the Bankruptcy Code in connection with confirmation of the Plan.

1. Requirements for Confirmation of the Plan

Before the Plan can be confirmed, the Bankruptcy Court must determine at the Confirmation Hearing that the following requirements for confirmation, set forth in section 1129 of the Bankruptcy Code, have been satisfied:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtor have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised by the Debtor or by a Person acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
- The Debtor have disclosed (a) the identity and affiliations of (i) any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Debtor under the Plan, and (ii) any affiliate of the Debtor participating in a joint plan with the Debtor, and (b) the identity of any Insider that will be employed or retained by the Debtor and the nature of any compensation for such Insider.
- With respect to each Class of Claims or Interests, each Impaired Claim and Impaired Interest holder either has accepted the Plan or will receive or retain under the Plan, on account of the Claims or Interests held by such holder, property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain if the Debtor liquidated on such date. See Section IX.D.
- The Plan provides that Administrative Claims and Priority Claims other than Priority Tax Claims will be paid in full on the Effective Date and that Priority Tax Claims will receive on account of such Claims deferred cash payments, over a period not exceeding five years after the date of

assessment of such Claims, of a value, as of the Effective Date, equal to the Allowed Amount of such Claims, except to the extent that the holder of any such Claim has agreed to a different treatment.

- If a Class of Claims is Impaired under the Plan, at least one Class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by Insiders holding Claims in such Class.
- Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor.

The Proponent believes that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy all the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtor have complied or will have complied with all of the requirements of chapter 11 and that the Plan has been proposed and submitted to the Bankruptcy Court in good faith.

Even if all of the foregoing are satisfied, if any Class of Claims is Impaired and votes to reject the Plan, the Debtor must satisfy the applicable “cramdown” standard with respect to that Class. Section 1129(b) of the Bankruptcy Code requires that the plan “not discriminate unfairly” and be “fair and equitable” with respect to such class. The Proponent does not anticipate that any Class of Claims will vote to reject the Plan. However, in the event any Class votes to reject the Plan, the Proponent believes they will satisfy the cramdown standards in section 1129(b) with respect to any such rejecting class.

2. *Conditions to Confirmation Date and Effective Date*

The Plan specifies conditions precedent to the Confirmation Date and the Effective Date. Each of the specified conditions must be satisfied or waived in whole or in part by the Proponent, without any notice to parties-in-interest or the Bankruptcy Court and without a hearing.

The conditions precedent to the occurrence of the Confirmation Date, which is the date of entry by the clerk of the Bankruptcy Court of the Confirmation Order, are that the form and substance of the Confirmation Order shall have been approved by the Reorganized.

The conditions that must be satisfied (or waived by the Proponent) on or prior to the Effective Date, are:

- Final Order. The Confirmation Order shall have become a Final Order.
- The Proponent’s due diligence shall confirm (i) the average gross margin on the Debtor’s 20 largest existing customer contracts is at least 20% and (ii) the Debtor’s backlog of customer orders includes at least \$3.5 Million in total funded orders.
- Adverse Change. The absence of a Material Adverse Change.
- The Debtor shall have given the Proponent reasonable and timely access to the Debtor’s books, records and personnel so as to enable the Proponent to plan for taking over the Debtor’s operations in an orderly transition.
- There has been no material diversion or improper sharing with competitors of the Debtor’s technical or other proprietary information and records.

I. Effects of Confirmation

1. Vesting of Assets

Upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the Debtor shall vest in the respective Reorganized Debtor free and clear of all Claims, Liens, encumbrances, charges and other interests, except as otherwise specifically provided in the Plan. All Liens, Claims, encumbrances, charges and other interests shall be deemed fully released and discharged as of the Effective Date, except as otherwise provided in the Plan. Except as otherwise provided in the Plan or the Confirmation Order, all Transferred Avoidance Actions shall automatically revert to and become the property of the Reorganized Debtor. The Reorganized Debtor will waive the right to enforce and prosecute such Transferred Avoidance Actions against any Person or Entity, that arose before the Effective Date, other than those expressly preserved or retained as part of or pursuant to the Plan or Confirmation Order. Nothing in this Disclosure Statement, the Plan, or Confirmation Order shall constitute the Debtor' waiver or release of claims, Causes of Action, or defenses not arising under chapter 5 of the Bankruptcy Code.

2. Injunction

(a) Claims and Interests

No holder of a Claim against the Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against any member of the Debtor's controlled group, as that term is defined by ERISA, any of the Debtor's successors, if any, or their respective property, except as expressly provided in the Plan. Accordingly, except as otherwise provided in the Plan, the Confirmation Order shall provide, among other things, that no holder of a Claim against the Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, any member of the Debtor's controlled group, as that term is defined by ERISA, any of the Debtor's successors, if any, or their respective property, except that from and after the Confirmation Date, all Persons who have held, hold, or may hold Claims against or Interests in the Debtor are permanently enjoined from taking any actions against the Reorganized Debtor, or any of its property, in order to collect, enforce, or recover on account of such Claims or Interests. Notwithstanding anything to the contrary in the Plan, creditors' rights of setoff and recoupment are preserved, and the injunctions referenced in Article X of the Plan shall not enjoin the valid exercise of such rights of setoff and recoupment.

(b) Releases by Creditors of Claims

The Plan also provides for certain releases by holders of Claims and Interests. Effective as of the Effective Date, except as otherwise provided in the Plan or the Confirmation Order, each Person (excluding the Debtor) that has held, currently holds or may hold a Claim or Interest, and any Affiliate of any such Person (as well as any trustee or agent on behalf of each such Person), shall be deemed to have forever waived, released and discharged the Reorganized Debtor from any and all Claims, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever (other than the right to enforce the performance of their respective obligations, if any, to the Reorganized Debtor under the Plan, and the contracts, instruments

releases and other agreements delivered under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Cases, the Plan or the Disclosure Statement other than Claims or liabilities arising out of or relating to any act or omission that constitutes a failure to perform the duty to act in good faith and where such failure to perform constitutes willful misconduct, gross negligence, or fraud.

This release does not extend to any Claim or Cause of Action existing as of the Effective Date, based on (x) the Internal Revenue Code or any other domestic state, city or municipal tax code, (y) any liability that the Person may have as an owner or operator of real property after Confirmation under the environmental laws of the United States or any domestic state, city or municipality or (z) any criminal laws of the United States or any domestic state, city or municipality. Nothing in the Plan or Confirmation Order constitutes a release of any claims held by the PBGC against any Persons other than the Debtor and ESI from any liability to the PBGC or the Pension Plans for fiduciary breach.

(c) Discharge Injunction

The Plan further provides that, unless otherwise specifically provided therein, on the Effective Date, the Confirmation Order shall constitute an injunction permanently enjoining any Person (excluding either of the Debtor) that has held, currently holds or may hold a Claim, demand, debt, right, Cause of Action or liability that is released pursuant to Section 10.03 of the Plan from enforcing or attempting to enforce any such Claim, demand, debt, right, Cause of Action or liability against any Releasee or any of their respective Property. Nothing in the Plan or Confirmation Order releases any Persons other than the Debtor and ESI from any liability to the PBGC or the Pension Plans for fiduciary breach.

J. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain after the Effective Date exclusive jurisdiction of all matters arising out of, arising in or related to, the Chapter 11 Cases to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

- classify, re-classify or establish the priority or secured or unsecured status of any Claim (whether filed before or after the Effective Date and whether or not contingent, Disputed or unliquidated) or resolve any dispute as to the treatment of any Claim or Interest pursuant to the Plan;
- grant or deny any applications for allowance of compensation or reimbursement of expenses pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code or otherwise provided for in the Plan, for periods ending on or before the Effective Date;
- determine and resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any

Debtor is a party or with respect to which any Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;

- ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to distributions to holders of Allowed Claims pursuant to the provisions of the Plan;
- construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan, including, without limitation, the Disclosure Statement and the Confirmation Order, for the maintenance of the integrity of the Plan and protection of the Reorganized Debtor in accordance with sections 524 and 1141 of the Bankruptcy Code following consummation;
- determine and resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan (and all Exhibits to the Plan) or the Confirmation Order, including the indemnification and injunction provisions set forth in and contemplated by the Plan or the Confirmation Order, or any Entity's rights arising under or obligations incurred in connection therewith;
- hear any application of the Reorganized Debtor to modify the Plan after the Effective Date pursuant to section 1127 of the Bankruptcy Code and the Plan or modify this Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code and the Plan;
- issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;
- enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
- determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, except as otherwise provided in the Plan;

- determine such other matters and for such other purposes as may be provided in the Confirmation Order;
- hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code;
- hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;
- enter a final decree closing the Chapter 11 Cases;
- determine and resolve any and all controversies relating to the rights and obligations of the Reorganized Debtor in connection with the Chapter 11 Cases;
- allow, disallow, determine, liquidate, reduce, re-classify or estimate any Claim, including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance of Claims and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim (to the extent permitted under applicable law);
- permit the Reorganized Debtor, to the extent provided for in the Plan, to recover all assets of the Debtor and Property of their its Estate, wherever located;
- hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to the Debtor arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Case, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- hear and determine any motions, applications, adversary proceedings, contested matters and other litigated matters pending on, filed or commenced after the Effective Date that may be commenced by the Reorganized Debtor thereafter, including Avoidance Actions, proceedings with respect to the rights of the Reorganized Debtor to recover Property under sections 542, 543 or 553 of the Bankruptcy Code, or proceedings to otherwise collect to recover on account of any claim or Cause of Action that the Reorganized Debtor may have; and
- hear any other matter not inconsistent with the Bankruptcy Code.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under the Bankruptcy Code, or arising in or related to the Debtor's Chapter 11 Case, including with respect to the matters set forth above, nothing in the Plan shall prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

K. Amendment, Alteration and Revocation of Plan

The Proponent may alter, amend or modify the Plan in accordance with section 1127 of the Bankruptcy Code or as otherwise permitted at any time prior to the Confirmation Date. After the Confirmation Date and prior to the substantial consummation of the Plan, and in accordance with the provisions of section 1127(b) of the Bankruptcy Code and the Bankruptcy

Rules, the Proponent may, so long as the treatment of holders of Claims or Interests under the Plan is not adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with Bankruptcy Rules 2002 and 9014.

The Proponent reserves the right, at any time prior to Confirmation of the Plan to withdraw the Plan. If the Plan is withdrawn, the Plan shall be null and void and have no force and effect.

VII. CERTAIN RISK FACTORS TO BE CONSIDERED

The holders of Claims in Classes 2, 3, 5, and 6 should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks associated with the Plan and its implementation.

A. General Considerations

The Plan sets forth the means for satisfying the Claims against each of the Debtor. See Section VI.C. of this Disclosure Statement entitled “Classification and Treatment of Claims and Interests” for a description of the treatments of each class of Claims and Interests. Certain Claims and Interests receive no distributions pursuant to the Plan.

B. Certain Bankruptcy Considerations

Even if all voting Impaired Classes vote in favor of the Plan, and if with respect to any Impaired Class deemed to have rejected the Plan the requirements for “cramdown” are met, the Bankruptcy Court may choose not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtor, (see Section IX.A.), and that the value of distributions to dissenting holders of Claims and Interests will not be less than the value such holders would receive if the Debtor liquidated. See Section IX.D. Although the Proponent believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. See Appendix C for a liquidation analysis of the Debtor.

C. Claims Estimations

There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed amount of Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated herein.

D. Conditions Precedent to Consummation

The Plan provides for certain conditions that must be satisfied (or waived) prior to confirmation of the Plan and for certain other conditions that must be satisfied (or waived) prior

to the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

E. Certain Tax Considerations

There are a number of income tax considerations, risks and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussions set forth in Article VIII regarding certain U.S. federal income tax consequences of the transactions proposed by the Plan to the Debtor and to holders of Claims who are entitled to vote to accept or reject the Plan.

VIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN ANTICIPATED U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS PROPOSED BY THE PLAN TO THE DEBTOR AND HOLDERS OF CLAIMS THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS SUMMARY IS PROVIDED FOR INFORMATION PURPOSES ONLY AND IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), TREASURY REGULATIONS PROMULGATED THEREUNDER, JUDICIAL AUTHORITIES, AND CURRENT ADMINISTRATIVE RULINGS AND PRACTICE, ALL AS IN EFFECT AS OF THE DATE HEREOF AND ALL OF WHICH ARE SUBJECT TO CHANGE OR DIFFERING INTERPRETATION, POSSIBLY WITH RETROACTIVE EFFECTS THAT COULD ADVERSELY AFFECT THE U.S. FEDERAL INCOME TAX CONSEQUENCES DESCRIBED BELOW.

THIS SUMMARY DOES NOT ADDRESS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF ITS PARTICULAR FACTS AND CIRCUMSTANCES OR TO CERTAIN TYPES OF HOLDERS OF CLAIMS SUBJECT TO SPECIAL TREATMENT UNDER THE CODE (FOR EXAMPLE, NON-U.S. TAXPAYERS, FINANCIAL INSTITUTIONS, BROKER-DEALERS, INSURANCE COMPANIES, TAX-EXEMPT ORGANIZATIONS, AND THOSE HOLDING CLAIMS THROUGH A PARTNERSHIP OR OTHER PASS-THROUGH ENTITY). IN ADDITION, THIS SUMMARY DOES NOT DISCUSS ANY ASPECTS OF STATE, LOCAL, OR NON-U.S. TAXATION AND DOES NOT ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF CLAIMS THAT ARE UNIMPAIRED UNDER THE PLAN, HOLDERS OF CLAIMS THAT ARE NOT ENTITLED TO VOTE UNDER THE PLAN, AND HOLDERS OF CLAIMS THAT ARE NOT ENTITLED TO RECEIVE OR RETAIN ANY PROPERTY UNDER THE PLAN.

THE TAX RULES DESCRIBED HEREIN ARE COMPLEX AND THEIR APPLICATION IS UNCERTAIN IN CERTAIN RESPECTS. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES (INCLUDING STATE, LOCAL AND NON-U.S.) OF THE PLAN TO SUCH HOLDER.

A SUBSTANTIAL AMOUNT OF TIME MAY ELAPSE BETWEEN THE DATE OF THIS DISCLOSURE STATEMENT AND THE RECEIPT OF A FINAL DISTRIBUTION

UNDER THE PLAN. EVENTS SUBSEQUENT TO THE DATE OF THIS DISCLOSURE STATEMENT, SUCH AS ADDITIONAL TAX LEGISLATION, COURT DECISIONS, OR ADMINISTRATIVE CHANGES, COULD AFFECT THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREUNDER. NO RULING HAS BEEN OR IS EXPECTED TO BE SOUGHT FROM THE INTERNAL REVENUE SERVICE (THE “IRS”) WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN OR IS EXPECTED TO BE OBTAINED BY THE DEBTOR WITH RESPECT THERETO.

To ensure compliance with United States Internal Revenue Service Circular 230, (a) any discussion of U.S. federal tax issues in this Disclosure Statement is not intended or written to be relied upon, and cannot be relied upon by holders, for purposes of avoiding penalties that may be imposed on such holders under the Code; (b) such discussion is written to support the promotion of the Plan; and (c) each holder of a claim should seek advice based on such holder’s particular circumstances from an independent tax advisor.

A. U.S. Federal Income Tax Consequences to Claim holders

The U.S. federal income tax consequences to a holder receiving, or entitled to receive, a payment in partial or total satisfaction of a Claim may depend on a number of factors, including the nature of the Claim, the holder’s method of accounting, and its own particular tax situation. Because the holders’ Claims and tax situations differ, holders should consult their own tax advisors to determine how the Plan affects them for federal, state and local tax purposes, based on their particular tax situations.

Among other things, the U.S. federal income tax consequences of a payment to a holder may depend initially on the nature of the original transaction pursuant to which the Claim arose. For example, a payment in repayment of the principal amount of a loan is generally not included in the gross income of an original lender.

The U.S. federal income tax consequences of a transfer to a holder may also depend on whether the item to which the payment relates has previously been included in the holder’s gross income or has previously been subject to a loss or bad debt deduction. For example, if a payment is made in satisfaction of a receivable acquired in the ordinary course of a holder’s trade or business, the holder had previously included the amount of such receivable payment in its gross income under its method of accounting, and had not previously claimed a loss or bad debt deduction for that amount, the receipt of the payment should not result in additional income to the holder but may result in a loss. Conversely, if the holder had previously claimed a loss or bad debt deduction with respect to the item previously included in income, the holder generally would be required to include the amount of the payment in income.

A holder receiving a payment under the Plan in satisfaction of its Claim generally may recognize taxable income or loss measured by the difference between (i) the amount of cash and the fair market value (if any) of any property received and (ii) its adjusted tax basis in the Claim. For this purpose, the adjusted tax basis may include amounts previously included in income (less any bad debt or loss deduction) with respect to that item. The character of any income or loss that is recognized will depend upon a number of factors, including the status of the creditor, the nature of the Claim in its hands, whether the Claim was purchased at a discount, whether and to what extent the creditor has previously claimed a bad debt deduction with respect to the Claim, and the creditor’s holding period of the Claim. This income or loss may be ordinary income or

loss if the distribution is in satisfaction of accounts or notes receivable acquired in the ordinary course of the holder's trade or business for the performance of services or for the sale of goods or merchandise. Generally, the income or loss will be capital gain or loss if the Claim is a capital asset in the holder's hands.

Market discount is the amount by which a holder's tax basis in a debt obligation immediately after its acquisition is exceeded by the adjusted issue price of the debt obligation at such time, subject to a *de minimis* exception. A holder generally is required to include gain on the disposition of a market discount debt instrument as ordinary income to the extent of the accrued market discount on the debt instrument.

B. Other Tax Matters

1. Information Reporting and Backup Withholding

Certain payments or distributions pursuant to the Plan may be subject to information reporting to the IRS. Moreover, such reportable payments may be subject to backup withholding (at the then applicable rate (currently 28%)) unless the taxpayer: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax and the appropriate information is supplied to the IRS.

In addition, from an information reporting perspective, Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds.

2. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

IX. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

In connection with confirmation of the Plan, the Bankruptcy Court will be required to determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code,

which means that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor.

The Plan will be executed in two stages, the payment of all sums due on the Effective Date (“Effective Date Requirements”), and sums to be paid over time thereafter.

The funding requirements due on or promptly after the Effective Date will be approximately \$1,200,000, consisting of the following:

- Payment of BB&T Line of Credit (\$700,000)
- Payment of BB&T Term Loan (\$135,000)
- Debtor’s Postpetition Professional Fees (\$120,000)

The Proponent will fund the Effective Date Requirements through a cash infusion of at least \$200,000 and new bank loans from Northwest Bank, PDI’s primary lender, consisting of a term loan the amount of \$788,000 and a line of credit of \$750,000. Northwest has issued a commitment letter for these loans. The Northwest loans will be secured by a first priority security interest in the Reorganized Debtor’s tangible and intangible personal property. At the Confirmation Hearing, the Proponent will present evidence that at least \$200,000 in cash has been deposited in escrow with the Proponent’s.

The deferred payments to be made under the Plan consist of (a) monthly payments to BB&T, Susquehanna and Wells Fargo, (b) quarterly payments to Class 6 unsecured creditors, and (c) a balloon payment to BB&T on account of its mortgage loan. The monthly and quarterly payments are expected to be paid out of the Reorganized Debtor’s cash flow or, to the extent necessary, advances by Northwest Bank or PDI. The balloon payment to BB&T will be paid from the refinance or sale of the Reorganized Debtor’s Real Property.

Attached as Appendix B are projections of the operations of the Reorganized Debtor through 9019. The Proponent believes the projections are reasonable and that they demonstrate that the Reorganized Debtor will be able to make all of the payments contemplated by the Plan.

Accordingly, the Proponent believes that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code.

The Proponent does not intend to update or otherwise revise the Projections, including any revisions to reflect events or circumstances existing or arising after the date of the Projections or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions do not come to fruition. Furthermore, the Proponent does not intend to update or revise the Projections to reflect changes in general economic or industry conditions.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: This Disclosure Statement and the financial projections contained herein and in the Projections include “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact included in this Disclosure Statement are forward-looking statements, including, without limitation, financial projections, the statements, and the underlying assumptions, regarding the timing of, completion of and scope of the current restructuring, the Plan, debt and equity market conditions, current and future economic conditions, the potential effects of such matters on the Reorganized Debtor’s operating strategy, results of operations or financial position, and the adequacy of the Reorganized Debtor’s

liquidity. The forward-looking statements are based upon current information and expectations. Estimates, forecasts and other statements contained in or implied by the forward-looking statements speak only as of the date on which they are made, are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to evaluate and predict. Although the Proponent believes that the expectations reflected in the forward-looking statements are reasonable, parties are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Certain important factors that could cause actual results to differ materially from the Proponent's expectations or what is expressed, implied or forecasted by or in the forward-looking statements include developments in the Chapter 11 Cases, adverse developments in the timing or results of the Reorganized Debtor's business plan (including the time line to emerge from chapter 11), and the timing and extent of changes in economic conditions. Additional factors that could cause actual results to differ materially from the Projections or what is expressed, implied or forecasted by or in the forward-looking statements are stated herein in cautionary statements made in conjunction with the forward-looking statements or are included elsewhere in this Disclosure Statement.

B. Acceptance of the Plan

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds ($\frac{2}{3}$) in dollar amount and more than one-half ($\frac{1}{2}$) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, holders of Claims in each of Classes 3, 4, 5, 6, 7 and 8 will have voted to accept the Plan only if two-thirds ($\frac{2}{3}$) in amount and a majority in number of the Claims actually voting in each Class cast their ballots in favor of acceptance. holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan.

C. Best Interests Test

As noted above even if a plan is accepted by each class of claims and interests, the Bankruptcy Code requires a bankruptcy court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated.

To calculate the probable distribution to holders of each impaired class of claims and interests if the debtor could be liquidated under chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its chapter 11 case were converted to a chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 cases and the chapter 11 cases. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid administrative expenses incurred by the debtor in their chapter 11 cases that are allowed in the chapter 7 cases, litigation costs and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity security interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims.

Once the bankruptcy court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Liquidation Analysis

The Proponent prepared a liquidation analysis, annexed hereto as Appendix C (the "Liquidation Analysis"), which concludes that if a forced liquidation of the Debtor's assets under chapter 7 could occur, the aggregate value to be realized by the Debtor's estate would be less than \$1.8 Million, which would be insufficient to pay even the secured claims of BB&T against the Debtor in full with interest. The Plan contemplates paying these claims in full, plus all priority claims and approximately of the general unsecured claims.

E. Application of the "Best Interests" of Creditors Test

It is impossible to determine with certainty the value each holder of a Claim will receive under the Plan as a percentage of any Allowed Claim. Notwithstanding the difficulty in quantifying recoveries with precision, the Proponent believes that the financial disclosures and projections contained herein imply the greatest potential recovery to holders of Claims in Impaired Classes. Accordingly, the Proponent believes that the "best interests" test of section 1129 of the Bankruptcy Code is satisfied.

F. Confirmation Without Acceptance of All Impaired Classes: The "Cramdown" Alternative

The Proponent will seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code because Classes 7 and 8 and the Proponent will seek confirmation of the Plan even if one or more of the other impaired Classes rejects the Plan..

Section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm a plan at the request of a debtor if the plan “does not discriminate unfairly” and is “fair and equitable” as to each impaired class that has not accepted the plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank. The Proponent believes the Plan does not discriminate unfairly with respect to the Claims and Interests in Classes 3 through 10.

A plan is “fair and equitable” as to holders of unsecured claims that reject the plan if the plan provides either that: (a) each holder of a claim of such class receives or retains on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest or (b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property at all.

The Proponent believes that they could, if necessary, meet the “fair and equitable” requirements of section 1129(b) of the Bankruptcy Code with respect to holders of Claims and Interests in Classes 2 through 8.

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Proponent believes that the Plan affords holders of Claims in Classes 2 through 6 the potential for the greatest realization on the Debtor’ assets and, therefore, is in the best interests of such holders. If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the theoretical alternatives include (a) formulation of an alternative plan or plans of reorganization, (b) conversion of the case to a case under Chapter 7 of the Bankruptcy Code or (c) dismissal of the Debtor’s bankruptcy case.

A. Alternative Plan(s) of Reorganization

The Debtor has also filed a plan which contemplates the sale of the ~~debtor~~Debtor’s assets to one of its customers, Parts Life, Inc. ~~the~~The Debtor’s plan also contemplates the payment in full of priority and secured claims, and provides a dividend to unsecured creditors ~~of between 5% and 10%.~~ The. Under the Debtor’s plan, unsecured creditors will receive slightly more cash (4% more), but no share of any litigation proceeds. The Debtor’s Plan is contingent on the buyer receiving loans totaling \$3.65 Million. The buyer, which will be responsible for making payments to unsecured creditors and equipment lenders under the Debtor’s plan, will carry substantially more Debt than would the Reorganized Debtor under the Plan proposed by the Proponent here. Also, the implementation of the Debtor’s Plan is subject to the approval by the Navy of the transfer of all of the Debtor’s contracts through a process called “novation.”

If the requisite acceptances are not received for the Plan or if neither the Plan nor the Debtor's plan is confirmed, the Debtor, PDI or another party in interest could attempt to formulate and propose a different plan or plans of reorganization. Such a plan or plans might involve either a reorganization and continuation of the Debtor' organizations or an orderly liquidation of assets.

The Proponent believes that the Plan enables Creditors to realize the greatest possible value under the circumstances and has the greatest chance to be confirmed and consummated.

XI. THE SOLICITATION; VOTING PROCEDURES

A. Parties in Interest Entitled to Vote

In general, a holder of a claim or interest may vote to accept or to reject a plan if (a) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest, and (b) the claim or interest is "impaired" by the plan but entitled to receive or retain property under the plan.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (a) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof or (b) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

B. Solicitation Order

Upon approval of this Disclosure Statement, the Bankruptcy Court entered an order that, among other things, determines the dates, procedures and forms applicable to the process of soliciting votes on the Plan and establishes certain procedures with respect to the tabulation of such votes (the "Solicitation Order"). Parties in interest may obtain a copy of the Solicitation Order through the Bankruptcy Court's electronic case filing system, by downloading the Solicitation Order from the Debtor' case website at www.gcginc.com/cases/poa or by making written request upon the Debtor' counsel or Voting Agent.

C. Waivers of Defects, Irregularities, Etc.

All questions with respect to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of ballots will be determined by the Bankruptcy Court. As indicated below under "Withdrawal of Ballots; Revocation," effective withdrawals of ballots must be delivered to the Voting Agent prior to the Voting Deadline. The Proponent reserves the absolute right to contest the validity of any such withdrawal. The Proponent also reserve the right to seek rejection of any and all ballots not in proper form. The Proponent further reserves the right to seek waiver of any defects or irregularities or conditions of delivery as to any

particular ballot. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) may be invalidated by the Bankruptcy Court.

D. Withdrawal of Ballots; Revocation

Any party who has delivered a valid ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must (a) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s), (b) be signed by the withdrawing party in the same manner as the ballot being withdrawn, (c) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn and (d) be received by the Proponent's counsel. As stated above, the Proponent expressly reserves the absolute right to contest the validity of any such withdrawals of ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of ballots which is not received in a timely manner by the Proponent's counsel will not be effective to withdraw a previously cast ballot.

Any party who has previously duly submitted a properly completed ballot may revoke such ballot and change its vote by submitting, prior to the Voting Deadline a subsequent properly completed ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed ballot is received, only the ballot which bears the latest date will be counted for purposes of determining whether the requisite acceptances have been received.

E. Voting Rights of Disputed Claimants

Holders of Disputed Claims in Classes 2 through 6 whose Claims are asserted as wholly unliquidated or wholly contingent in Proofs of Claim filed prior to the Distribution Record Date (collectively, the "Disputed Claimants") are not permitted to vote on the Plan except as provided in the Solicitation Order. Pursuant to the procedures outlined in the Solicitation Order, Disputed Claimants may obtain a ballot for voting on the Plan only by filing a motion under Bankruptcy Rule 3018(a) seeking to have their Claims temporarily Allowed for voting purposes (a "Rule 3018 Motion"). Any such Rule 3018 Motion must be filed and served upon the Debtor's counsel and the Voting Agent no later than the Voting Deadline. The ballot of any creditor filing such a motion will not be counted unless temporarily allowed by the Bankruptcy Court for voting purposes, after notice and a hearing. Any party timely filing and serving a Rule 3018 Motion will be provided a ballot and be permitted to cast a provisional vote to accept or reject the Plan. If and to the extent that the Debtor and such party are unable to resolve the issues raised by the Rule 3018 Motion prior to the Confirmation Hearing, then at the Confirmation Hearing the Bankruptcy Court will determine whether the provisional ballot should be counted as a vote on the Plan. Nothing herein affects the Proponent's right to object to any Proof of Claim after the Distribution Record Date.

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Proponent believes that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Proponent urges all holders of Claims in Classes 2, 3, 5, and 6, to vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED on or before _____, 2017, at 5:00 p.m. prevailing Eastern time.

PDI DEVAL ACQUISITION, LLC

June ~~9~~, 19, 2017

By: _____

Name: Irwin Haber

Title: Chief Executive Officer

Appendix A

[Plan of Reorganization Proposed by PDI DeVal Acquisition, LLC]

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119644478_1

Appendix B

[Financial Projections]

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119644478_1

Appendix C

[Liquidation Analysis]

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119644478_1

Appendix D

[Financial Statements for Fiscal Year 2015 and 2016]

~~119577839_2~~

119644478_1

Document comparison by Workshare Compare on Monday, June 19, 2017
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Insertion	
Deletion	
Moved from	
Moved to	
Style change	
Format change	
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Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

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