

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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BRENDES INC

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

Current Report Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (date of earliest event reported) December 20, 1993

Brendle's Incorporated
(Exact Name of Registrant as Specified in its Charter)

North Carolina
(State or Other Jurisdiction of Incorporation)

33-13622
Commission File Number

56-0497852
I.R.S. Employer Identification Number

910/526-5600
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, If Changed Since Last Report)

ITEM 3. Bankruptcy or Receivership

On November 23, 1992, Brendle's Incorporated (the "Company") and Brendle's Stores, Inc., the Company's wholly-owned operating subsidiary, filed for protection under Chapter 11 of the United States Bankruptcy Code by filing a petition with the United States Bankruptcy Court for the Middle District of North Carolina (the "Court"). Since the date the petition was filed, the Company has worked to develop a joint Plan of Reorganization (the "Plan"), which sets forth payment terms to creditors and provides for other organizational and operational changes for the reorganized Company. A hearing on the Plan was held on November 14, 1993, and an order approving the Plan was entered on December 20, 1993 for the Company and on December 23, 1993 for Brendle's Stores, Inc. A notice of appeal of the Order confirming the Plan was filed on December 28, 1993 by three individual creditors and retiree claimants. The appeal is pending as of the date of this report.

The Plan that has been developed by the Company and that has been confirmed by the Court has been included with this report and is hereby incorporated herein by this reference. Summarily, the Plan provides for the full payment of all claims of The CIT Group/Business Credit, Inc., the Company's debtor-in-possession lender, and all allowed secured claims, priority claims and administrative claims, (as those claims are defined in the Plan). The Plan further provides that general unsecured creditors may elect to receive either (1) a cash payment equal in amount to fifty-two percent (52%) of the amount of their unsecured claim or (2) a Reorganization Note equal to eighty percent (80%) of their

allowed unsecured claims. The Reorganization Notes, which will be dated as of April 30, 1994, will bear interest at the rate of eight percent (8%) per annum and will be payable over a ten (10)-year term. For the first two (2) years the Reorganization Notes will accrue interest only and no payments will be made to Reorganization Note holders. At the end of two (2) years, the principal amount of the Reorganization Note, plus accrued but unpaid interest, shall be capitalized, and during the third year, interest on the capitalized principal balance shall be paid semi-annually. Thereafter, interest on the unpaid principal balance shall be due and payable semi-annually. Annual principal payments will be made at the end of years four (4) through ten (10) in the respective amounts as follows: 11%, 12%, 13%, 14.1%, 15.3%, 16.6% and 18%. The Reorganization Notes also include standard default provisions.

In addition to the items set forth above, all general unsecured creditors will receive with respect to their allowed claims a pro rata distribution of stock in the Company, which, in the aggregate, will constitute thirty-five percent (35%) of the then outstanding stock of the Company. As of the date of this report, the Company has outstanding 8,301,644 shares of common stock and will reserve 4,463,456 shares of common stock for issuance in accordance with the Plan. Also, the Plan provides that

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certain of the Company's creditors will have a right to appoint (two) directors to serve on the Company's Board of Directors.

The Plan contemplates that the Company will have access to a credit facility in the form of a revolving line of credit which, when added to other funds available to the Company, should be sufficient to fund its obligations under the Plan. The Plan also contains certain default provisions, one of which provides that if the cash distributions contemplated by the Plan are not made on or before April 30, 1994, an entity described in the Plan as the Credit Management Committee will essentially take over management of the Company and will be vested with powers and authorities of a Chapter 11 trustee and the Board of Directors. If the Creditor Management Committee were to assume control of the Company, it is likely that the Company would be liquidated and that the Company's current shareholders would receive nothing.

Information relating to the Company's assets and liabilities as of October 30, 1993 are set forth below.

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BRENDLE'S INCORPORATED

(Debtor-in-Possession)

Consolidated Balance Sheet
(Unaudited)
(In thousands except per share data)

<CAPTION>

	October 30,		
January 30, October 31,	1993	1993	1992
	<C>	<C>	<C>
<S>			
Assets			
Current Assets:			
Cash and temp. cash invest.	\$ 23,672	\$ 36,594	\$ 1,800

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Brendle's Incorporated and Brendle's Stores, Inc., Debtors in the above-captioned Chapter 11 proceedings, propose the following First Amended Joint Plan of Reorganization pursuant to Section 1121(a) of the Bankruptcy Code:

ARTICLE I

SUMMARY OF PLAN

The Plan provides for the full payment of all claims of The CIT Group/Business Credit, Inc., and all Allowed Secured Claims, Priority Claims and Administrative Claims. It provides that General Unsecured Creditors may elect to receive either (1) a cash payment of 52% or (2) a Reorganization Note equal to 80% of their respective Allowed General Unsecured Claims. In addition, all General Unsecured Creditors will receive with respect to their Allowed Claims, pro rata, an aggregate distribution of 35% of the issued and outstanding stock in the Reorganized Company.

The Plan contemplates that the Reorganized Company will have access to a Reorganization Credit Facility in the form of a revolving line of credit which, when added to the other funds available to the Reorganized Company at the Effective Date, will be sufficient to fund the Debtors' obligations under this Plan.

The Plan thus provides for a substantial distribution of both cash and stock in the Reorganized Company to General Unsecured Creditors, with the cash distribution being made on Substantial Consummation, which will occur on or before April 30, 1994. The Reorganized Company will emerge from Chapter 11 as a much stronger, more viable business entity which will serve as an excellent source of business for all of its service, advertising and trade suppliers and which will preserve jobs for the Company's 1460 employees.

ARTICLE II

DEFINITIONS

The capitalized terms used in this Plan shall have the meanings set forth in this Article II or elsewhere in the Plan. Any term defined in the Bankruptcy Code or Bankruptcy Rules and not otherwise defined in this Plan shall have the meaning set forth in the Bankruptcy Code or Bankruptcy Rules. A reference to an "Article" or "Paragraph" refers to an Article or Paragraph of the Plan. A reference to a "Section" refers to a Section of the Bankruptcy Code. The rules of construction set forth in Section 102 of the Bankruptcy Code shall apply in the interpretation of the Plan.

2.1 Administrative Expense: (a) Any cost or expense of administration of the Chapter 11 cases allowed under Section 503(b) including, without limitation, any such allowed items constituting (i) actual and necessary post-petition costs and expenses of preserving the Debtors' estates or operating the businesses of the Debtors, (ii) post-petition costs and indebtedness or obligations duly and validly incurred or assumed by the Debtors, (iii) payments to cure defaults on executory contracts and unexpired leases under Paragraph 8.1, (iv) compensation or reimbursement of expenses to the extent allowed by the Bankruptcy Court under Section 330(a); and (b) claims arising under I(c) of a Stipulation of Compromise of Recognized Reclamation Claim filed with the Bankruptcy Court.

2.2 Allowed: With respect to Claims and Interests, other than Administrative Expenses and The CIT Administrative Claim, (a) any Claim against or interest in either of the Debtors, proof of which was timely filed or by order of the Bankruptcy Court was not required to be filed, or (b) any Claim or interest that has been, or hereafter is, listed in the schedules of liabilities filed by either of the Debtors as liquidated in amount and not disputed or contingent, and, in each such case in (a) and (b) above, as to which either (i) no objection to the allowance thereof has been filed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or (ii) an objection has been filed and not withdrawn and the Claim or interest has been allowed by a Final Order (but only to the extent so allowed). Unless otherwise expressly specified in the Plan, an Allowed Claim (other than the CIT Administrative Claim) shall not include post-petition interest on the principal amount of the Claim. With respect to General Unsecured Claims, such Claims shall be allowed only after adjustment for reclamation settlements, stock balancing and returns for damaged goods and advertising credits.

2.3 Ballot: The form or forms for voting on the Plan that will be distributed to holders of Claims or interests in classes that are impaired under the Plan and entitled to vote under Section 1126, in connection with voting on the Plan. The Ballot to be distributed to Unsecured Creditors shall contain an election form consistent with the provisions of Paragraph 3.9(c).

2.4 Bank Group: Shall mean NationsBank of North Carolina, N.A., First Union National Bank of North Carolina, and First Citizens Bank and Trust Company, collectively, as the holder of an Allowed Secured Claim and an Allowed Unsecured Claim against the Debtors which, as of July 8, 1993, were in the estimated amounts of 16 million and 35 million dollars respectively. The Bank Group also serves as agent in connection with the secured claims of Brenco and Douglas D. Brendle.

2.5 Bankruptcy Causes of Action: Any and all Claims, rights and Causes of Action created by the Bankruptcy Code in favor of any Debtor, including all Claims, rights and Causes of Action arising under any of the Sections 502, 510, and 542 through 553, inclusive.

2.6 Bankruptcy Code: Title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 cases. References to "Section ____" herein shall refer to a Section of the Bankruptcy Code, 11 U.S.C. (section mark)101, et seq.

2.7 Bankruptcy Court: The United States Bankruptcy Court for the Middle District of North Carolina, and any appellate court that exercises jurisdiction over the Chapter 11 cases, also referred to herein as the "Court".

2.8 Bankruptcy Rules: The Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Chapter 11 cases.

2.9 Brenco: A North Carolina general partnership consisting of Douglas D. Brendle, S. Floyd Brendle, William F. Cosby, and two trusts under an agreement with J. Harold Brendle, dated October 20, 1982, which leases thirteen (13) stores and the corporate office building and contiguous warehouse to the Debtors. In addition, in October 1991 Brenco loaned \$1 million to the Debtors on the same terms extended to the Debtors by the Bank Group. This loan is collateralized on a pari passu basis with the Bank Group.

2.10 Douglas D. Brendle: The Debtors' Chief Executive Officer and Chairman of the Debtors' Board of Directors. In October, 1991, in conjunction with the Brenco loan and as required by the Bank Group, Mr. Brendle personally loaned \$1 million to the Debtors on the same terms extended to the Debtors by the Bank Group. As is the Brenco loan, the Douglas D. Brendle loan is collateralized on a pari passu basis with the Bank Group.

2.11 Brendle's Incorporated: A North Carolina corporation and Debtor in a Chapter 11 case bearing Case No. B-92-14519C-11W. Brendle's Incorporated is the parent corporation of Brendle's Stores, Inc.

2.12 Brendle's Stores, Inc.: A North Carolina corporation which is a wholly owned subsidiary of Brendle's Incorporated and which is a Debtor in the Chapter 11 case bearing Case No. B-92-14520C-11W. Also designated as "BSI".

2.13 Business Day: Any day other than a Saturday, Sunday or any other day on which federal law permits banks in New York, New York to be closed .

2.14 Cash Option: The Option offered to Unsecured Creditors whereby such Creditors may elect to receive a cash payment of 52% of their respective Allowed Claims which, together with the stock issued pursuant to Paragraph 4.5, shall be in complete satisfaction of their Allowed Unsecured Claims.

2.15 Causes of Action: Any and all actions, causes of action (including Bankruptcy Causes of Action), Claims, demands and liabilities, whether known or unknown, in law, equity or otherwise, held by or against the Debtors.

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2.16 Chapter 11: Chapter 11 of Title 11 of the United States Code.

2.17 Chapter 11 Cases: The Debtors Chapter 11 cases pending before the Bankruptcy Court.

2.18 CIT: The CIT Group/Business Credit, Inc., BSI's post-petition lender under the DIP Facility.

2.19 CIT Administrative Claim: CIT Administrative Claim

shall mean all claims of CIT based on all Obligations of Brendle's Stores, Inc., or the Reorganized Company to CIT (when used with reference to CIT the term "Obligations" shall have the meaning set forth in Section 1.01 of the CIT Revolving Credit Agreement) or arising under or pursuant to the CIT Revolving Credit Agreement, any other Loan Documents or the DIP Order, which claims, pursuant to the DIP Order, were granted, among other things, senior super-priority allowed administrative expense status in accordance with Section 364(c)(1) of the Bankruptcy Code having priority over all administrative expenses and Unsecured Claims against Brendle's Stores, Inc., or the Reorganized Company, of any kind and nature whatsoever, including, without limitation, all administrative expenses of the kind specified in Section 364(c)(1) of the Bankruptcy Code (including, without limitation, the super-priority administrative expense claims of the Inventory Vendor Creditors, as defined in the CIT Revolving Credit Agreement) or Sections 503(b) and 507(b) of the Bankruptcy Code (with certain limited exceptions for Carve-out Expenses as defined in the CIT Revolving Credit Agreement).

2.20 Claim: Any right to (a) payment from any of the Debtors, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) an equitable remedy for breach of performance if such breach gives rise to a right to payment from any of the Debtors, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

2.21 Class: Shall mean any one of the Classes of Claims or Interest designated in Article III of the Plan.

2.22 Confirmation Date: The date on which the Confirmation Order is entered.

2.23 Confirmation Order: The order of the Bankruptcy Court confirming the Plan.

2.24 Convenience Claim: Any General Unsecured Claim against either of the Debtors that is Allowed in an amount of \$100.00 or less.

2.25 Creditor: Any entity that is the holder of a Claim against any of the Debtors that arose on or before the Filing Date or Claim against any of the Debtors' estates of the kinds specified in Sections 502(g), 502(h) or 502(i).

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2.26 Creditor Management Committee or CMC: A committee consisting of three individuals selected by the Bank Group, three individuals selected by the Unsecured Creditors Committee and one individual selected jointly by the Bank Group and the Unsecured Creditors Committee. The Creditor Management Committee shall have rights and duties as described in Paragraph 5.2 herein.

2.27 Debtors: Brendle's Incorporated and Brendle's Stores, Inc., which collectively are also referred to herein as the "Company".

2.28 Default: The occurrence of an event described in Paragraph 5.1 which gives rise to the appointment of the Creditor

2.29 DIP Facility: The Debtor-in-Possession Facility with CIT evidenced by The Revolving Credit Agreement dated as of September 17, 1993, among Brendle's Stores, Inc., as Borrower and The CIT Group/Business Credit, Inc., as Lender, as approved by the DIP Order.

2.30 DIP Order: Shall mean the Final Order dated September 9, 1993, entered by the Bankruptcy Court in the Chapter 11 case of Brendle's Stores, Inc., authorizing the Debtor to obtain secured super-priority post-petition financing with the CIT Group/Business Credit, Inc., pursuant to Section 364(c)(1), (2) and (3) and Section 364(d) of the Bankruptcy Code and Bankruptcy Rule 4001 and granting related relief.

2.31 Disclosure Statement: The Disclosure Statement describing this Plan, prepared in accordance with Section 1125 and approved by Order of the Bankruptcy Court, to be distributed to the holders of Claims whose votes with respect to this Plan are to be solicited.

2.32 Disputed Claim: Any Claim (a) that is scheduled by the Debtors as disputed, contingent or unliquidated, or (b) proof of which has been filed with the Bankruptcy Court and with respect to which an objection to allowance, in whole or in part, has been or is filed, and which objection has not been withdrawn or settled or determined by a Final Order.

2.32.1 Disputed Claim Reserve: Either (i) availability under a post-confirmation credit facility (including the Reorganization Credit Facility) which availability is specifically reserved for the payment of Disputed Claims, or (ii) an interest bearing escrow account which shall hold funds sufficient for the payment of Disputed Claims, established pursuant to paragraph 9.2 hereof, at the Company's option.

2.33 Effective Date: The date of Substantial Consummation.

2.34 Election Form: The form attached to or made a part of the Ballot on which Unsecured Creditors may elect the Cash Option or the Note Option.

2.35 Employee Wage or Benefit Claim: A Priority Claim asserted under Section 507(a)(3) or (4) subject to the \$2,000 limitation contained therein.

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2.36 Entity: Any individual, corporation, limited or general partnership, joint venture, association, joint stock company, estate, entity, trust, trustee, unincorporated organization, government, governmental unit (as defined in the Bankruptcy Code), agency or political subdivision thereof.

2.37 Estate Property: Shall mean all of the property of the Debtors as defined in Section 541, which property shall revert in the Reorganized Company upon Substantial Consummation achieved by the distributions required by Paragraphs 3.5(c), 3.6(c), and 3.9(c); provided, however, in the event the Creditor Management Committee is appointed under Paragraph 5.2, Estate Property shall not revert as provided in Section 1141(b) but shall remain with the respective Debtors to be administered in the method and as provided in this Plan.

2.38 Filing Date: November 22, 1992, the date Chapter 11 Petitions were filed by the Debtors.

2.39 Final Order: An order, ruling or judgment of the Bankruptcy Court or other court having jurisdiction, which is no longer subject to review, reversal, modification or amendment by appeal or writ of certiorari.

2.40 General Unsecured Claim: Any Unsecured Claim other than an Administrative Expense, a Reclamation Claim, a Priority Claim and Intercompany Claim.

2.41 Intercompany Claims: Any Claim by either Debtor asserted against the other or any claim against either Debtor asserted by Brendle Transport, Inc., and BFS, Inc., wholly owned subsidiaries of Brendle's Incorporated, and The Electronic Sports Collection USA, Inc., and Brendle's Acceptance Corporation, wholly owned subsidiaries of Brendle's Stores, Inc.

2.42 Interest: An equity interest evidenced by a share(s) certificate in Brendle's Incorporated and/or Brendle's Stores, Inc., as the context requires.

2.43 Inventory Return Adjustment: The reduction of pre-petition General Unsecured Claims as a result of participation in the Court approved stock balancing or return of defective or damaged goods program.

2.44 Note Option: The option offered to Unsecured Creditors as an alternative to the Cash Option. Under the Note Option, a General Unsecured Creditor will receive a Reorganization Note which, together with the stock distribution as provided in Paragraph 4.5, will fully satisfy its Allowed Unsecured Claim.

2.45 Plan: This Chapter 11 Plan of Reorganization as it may be amended from time to time.

2.45.1 Plan Reserve Account: The account established pursuant to paragraph 5.1(a) of the Plan.

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2.46 Priority Claim: Any Claim, other than a Secured Claim, entitled to a priority of distribution over the Claims of General Unsecured Creditors pursuant to Section 507 or 364.

2.47 Reclamation Claims: A Claim of the type that is described in Section 546(c). The Debtor has disputed the validity of Reclamation Claims based on the facts of this case. On April 29, 1993, the Bankruptcy Court entered an Order pursuant to Bankruptcy Rule 9019 authorizing the settlement and compromise of Reclamation Claims.

2.48 Reorganized Company: Brendle's Incorporated and Brendle's Stores, Inc. collectively, following Substantial Consummation, provided the Creditor Management Committee has not been appointed pursuant to Paragraph 5.2.

2.49 Reorganization Credit Facility: The secured credit facility, consisting of an extension of credit (which may require the conveyance of equity) and/or a capital investment, in the principal amount sufficient to enable the Company to fund its payment obligations hereunder and which will be used to satisfy creditor Claims on Substantial Consummation. This facility may be part of the revolving credit facility that the Reorganized Company would utilize in its business operations following Substantial Consummation.

2.50 Reorganization Fund: The funds placed in a Bankruptcy Rule 3020 Escrow Account pursuant to Stipulation filed on July 1, 1993, which was amended and restated and superseded in its entirety by an amended and restated order with respect to Bankruptcy Rule 3020 Escrow Account entered by the Bankruptcy Court on September 16, 1993.

2.51 Reorganization Note: A promissory note issued to Unsecured Creditors, not electing the Cash Option, and having attributes more particularly set forth in Paragraph 3.9(c)(2)(ii) herein.

2.52 Secured Claim: Any Claim that is secured by Estate Property to the extent such Claim is subject to allowance as a Secured Claim under Section 506(a).

2.53 Stock of Brendle's Incorporated: The common stock, which is currently traded on the NASDAQ National Marketing System under the symbol BRDLQ at 1 dollar par value. Of the 20 million shares authorized, 8,289,276 shares were issued as of January 30, 1993, with approximately 1,138 shareholders of record.

2.54 Stock of the Reorganized Company: The stock of Brendle's Incorporated.

2.55 Substantial Consummation: The full cash payment of all CIT claims and the full cash payment of the Allowed Secured Claims in Classes 5 and 6, the cash distribution to Class 9 Creditors as provided in Paragraph 3.9(c), and the issuance of Stock to the escrow agent as provided in Paragraph 4.5; provided, however, if a Default occurs under Paragraph 5.1 and the Creditor Management Committee is appointed, Substantial Consummation shall then occur upon the earlier of (a) entry of an order assuming and assigning or rejecting all executory contracts and

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unexpired leases, or (b) 90 days after entry of an order appointing the Creditor Management Committee, which automatically constitutes rejection of all remaining executory contracts and unexpired leases not subject to a pending motion to assume.

2.56 Substantive Consolidation: The consolidation of assets and liabilities of the Debtors, for Plan purposes only, as provided in Paragraph 4.5 hereof. Substantive Consolidation shall not occur if the Creditor Management Committee has been appointed.

2.57 Tax Claims: Any Claim by a federal, state or local taxing authority, including ad valorem Tax Claims, entitled to priority pursuant to Section 507(a)(7).

2.58 Unsecured Claim: Any Claim that is not a Secured Claim.

2.59 Unsecured Creditor: The holder of a General Unsecured Claim.

2.60 Unsecured Creditors Committee: The Committee of Unsecured Creditors appointed by Order of the Bankruptcy Court on December 17, 1992.

2.61 Additional Definitions Applicable to CIT: With reference to CIT and Plan provisions relating to CIT, the

following additional definitions shall apply:

- a. CIT Revolving Credit Agreement: Shall mean the Revolving Credit Agreement dated as of September 17, 1993, among Brendle's Stores, Inc., as Borrower, and the CIT Group/Business Credit, Inc., as Lender, as approved by the DIP Order.
- b. Loan Documents or Related Documents: Shall have the meaning set forth in Section 1.01 of the CIT Revolving Credit Agreement.
- c. Obligations: Shall have the meaning set forth in Section 1.01 of the CIT Revolving Credit Agreement.

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ARTICLE III

CLASSIFICATION, IMPAIRMENT AND TREATMENT OF CLAIMS AND INTERESTS

3.1 Class 1 - Administrative Expenses (other than the CIT Administrative Claim):

a. Classification: Class 1 Claims consist of all claims for Administrative Expenses (other than the CIT Administrative Claim).

b. Impairment: Class 1 Claims are not impaired.

c. Treatment: Each holder of an Allowed Administrative Expense (other than the CIT Administrative Claim) shall receive the full amount of its Allowed Administrative Expense in cash on the Effective Date; provided, however, that Administrative Expenses representing (a) post-petition liabilities incurred in the ordinary course of business by either of the Debtors, and (b) post-petition liabilities arising under loans or advances to either of the Debtors whether or not incurred during the ordinary course of business, shall be paid by the Reorganized Company in accordance with the terms and conditions of the particular transaction relating to such liability and any agreement relating thereto; and provided further, that Administrative Expenses representing final compensation or reimbursement of expenses awarded by the Bankruptcy Court under Sections 330, 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) shall, unless other terms are mutually agreed upon between the Reorganized Company and the entity entitled to receive such Administrative Expense, be paid in full, in cash, in such amounts as are allowed by the Bankruptcy Court on the later of (a) the Effective Date, or (b) the date that is ten (10) business days after the date on which the Bankruptcy Court's Order allowing such Administrative Expense becomes a Final Order.

3.2 Class 2 - CIT Claim:

a. Classification: Class 2 shall consist of the CIT Administrative Claim.

b. Impairment: The Class 2 Claim is not impaired.

c. Treatment:

- (i) The CIT Administrative Claim will be paid in full, in Cash, upon the earlier of: (a)

September 9, 1994, or such earlier date as required by the terms of the CIT Revolving Credit Agreement, (b) such date and time as are simultaneous with or immediately prior to the first distribution to any entity other than CIT pursuant to the Plan, (c) five Business Days immediately following the entry of an order appointing the Creditor Management Committee, and (d) such date and time as are simultaneous with or immediately prior to the release of any funds from the Reorganization Fund (the "CIT Payment Date").
The CIT

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Administrative Claim shall be treated as a senior allowed administrative expense claim in accordance with Section 364(c)(1) of the Code, the DIP Order, and any other Loan Documents in the amount outstanding on the CIT Payment Date. The Class 2 Claim is not impaired. In all events, CIT shall receive indefeasible payment in full of all claims and Obligations of Brendle's Stores, Inc., to CIT or arising under or pursuant to the CIT Revolving Credit Agreement, any other Loan Documents or the DIP Order pursuant to the Plan no later than the time when any entity other than CIT receives a payment or distribution pursuant to the Plan. If the Bank Group or the Unsecured Creditors Committee request the appointment of the Creditor Management Committee, the Revolving Credit Commitment (as defined in the CIT Revolving Credit Agreement) shall expire on the earlier of the Termination Date (as defined in the CIT Revolving Credit Agreement) or the date of such request. Amounts paid to CIT on or after 12:00 noon, New York City time, shall not be deemed paid or received until 9:00 a.m., New York City time, of the immediately following Business Day. In the event of the appointment of the Creditor Management Committee, CIT shall retain its liens on and security interests in all of its collateral until CIT shall have received indefeasible payment in full in Cash of the CIT Administrative Claim and all other claims of CIT based on all Obligations of Brendle's Stores, Inc., to CIT or arising under or pursuant to the CIT Revolving Credit Agreement, any other Loan Documents or the DIP Order.

- (ii) Notwithstanding anything to the contrary contained in this or any other provision of the Plan or in the Confirmation Order, all liens and security interests granted to CIT pursuant to Section 364(c)(2), Section 364(c)(3), and Section 364(d) of the Bankruptcy Code under the Loan Documents and the DIP Order and securing all claims of CIT and all Obligations of Brendle's Stores, Inc., or the Reorganized Company shall survive, and there shall be no vesting of Estate Property in the Reorganized Company, until CIT receives indefeasible payment in

full, in cash, of the CIT Administrative Claim and all other claims of CIT based on all Obligations of Brendle's Stores, Inc., or the Reorganized Company to CIT or arising under or pursuant to the CIT Revolving Credit Agreement, any other Loan Documents or the DIP Order. Notwithstanding anything to the contrary contained in this or any other provision of the Plan or in the Confirmation Order, the provisions of the Loan Documents and the DIP Order, and all rights of CIT thereunder based on any subordination rights or otherwise, shall continue and shall survive until CIT receives indefeasible payment in full in Cash of the CIT Administrative Claim and all other claims of CIT based on all Obligations of Brendle's Stores, Inc. or the Reorganized Company or arising under or pursuant to the CIT Revolving Credit

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Agreement, any other Loan Documents or the DIP Order or such later time as may be contemplated by the CIT Revolving Credit Agreement, any other Loan Documents or the DIP Order. Further, notwithstanding anything to the contrary in this or any other provision of the Plan or in the Confirmation Order, payment in full to CIT in Cash of all claims of CIT based on all Obligations of Brendle's Stores, Inc. or the Reorganized Company or arising under or pursuant to the CIT Revolving Credit Agreement, any other Loan Documents or the DIP Order shall constitute a waiver and release by the Debtors and the Reorganized Company of any and all Bankruptcy Causes of Action or other rights or claims, including rights of set-off, that either of the Debtors or the Reorganized Company may have otherwise had against CIT.

3.3 Class 3 - Wage and Benefit Claims:

a. Classification: Class 3 Claims shall consist of all allowed Employee Wage and Benefit Claims entitled to priority pursuant to Section 507(a)(3) and (4).

b. Impairment: Class 3 Claims are not impaired.

c. Treatment: Class 3 Claims shall be paid in full, in cash on the later of the Substantial Consummation Date or the date which is twenty business days after the date on which the Employee Wage or Benefit Claim becomes an Allowed Claim.

3.4 Class 4 - Tax Claims:

a. Classification: Class 4 shall consist of Allowed Tax Claims .

b. Impairment: Class 4 Claims are not impaired.

c. Treatment: Allowed Tax Claims shall be paid over a period not exceeding six (6) years after the date of assessment

of such claim, in quarterly payments with interest at 7% per annum, amortized over that period beginning on the Effective Date and ending on the date which is six years after the date of assessment; or in such other manner as the Reorganized Company and the Class 4 Creditor agree.

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3.5 Class 5 - Bank Group Secured Claim:

a. Classification: Class 5 shall consist of the Allowed Secured Claim of the Bank Group, exclusive of the Secured Claims of Class 6 Creditors for whom the Bank Group serves as agent.

b. Impairment: The Class 5 Claim is impaired.

c. Treatment: The Bank Group shall receive the sum of \$16 million, less all amounts paid to the Bank Group on account of its Allowed Secured Claim (but without reduction for amounts received and paid to Class 6 Creditors) by the Debtors subsequent to July 8, 1993, in cash in full and complete satisfaction of the Allowed Secured Claim of the Bank Group, including, without limitation, any rights of set off, recoupment, and Claims asserted based on liens against credit card receipts and layaways. Prior to the Effective Date, the Bank Group shall receive the net proceeds from the sale of any Bank Group collateral (and make appropriate distributions to Brenco and Douglas D. Brendle) and the balance of the Allowed Secured Claim of the Bank Group shall not be paid until the Effective Date at which time it shall be paid contemporaneously with distributions to Class 9 Creditors. Contemporaneously with the final payment of the Bank's Allowed Secured Claim, the Bank Group shall execute such releases and documents as the Debtors may reasonably require to effectuate the release of all Bank Group Secured Claims. The balance of the Bank Group claim, \$35 million, shall be treated as an Allowed General Unsecured Claim and shall be paid, satisfied and fully discharged in a manner consistent with the treatment of General Unsecured Claims, more particularly set forth in Paragraph 3.9 hereof. Each bank in The Bank Group shall be entitled to vote separately on this Plan, once as a Class 5 Creditor to the extent of its Secured Claim, and once as a Class 9 Creditor to the extent of its Unsecured Claim.

d. Default: In the event of the appointment of the Creditor Management Committee, the Bank Group shall retain its liens, to the same extent as such liens existed prior to the Filing Date, on all of its remaining collateral and shall receive such payment of its Secured Claims from the proceeds of the sale of its collateral as may be thereafter determined by the Bankruptcy Court subject to Paragraph 9.4.

3.6 Class 6 - Brenco and Douglas D. Brendle Secured Claims:

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a. Classification: Class 6 shall consist of the Allowed Secured Claims of Douglas D. Brendle and Brenco. The Allowed Secured Claims of Douglas D. Brendle and Brenco arose in connection with a loan restructuring in October 1991, wherein

these Creditors were required to make loans to the Debtors in the amount of \$1 million each (for a total credit extension of \$2 million) on terms pari passu with the Bank Group as a condition of the Bank Group extending further credit to BSI.

b. Impairment: Class 6 Claims are impaired.

c. Treatment: The Class 6 Claims, have essentially the same attributes as the Allowed Secured Claim of the Bank Group and will be treated similarly. Of the Bank Group's total Claim, 31.37% or \$16 million is treated as a Secured Claim with a balance of \$35 million being treated as unsecured. Consequently, 31.37% of the Douglas Brendle and Brenco Claim or \$604,388.03 will be treated as secured and will be paid in full in cash (less all amounts paid to the Class 6 Creditors on account of its Secured Claims by the Debtors or by an agent of the Bank Group subsequent to July 8, 1993). The balance of the Douglas D. Brendle and Brenco Claims, \$1,322,255.40 shall be treated as General Unsecured Claims and shall be paid, satisfied and fully discharged in a manner consistent with the treatment of General Unsecured Claims, more particularly set forth in Paragraph 3.9 hereof. Douglas D. Brendle and Brenco shall be entitled to vote separately on this Plan, once as Class 6 Creditors to the extent of their Secured Claims, and once as Class 9 Creditors to the extent of their Unsecured Claims.

d. Default: In the event of the appointment of the Creditor Management Committee, Douglas D. Brendle and Brenco shall retain their liens, to the same extent as such liens existed prior to the Filing Date, on all of their remaining collateral and shall receive payment of their Secured Claims from the proceeds of the sale of their collateral as may be thereafter determined by the Bankruptcy Court subject to Paragraph 9.4.

3.7 Class 7 - Other Secured Claims:

a. Classification: Class 7 shall consist of all Allowed Secured Claims of Creditors other than Creditors in Classes 4, 5 and 6.

b. Impairment: Class 7 Claims are not impaired.

c. Treatment: The Plan leaves unaltered any legal, equitable or contractual rights which the other Secured Creditors may be entitled in respect to their other Allowed Secured Claims.

3.8 Class 8 - Retiree Claimants:

a. Classification: Class 8 shall consist of the Claims of Gladys C. Haynes, Jacob A. Schaffner and Dewey James York, whose claims arose as a result of deferred compensation agreements.

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b. Impairment: Class 8 Claimants are impaired.

c. Treatment: The Reorganized Company shall bring the contracts which form the basis of Class 8 Claims current on the Effective Date and will assume the rights and obligations of the Debtors under the contracts thereafter, provided however, in the event of Default and the Creditor Management Committee is appointed, the Creditor Management Committee shall have 90 days following its appointment within which to assume or reject these

contracts. If the contracts are rejected, the Class 8 Creditors shall be entitled to assert rejection claims and such claims shall be determined by the Court as to validity, priority and amount.

3.9 Class 9 - General Unsecured Claims:

a. Classification: Class 9 shall consist of the Claims of General Unsecured Creditors.

b. Impairment: Class 9 Claims are impaired.

c. Treatment: The holder of an Allowed Unsecured Claim may by Ballot elect to be treated under Class 10. All other Allowed General Unsecured Claims shall be paid, satisfied and fully discharged upon the delivery by the Reorganized Company of the following:

- 1) A Share Certificate representing the Claim-holder's pro rata share of a total distribution to all Allowed General Unsecured Claims of 35% of the issued and outstanding common Stock of the Reorganized Company computed as of the Effective Date; AND,
- 2) At the election of each Creditor, either cash as provided in the Cash Option or a Reorganization Note as provided in the Note Option. An Election Form shall be transmitted to General Unsecured Creditors with the ballot and such Creditors shall affirmatively elect either the Cash Option or the Note Option as provided below. Creditors not making an affirmative election shall conclusively be deemed to have elected the Cash Option. The Cash Option and the Note Option are as follows:
 - i. Cash Option: A cash payment equal to 52% of the Creditor's Allowed General Unsecured Claim; OR
 - ii. Note Option: A Reorganization Note in a principal amount equal to 80% of the Creditor's Allowed General Unsecured Claim. The Reorganization Note, dated as of April 30, 1994, will bear interest

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at the rate of 8% per annum and will be payable over a ten (10) year term. For the first two (2) years, the Reorganization Note will accrue interest only and no payment will be made to the Reorganization Note holders. At the end of two (2) years, the principal amount of the Reorganization Note, plus accrued, but unpaid interest, shall be capitalized and during the third year, interest on the capitalized principal balance shall be paid semi-annually. Thereafter, interest on the unpaid principal balance shall be due and payable semi-annually. Annual principal payments will be made at the end of years four (4) through ten (10) in amounts respectively, as follows: 11%, 12%, 13%, 14.1%, 15.3%, 16.6%, 18%. The Reorganization Notes will be unsecured and will have default provisions as follows:

- (a) The Reorganization Note shall be in default and subject to acceleration upon non-payment of either principal or interest on the dates such payments are due ;
- (b) The Reorganization Note shall be in default and subject to acceleration if a default occurs in any post-confirmation financing which results in the post-confirmation lender commencing formal legal action against the Reorganized Company and its property.

d. Trust Indenture: In the event the aggregate principal amount of Reorganization Notes issued to Creditors electing the Note Option is \$5 million or less, the Reorganization Note will not be issued under an indenture. In the event the aggregate principal amount of Reorganization Notes issued to Creditors is more than \$5 million, but less than \$10 million, such Notes will be issued under an indenture, but the Company intends to rely on an exemption from the qualification requirements of the Trust Indenture Act of 1939 and does not intend to qualify the indenture under such Act. In the event the aggregate principal amount of Reorganization Notes issued to Creditors electing the Note Option exceeds \$10 million and no other exemption is available to the Company (and the Company is unaware of any other such exemption) the Reorganization Notes will be issued under an indenture which will be qualified under the Trust Indenture Act.

e. Appointment of Directors: Class 9 Creditors, acting through the Unsecured Creditors Committee and the Bank Group shall be entitled to designate two directors to serve on the Company's Board of Directors. These two directors shall serve a one year term and shall be eligible to stand for re-election upon a vote of all shareholders at the Company's next annual meeting held in 1995.

f. Default: In the event of the appointment of the Creditor Management Committee, Class 9 Creditors will receive no stock, and payment of their claims will be made in accordance with the priority of distribution of Estate Property set forth in the Bankruptcy Code and pursuant to further orders of the Bankruptcy Court. However, within thirty days following

Substantial Consummation, provided the DIP Facility has been paid in full, the Reorganization Fund shall be distributed to Class 9 Creditors pro rata (in proportion to their Allowed Unsecured Claims) with pro rata distribution to the Disputed Claims Reserve, provided, however, in no event shall any portion of the Reorganization Fund be distributed to Class 9 Creditors or any other entity unless CIT shall have received indefeasible payment in cash, in full of the CIT Administrative Claim and all other claims of CIT based on all Obligations of Brendle's Stores, Inc., or the Reorganized Company to CIT or arising under or pursuant to the CIT Revolving Credit Agreement, any other Loan Documents or the DIP Order simultaneously with or prior to the release of any portion of such fund. Subject to the foregoing, further distributions will be made only pursuant to Court Order upon motion of the Creditor Management Committee, in the manner as provided in Paragraph 5.2 hereof.

3.10 Class 10 - Convenience Claims:

a. Classification: Class 10 Claims shall consist of all Convenience Claims.

b. Impairment: Class 10 Claims are not impaired.

c. Treatment: Class 10 Claims shall be paid in full, in cash on Substantial Consummation up to a maximum of \$100.00.

3.11 Class 11 - Shareholders:

a. Classification: Class 11 shall consist of the holders or owners of the stock of Brendle's Incorporated. As a proponent of the Plan, Brendle's Incorporated is deemed to have accepted the Plan on behalf of BSI.

b. Impairment: Class 11 Claims are impaired.

c. Treatment: The Class 11 Shareholders shall retain their stock and shall be entitled to all the rights and privileges of a shareholder, limited only to the extent provided herein in Article X, and as otherwise affected in order to implement this Plan.

ARTICLE IV

IMPLEMENTATION OF THE PLAN

4.1 Generally. The Plan is based on the premise that a reorganization which provides both a substantial early cash payment to Creditors and a viable reorganized business entity well positioned for long-term growth is an achievable and mutually advantageous conclusion to these Chapter 11 cases. This Plan is designed to accomplish these goals by (i) distributing 35% of the stock in the Reorganized Company to General Unsecured Creditors; (ii) giving General Unsecured Creditors the right to a prompt 52% cash payment by selecting the cash option; and (iii) creating a reorganized entity which possesses a strong capital structure.

4.2 Funding Requirement. The Plan provides that in the absence of a Default under Article V, on the Effective Date the Reorganized Company will satisfy and fully discharge all liabilities asserted against the Reorganized Company, exclusive of Tax Claims, certain Secured Claims, the Reorganization Credit Facility, and holders of Allowed General Unsecured Claims selecting the Note Option. The amount of funds which must be available in order for the Reorganized Company to pay its obligations on the date of Substantial Consummation is dependent, in part, upon the aggregate amount of Allowed Claims held by Unsecured Creditors electing the Cash Option. The Company believes and is fully confident that it will have the ability to fund and consummate the Plan even if all Creditors elect the Cash Option and no notes are issued. Additionally, the amount may be influenced by Claims litigation and Administrative Expense Claims of court appointed professionals. A more detailed analysis of Claims and funding requirements is set forth in the Disclosure Statement accompanying this Plan. However, a summary of Claims and the amount of cash necessary to satisfy such Claim on the Effective Date is as follows:

</TABLE>
<TABLE>

<S>	<C>
Secured Claim of Bank Group -	\$16.0 million

	(less net proceeds of pre-consummation asset liquidations)
Secured Claims of Douglas D. Brendle and Brenco - CIT Super-priority Administrative Expense and Secured Claim -	\$0.6 million
	Paid according to terms
Other Secured Claims - Administrative Claims -	Paid according to terms \$1.5 million
Unsecured Claims (assume \$6.25 million of trade creditors select Note Option) -	\$43.0 million
TOTAL	\$61.1 million

</TABLE>

4.3 Funding Sources. The sources of funds projected to be available to the Debtors to fund their obligations under the Plan are more particularly described in the Disclosure Statement accompanying this Plan. However, generally they consist of the following:

Reorganization Credit Facility	\$18.4 million
Reorganization Fund	\$19.4 million
Credit Card Escrow Funds -	\$ 1.8 million
Funds Realized from the Liquidation of Real Estate and Real Estate Related Assets -	\$ 9.0 million
Excess Funds generated through business Operations -	\$12.5 million
TOTAL	\$61.1 million

4.4 Reorganization Credit Facility. In order to fund payments to Creditors under the Plan, the Company expects to obtain a Reorganization Credit Facility from a lender pursuant to which there must be borrowing availability of an amount sufficient to fund payments to Creditors as required on the Effective Date. The identity of the lender and the precise terms of the Reorganization Credit Facility are not known at this time. However, the Company is satisfied

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that the lender will require a lien on all assets of the Company and, further, the lender may require the conveyance of equity. The Reorganization Credit Facility shall be subject to orders entered by the Bankruptcy Court in aid of Consummation of the Plan, as the Bankruptcy Court deems necessary or appropriate to facilitate the establishment and funding of the Reorganization Credit Facility. The Reorganization Credit Facility shall not prime or impair any secured or super-priority administrative claim, including without limitation, the CIT Administrative Claim or any other CIT Claim.

4.5 Issuance of Additional Stock. Provided the Creditor Management Committee has not been appointed, on the Effective Date the Reorganized Company shall issue to an escrow agent appointed by the Court, such escrow agent shall be selected by the Unsecured Creditors Committee and shall receive compensation from the Debtor as may be approved by the Court, at or prior to Confirmation 4,463,456 shares of Stock of the Reorganized Company or such other amount of shares as are necessary to constitute 35% of the total issued and outstanding shares as of the Effective Date (inclusive of the shares conveyed to the escrow agent under this Paragraph). The escrow agent shall have the right to vote the stock prior to distribution and shall have

such rights, powers, duties and indemnification as the Bankruptcy Court might determine upon motion of any party in interest. Such shares of stock shall be held by the escrow agent for the benefit of the holders of General Unsecured Claims. Within sixty (60) days following entry of a Final Order concluding all disputed claims litigation, the shares issued to the escrow agent shall be transferred to the holders of General Unsecured Claims, pro rata. In connection with such transfer, the Reorganized Company shall not be required to issue any fractional shares and the fractional shares which would otherwise be issued shall be rounded to the nearest whole number [including zero (0)].

4.6 Substantive Consolidation . Provided the Creditor Management Committee has not been appointed, and provided CIT shall have theretofore received indefeasible payment in cash, in full, of the CIT Administrative Claim and all other Claims of CIT based on all obligations of Brendle's Stores, Inc., or the Reorganized Company to CIT or arising under or pursuant to the CIT Revolving Credit Agreement, any other Loan Documents, or the DIP Order, on the Effective Date and for purposes of the Chapter 11 cases and all actions with respect to the confirmation, consummation and implementation of the Plan only, all assets and liabilities of the Debtors will be Substantively Consolidated and all Intercompany Claims by or against the Debtors will be eliminated, all assets and liabilities of the Debtors will be deemed to be merged, all cross-corporate guaranties of the Debtors will be eliminated so that any Debtor and any guaranty thereof executed by the other Debtor will be deemed to be one obligation of the Debtors, and any Claim filed or to be filed in connection with any such obligation and any such guaranty will be deemed one Claim against the Debtors and treated, discharged, and released in accordance with the Plan. This Substantive Consolidation shall be given effect by the making of distributions provided for in this Plan in respect to all Allowed Claims against either of the Debtors. The Debtors may elect to effectuate a merger of BSI and or other subsidiary corporations into Brendle's Incorporated, as of the Effective Date, provided CIT shall have theretofore received indefeasible payment in cash, in full, of the CIT Administrative Claim and all other Claims of CIT based on all obligations of Brendle's Stores, Inc., or the Reorganized

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Company to CIT or arising under or pursuant to the CIT Revolving Credit Agreement, any other Loan Documents, or the DIP Order, but such is not required under the terms of this Plan. This provision shall not act to prejudice the rights of the Debtors or their subsidiaries subsequent to the payment of cash and delivery of stock to Creditors as provided herein.

4.7 Vesting of Property in Reorganized Company. Except as otherwise provided in the Confirmation Order or in this Plan with respect to CIT, Substantial Consummation of the Plan vests all of the Estate Property in the Reorganized Company, provided, however, in the event the Creditor Management Committee is appointed pursuant to Article V, Estate Property shall not revest and shall remain as Estate Property in the Debtors without Substantive Consolidation, subject to the provisions of Sections 362, 363, 364 and other relevant sections of the Bankruptcy Code to the same extent as prior to Confirmation.

ARTICLE V

DEFAULT PROVISIONS

5.1 Default. Occurrence of any of the following shall

constitute a Default under the Plan:

- a. BSI fails to establish and fund on or before January 15, 1994, 10.0 million dollars into an interest bearing account at First Union National Bank to be known as the Plan Reserve Account, the balance of which must at all times be \$10 million or more after funding and prior to the earlier of (i) distribution to Secured and Unsecured Creditors of payments required by the Plan, or (ii) April 30, 1994. The establishment of the Plan Reserve Account shall not affect or impair the rights of CIT under the DIP Facility and the funds in the Plan Reserve Account shall be expressly subject to CIT's senior super-priority Administrative Expense Claim and lien and security interest as required by the CIT Revolving Credit Agreement. Neither First Union National Bank nor any other bank at which the Plan Reserve Account is maintained shall have any rights of setoff or recoupment with respect to the Plan Reserve Account.
- b. BSI fails to achieve at least 90% of its annual sales revenues as projected in its Business Plan revised as of May 12, 1993, for the fiscal year ending January 29, 1994. An unaudited report of the year-end sales shall be furnished to the Bank Group and the Unsecured Creditors Committee by February 10, 1994.
- c. A Default occurs under the DIP Facility which is not cured and which results in CIT's termination of the DIP Facility.
- d. BSI fails to achieve Cumulative FIFO EBITDA (as defined on Page 6 in the CIT DIP Loan Agreement) in at least the amounts specified opposite each

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specific date below:

Period Ending	FIFO EBITDA
January 29, 1994	\$4,250,000
February 28, 1994	\$3,150,000
March 26, 1994	\$2,050,000

- e. BSI permits aggregate Inventory (valued at Book Value) at the end of each month to be more than the amount specified opposite such month specified below:

Fiscal Month	Maximum Amount
January 29, 1994	\$ 64,050,000
February 28, 1994	\$ 62,050,500
March 26, 1994	\$ 61,320,000

- f. The Debtors' fail to make such distributions to Secured and Unsecured Creditors as are required by the Plan on or before April 30, 1994.
- g. The Debtors, or either of them, shall propose a modification to the Plan which adversely changes

the treatment of the Claim of any Creditor other than Class 8 Retiree Claimants or the Interest of any equity security holder who has not accepted in writing such modification or proposed treatment.

5.2 Creditor Management Committee: Upon the occurrence of a Default, as defined above, a Creditor Management Committee ("CMC"), as hereinafter constituted, shall be appointed by ex parte Order of the Bankruptcy Court at the request of either the Bank Group or Unsecured Creditors' Committee, without notice or hearing, and Debtors do hereby consent, as proponents of the Plan, to entry of same. From and upon the appointment of the Creditor Management Committee, the CMC shall be bound by the terms, conditions and provisions of the CIT Revolving Credit Agreement and the DIP Order in their entirety. The rights, remedies, and privileges of CIT under the CIT Revolving Credit Agreement or the DIP Order shall not be affected or impaired in any way by the CMC or any actions taken by such CMC, and all such rights, remedies and privileges shall exist to the same extent as before the appointment of the CMC, and in the event of a conflict, shall prevail over any action proposed to be taken or taken by the CMC.

5.2.1 Composition: The CMC shall be comprised of seven members to be appointed as follows: Three by the Bank Group, three by the Unsecured Creditors' Committee, and one independent member appointed jointly by the Bank Group and the Unsecured Creditors' Committee, who will have a vote only if necessary

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to break a deadlock on business issues and effect a majority vote. Otherwise, all decisions of the CMC shall be determined by majority vote of the six members. All members of the CMC shall be designated at or prior to confirmation of the Plan and the independent member shall thereafter be retained by the Debtors, compensated by the Debtors, and provided information by the Debtors as and when provided to the Bank Group and the Unsecured Creditors' Committee. The independent member shall have no management responsibility until such time as the CMC shall have been appointed.

5.2.2. Duties/Responsibilities: Subject to Paragraph 9.4 hereof, the charge of the CMC shall be to maximize asset values for the benefit of Creditors of both Estates. To that end, subject to the requirements and procedures of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure, the CMC shall be vested with all rights and powers of a Trustee appointed under Section 1104 (including the right to employ professionals to be compensated from Estate Property) and shall have general authority to operate the Debtors for the benefit of Creditors of the estates, including authority, after notice and opportunity for hearing (to include no protest notice), to assume or reject unexpired leases and executory contracts, to sell all or part of the assets of the Debtors, to object to the extent and validity of Claims, to litigate disputed issues, and to supervise the collection and distribution of the assets of the Debtors in accordance with the priority and distribution scheme set forth in the

Bankruptcy Code. The foregoing notwithstanding, the CMC shall have no duty to resolve disputes between the Bank Group and the Unsecured Creditors Committee as described in Paragraph 9.4 hereof, which disputes shall be determined by the Bankruptcy Court. Further, the Bank Group shall not be entitled to seek relief from the automatic stay provisions of 11 U.S.C. (section mark)362 in order to foreclose on its collateral

for a period of 90 days following the appointment of the CMC. Except as provided in Section 3.9 f with regard to distribution of the Reorganization Fund, the CMC, after notice and an opportunity for hearing, shall have authority to make interim distributions to Creditors provided it makes pro rata distributions to the Disputed Claims Reserve. The CMC shall not replace the Boards of Directors of the Debtors

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but shall, to the extent necessary to carry out its charge, supersede the functions and authority of the said Boards in order to maximize asset value for the Creditors of the Debtors. Consequently, the CMC is authorized to take action normally reserved by applicable law to the boards of directors of corporations if, in the exercise of its reasonable business judgment, it deems the action necessary to carry out its charge. The Boards of Directors of the Debtors shall first be given an opportunity to take such action by written request to do so. Failure to take any such action within three business days after written request shall constitute refusal and, in such event, the CMC shall be deemed to have authority to take the action in the name of Debtors. Upon payment of the Creditors' Claims in full, or liquidation and distribution of all available assets of the Debtors to Creditors as provided by the Bankruptcy Code, the CMC shall be deemed to have completed its charge. At such time, it shall file with the Clerk of the U. S. Bankruptcy Court a final report of its activities, including an accounting of all transactions and distributions made. All members of the CMC shall be entitled to reimbursement for their reasonable costs and expenses in serving on the CMC, and the independent member shall be entitled to reasonable compensation for his service thereon, all to be paid from Estate Property.

- 5.2.3. Liability of CMC: Neither the CMC, nor its agents or attorneys, will be liable for any act or omission, or for any error of judgment or mistake of fact or law, unless such act, omission, or mistake shall occur as a result of bad faith, gross negligence, or willful or wanton disregard of the Debtors or their Creditors, and all of them shall be indemnified jointly and severally by the Debtors against any Claim, demand or cause of action not herein excluded, including costs of defense, arising out of their service on or to the CMC. Such indemnity claim shall be entitled to priority in payment equivalent to a claim under Section 507(b). Under no circumstance shall the CMC, its agents or attorneys, have any fiduciary duty, liability, or responsibility to the shareholders of the Debtors;

and acceptance of the Plan by Class 11 (Shareholders) and Brendle's Incorporated shall constitute acknowledgment and agreement to such limitation of liability and further acknowledgment of the limited charge of the CMC created and appointed pursuant to the Plan. Notwithstanding the foregoing, under no circumstances shall the CMC, its agents or attorneys, be liable for any action taken or omission, provided the same shall have been authorized pursuant to Order of the Bankruptcy Court.

ARTICLE VI

ACCEPTANCE OR REJECTION OF PLAN:

6.1 Separate Voting. Each Impaired Class of Claims or Interests shall be entitled to vote separately as a Class to accept or reject the Plan.

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6.2 Acceptance by Classes. Consistent with Section 1126(c) and except as provided in Section 1126(e), a Class of Claims shall have accepted the Plan if the Plan is accepted by the holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Claims of that Class that have timely and properly voted to accept or reject the Plan as permitted by the Bankruptcy Code and Paragraph 6.3 hereof. Pursuant to Section 1126(d), Class 11 shareholders shall have accepted the Plan if the Plan has been accepted by at least 2/3 in number of the shares that have timely and properly voted to accept or reject the Plan.

6.3 Persons Entitled to Vote. Holders of impaired claims shall be entitled to vote if:

a. Such Claim has been filed against the Debtors in a liquidated amount regardless of whether the Claim is the subject of an existing objection filed by the Debtors. The Claim shall be allowed solely for the purpose of voting on the Plan in the amount in which the claim has been filed or in such other amount as may be agreed upon by the holder of such Claim and the Debtors;

b. Such Claim has been listed on either of the Debtors' schedules other than as contingent, unliquidated or disputed, and as to which no proof of claim has been filed, such Claim shall be allowed, solely for the purpose of voting the Plan in the amount in which such Claim has been listed on the Debtors' schedules or as may be agreed upon by the holder of such claim and the Debtors;

c. Such Claim has been filed in an undetermined amount, in which case the Creditor shall not be entitled to vote unless the Debtors and the holder of the Claim agree on an amount for voting purposes or the Court enters an order setting the amount of the Claim that the Creditor may ballot; or,

d. Such Claim has been adjusted or reconciled for reclamation settlements, stock balance and return for damaged goods and advertising credits in which case it shall be allowed for voting purposes in a reduced amount consistent with such reconciliation after full adjustment. In the event of a dispute over the remaining portion of the Claim, sub-Paragraph (a) of this Paragraph 6.3 shall control.

e. Any entity holding a duplicate Claim against more than one Debtor shall vote one Claim.

ARTICLE VII

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PROVISIONS CONCERNING DISTRIBUTIONS

7.1 Distribution Date. It is the intent of this Plan that the distributions in accordance with Paragraphs 3.5(c), 3.6(c), 3.9(c) and 4.5 shall occur as early as practicable following Confirmation as provided below. In the event of the appointment of the CMC, distributions shall be made in accordance with the priorities and distribution scheme provided in the Bankruptcy Code and, except for the distribution of the Reorganization Fund in accordance with Paragraph 3.9(f) only, pursuant to orders of the Court. Notwithstanding anything in the foregoing to the contrary, prior to any distributions made by the CMC, CIT shall have received indefeasible payment in cash, in full of the CIT Administrative Claim and all other claims of CIT.

a. Cash Distribution: Provided the CMC has not been appointed, the cash payments to Creditors in Classes 5, 6 and 9 shall occur on or before April 30, 1994.

b. Stock Distributions: Provided the CMC has not been appointed, the stock distribution shall be made as provided in Paragraph 4.5 hereof.

c. Note Distributions: Provided the CMC has not been appointed, and provided further that the Company is not required to issue the Reorganization Notes under a qualified indenture pursuant to the Trust Indenture Act of 1939, the Notes shall be issued and distributed contemporaneously with the cash distribution to Creditors in Classes 5, 6 and 9. In the event it become necessary for the Company to issue the Notes under a qualified indenture, under the Trust Indenture Act, the Notes shall be issued at the later of (i) the Effective Date or (ii) within ten days of the date the indenture is qualified.

7.2 Undeliverable Distributions. If the Reorganized Company is unable to make a payment or distribution to the holder of an Allowed Claim under the Plan for lack of a current address for the holder or otherwise, it shall file with the Bankruptcy Court, the name and, if known, the last known address of the holder and the reason for inability to make payment, and if, after the passage of thirty (30) days and after any additional effort to locate the holder that the Bankruptcy Court may direct, the payment or distribution still cannot be made, the payment or distribution and any further payment or distribution to the holder shall be retained by the Reorganized Company and the Claim shall be deemed satisfied to the same extent as if payment or distribution had been made to the holder of a Claim or interest.

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ARTICLE VIII

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 Assumption and Rejection. Provided the CMC has not been appointed, on the Effective Date all executory contracts

and unexpired leases ("executory contracts") of the Debtors and the Reorganized Company which either (i) have not been assumed or rejected pursuant to Order of the Court prior to the Effective Date, or (ii) are not the subject of a pending motion to assume or reject filed with the Bankruptcy Court on or before the Effective Date, shall be assumed by the Debtors and the Reorganized Company pursuant to Section 1123(b)(2) without further order of the Bankruptcy Court. Any payment to cure defaults that may be required by Section 365(b)(1) shall be made in cash on the Effective Date or, in the case of executory contracts subject to a pending motion, at such other time as the Court may order. Payments to cure defaults shall be made to the entity that filed a proof of Claim or, if no proof of Claim was filed, to the entity that was scheduled, unless proof of transfer of the Claim has been filed in accordance with Bankruptcy Rule 3001(e)(1) or 3001(e)(2). In the event of a dispute regarding the amount of the payment required to cure defaults or the ability of the Debtors to provide adequate assurance of future performance, or in the event of a dispute concerning the interpretation or construction of any provision in any assumed executory contract, the Debtors will make such payment as is required by, or otherwise abide by a Final Order resolving the dispute. All executory contracts which have been assumed by the Debtors pursuant to Orders entered in this Chapter 11 case prior to Effective Date shall be unaffected by this Plan. In the event the CMC has been appointed, the CMC shall have 90 days following the date of its appointment to file motions with the Bankruptcy Court seeking the assumption or rejection of executory contracts and unexpired leases. Thereafter, all executory contracts and unexpired leases which have not been assumed and which are not subject to a motion to assume filed within such 90 day period shall be deemed rejected. Timely payments shall continue pursuant to executory contracts and unexpired leases until rejected or assumed. Claims arising pursuant to assumption or rejection shall be determined and allowed as provided by the Bankruptcy Code and this Plan.

8.2 Bar to Rejection Damages. A Claim for damages against the Debtors, or either of them, arising from the rejection of any executory contract or unexpired lease pursuant to this Article VIII shall be forever barred and shall not be enforceable against the Debtors or the Reorganized Company or their respective property or interests in property and no holder of any such Claim shall participate in any distribution under the Plan with respect to that Claim unless a proof of Claim is served on the Debtors or Reorganized Company and filed with the Bankruptcy Court before sixty days after the Effective Date, unless the Bankruptcy Court has ordered otherwise.

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ARTICLE IX

PROCEDURES FOR RESOLVING DISPUTED CLAIMS

9.1 Objections to Claims. Subject to further order of the Bankruptcy Court, objections to Claims (including, but not limited to, any Claim arising from or relating to the rejection of any executory contract or unexpired lease pursuant to Paragraph 8.1 or otherwise) shall be filed with the Bankruptcy Court and mailed to the holder of the Claim to which objection is made not later than thirty (30) days following the Effective Date or sixty (60) days after a proof of the Claim is filed, whichever is later.

9.2 Payments and Distributions with respect to Disputed Claims. On the Effective Date, the Company shall make a payment

or distribution with respect to the undisputed portion of a Disputed Claim, which undisputed portion shall be entitled to distribution as an Allowed Claim. No payment shall be made by the Company with respect to the disputed portion of a Disputed Claim until the same becomes an Allowed Claim. Pending the final resolution of the disputed portion of a Disputed Claim, the Company shall either (i) reserve and specifically segregate for the payment of the disputed portion of such Disputed Claim, availability under the Company's post-confirmation revolving credit facility, or (ii) deposit in an interest bearing escrow account funds sufficient for the payment of such Disputed Claim.

9.3 Timing of Payments and Distributions with respect to Disputed Claims. Subject to any contrary provision of the Plan, such as Paragraph 4.4, payments and distributions with respect to each Disputed Claim (other than the undisputed portion of a Disputed Claim which shall be entitled to receive a distribution on the Effective Date as an Allowed Claim) that becomes an Allowed Claim shall be made within twenty (20) Business Days after the date that the Disputed Claim becomes an Allowed Claim. Except as otherwise specifically provided in this Article IX, holders of Disputed Claims that become Allowed Claims shall be bound, obligated and governed in all respects by the provisions of the Plan.

9.4 Retention and Enforcement of Rights. Pursuant to Section 1123(b)(3) the Reorganized Company or, if applicable, the CMC, as the representative of the Debtors' Estates, will retain and will have the exclusive right (except as provided in Paragraph 10.4 and 10.5) to enforce against any entity and all Causes of Action, Claims and rights of the Debtors that arose either before or after the Filing Date, including the rights and powers of a trustee and debtor in possession and all Bankruptcy Causes of Action. If the CMC has been appointed, the Unsecured Creditors Committee shall have the sole right, power, and authority to prosecute any objection it shall deem appropriate to the Bank Group Claim (including the Secured Claims of Brenco and Douglas D. Brendle), including, without limitation, objections relating to the validity, priority and secured status of the Bank Group Claim. In the event the CMC is appointed, the CMC will retain the right to object to Claims after the Confirmation Date other than the Bank Group Claims, Claims allowed prior to Confirmation or Claims allowed pursuant to this Plan in order to have the Bankruptcy Court determine the amount and treatment of any Claim. In the event

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the CMC is not appointed, the Debtors, and after the Effective Date, the Reorganized Company, will retain the right to object to Claims after the Confirmation Date, other than Claims allowed prior to Confirmation or pursuant to this Plan in order to have the Bankruptcy Court determine the amount and treatment of any Claim.

ARTICLE X

RELEASES, TERMINATIONS AND SETTLEMENTS OF CLAIMS

10.1 Discharge and Release by Holders of Claims and Interests. Provided no Creditor Management Committee has been appointed and except for the obligations imposed by the Plan, and except as otherwise provided in this Plan with respect to CIT, and all claims of CIT, including the CIT Administrative Claim against Brendle's Stores, Inc., or the Reorganized Company, all liens and security interests of CIT on assets and property of Brendle's Stores, Inc., or the Reorganized Company, and all

liabilities and obligations of Brendle's Stores, Inc. or the Reorganized Company to CIT, effective as of the Effective Date, the distributions and rights that are provided in the Plan shall be in complete satisfaction, discharge, and release of (i) all Claims against, liabilities of, liens on, obligations of, and interests in the Debtors or Reorganized Company and the assets and properties of the Debtors or Reorganized Company, whether known or unknown, and (ii) all Causes of Action, whether known or unknown, either directly or derivatively through the Debtors or Reorganized Company, against successors and assigns of the Debtors, affiliates of the Debtors, and present and former stockholders, directors, officers, agents, attorneys, advisors, financial advisors, investment bankers, and employees of the Debtors based on the same subject matter as any Claim or Interest. In no event shall the claims of CIT, including the CIT Administrative Claim, against Brendle's Stores, Inc., or the Reorganized Company, or the liens and security interests of CIT on the assets and properties of Brendle's Stores, Inc., or the Reorganized Company, or the liabilities or obligations of Brendle's Stores, Inc. or the Reorganized Company, be satisfied, released or discharged, nor shall the provisions of the Loan Documents or the DIP Order be canceled or terminated unless and until the time when CIT shall have received indefeasible payment in Cash in full of the CIT Administrative Claim (except as otherwise agreed by Brendle's Stores, Inc., and CIT with respect to the CIT Letter of Credit Administrative Claim as contemplated by Section 3.2 (iii) and (iv) hereof) and all other claims of CIT based on all Obligations of Brendle's Stores, Inc., to CIT or arising under or pursuant to the CIT Revolving Credit Agreement, any other Loan Documents or the DIP Order.

The discharge and release provided herein shall be effective in each case as of the Effective Date regardless of whether a proof of Claim or interest was filed, whether or not Allowed, or based on any act or omission, transaction or other activity or security instrument or other agreement of any kind or nature occurring, arising or existing prior to the Effective Date, that was or could have been the subject of any Claim or Interest, in each case regardless of whether a proof of Claim or interest was filed, whether or not Allowed or whether or not the holder of the Claim or Interest has voted on the Plan. Furthermore, but in no way limiting the generality of the foregoing, except for the obligations imposed by the Plan and except as

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otherwise provided in the Plan with reference to CIT, any entity accepting any distribution or retaining any Interest pursuant to the Plan shall be presumed conclusively to have released the Debtors and Reorganized Company, successors and assigns of the Debtors, affiliates of the Debtors, present and former stockholders, directors, officers, agents, attorneys, advisors, financial advisors, investment bankers, and employees of the Debtors, and any entity claimed to be liable derivatively through any of the foregoing, from any Cause of Action based on the same subject matter as the Claim or Interest on which the distribution is received. This release shall be enforceable as a matter of contract against any entity that accepts any distribution pursuant to the Plan. The provisions of this Paragraph 10.1 are subject to deletion, in whole or in part, by the Debtors or the Court at or prior to Confirmation if such provisions, in the opinion of the Debtors or the Court, constitute an impediment to Confirmation. Any such deletion shall be contained in the Confirmation Order.

10.2 Termination of Guaranties and Claims of Subordination.

The classification of and the manner of satisfying, all Claims under the Plan take into consideration the possible existence of any alleged guaranty by either Debtor of obligations of any entity or entities, including the other Debtor, and that the Debtors may be joint obligor(s) with another entity or entities with respect to the same obligation, as well as any contention by Creditors or holders of Interests that the Claims of other Creditors or other holders of Interests may be subordinated to their Claims or Interests by contract or by the certificates or articles of incorporation or by-laws of one or more of the Debtors. Upon Substantial Consummation achieved by the cash distributions required by Paragraphs 3.5(c), 3.6(c) and 3.9(c), all Claims against the Debtors based upon or having any benefit of any such guaranty, joint liability, or subordination shall be satisfied, discharged and released in the manner provided in the Plan, and Creditors shall be entitled to only one distribution, and no duplicative or multiple recovery, with respect to any underlying obligation of the Debtors.

Except as otherwise provided in the Plan and to the fullest extent permitted by applicable law, all Claims against and interests in the Debtors, and all rights and Claims between or among Creditors or holders of Interests relating in any manner whatsoever to Claims against or interests in the Debtors, based on any contractual, legal or equitable subordination rights, shall be terminated on the Effective Date and discharged in the manner provided in the Plan, and all such Claims, Interests and rights so based and all such contractual, legal and equitable subordination rights to which any entity may be entitled shall be irrevocably waived by the acceptance by such entity (or the Class of which such entity is a member) of the Plan or of any distribution pursuant to the Plan.

Except as otherwise provided by the Plan, pursuant to Bankruptcy Rule 9019 and any applicable state law and as consideration for the distributions and other benefits provided under the Plan, the provisions of this Paragraph 10.2 shall constitute a good faith compromise and settlement of any causes of action or controversies relating to the matters described in this Paragraph 10.2 which could be brought by any holder of a Claim or Interest against or involving another holder of a Claim or Interest or other released entity, which compromise and settlement is in the best interests of Creditors and is fair, equitable and reasonable. This settlement shall

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be approved by the Bankruptcy Court as a settlement of all such Causes of Action and controversies. The Bankruptcy Court's approval of this Plan shall constitute an approval of this settlement pursuant to Bankruptcy Rule 9019 and shall constitute a finding that this is a good faith settlement pursuant to any applicable state law, given and made after due notice and opportunity for hearing, and shall bar any such cause of action by any holder of a Claim or Interest against or involving another holder of a Claim or Interest or other Released Entity. The provisions of this Paragraph 10.2 are subject to deletion, in whole or in part, by the Debtors or the Court at or prior to Confirmation if such provisions, in the opinion of the Debtors or the Court, constitute an impediment to Confirmation. Any such deletion shall be contained in the Confirmation Order.

10.3 Survival of Indemnification Obligations. Upon Substantial Consummation, notwithstanding anything to the contrary contained in this Plan, the obligations of each of the Debtors to indemnify the present or former directors, officers,

agents, employees and representatives pursuant to their respective certificates of incorporation, by-laws, contractual obligations or any applicable laws in respect of all past, present and future actions, suits and proceedings against any of such directors, officers, agents, employees and representatives based upon any act or omission related to service with, for or on behalf of any of the Debtors shall not be discharged or impaired by confirmation or consummation of this Plan, but shall survive unaffected by the reorganization contemplated by this Plan and shall be performed and honored in full. The provisions of this Paragraph 10.3 are subject to deletion, in whole or in part, by the Debtors or the Court at or prior to Confirmation if such provisions, in the opinion of the Debtors or the Court, constitute an impediment to Confirmation. Any such deletion shall be contained in the Confirmation Order.

10.4 Preferences. Upon Substantial Consummation achieved by the cash distributions required by Paragraphs 3.5(c), 3.6(c) and 3.9(c), all preference actions that the Debtors or Reorganized Company have commenced or could have commenced pursuant to Section 547, and all rights to withhold any distribution on account of the receipt of any payment that is recoverable under Section 547 shall be deemed waived irrevocably. In the event the CMC is appointed, there shall be no waiver of preference claims.

10.5 Bank Group Release. Upon Substantial Consummation, in consideration of the settlements made by the Bank Group upon its Claims and other good and sufficient consideration, the Debtors, their successors and assigns, and each of their agents, officers, directors, shareholders and all those claiming through the Debtors will be deemed to have released, quitclaimed, and forever discharged the Bank Group, and each of its agents, officers, directors, shareholders, representatives, successors and assigns, from any and all actions, causes of action, demands, debts, contracts, agreements, accounts, liabilities, obligations, costs, expenses, fees, damages, claims, demands, and anything else whatsoever, at law or in equity, whether known or unknown, whether for tort, lender liability, contract, fraud or otherwise, which any of the Debtors ever had, now has, or may in the future have against any member of the Bank Group arising from or relating to negotiations and documentation of the transaction giving rise to the Bank Group's Claim and management and collection thereof by the Bank Group or its agents or

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employees, to and through the Effective Date. In the event the CMC is appointed, there shall be no release of the Bank Group (including Douglas D. Brendle and Brenco) and the Unsecured Creditors Committee shall have the right, power and authority to assert and enforce any and all Causes of Action against the Bank Group (including Douglas D. Brendle and Brenco), if any, that arose either before or after the filing date including all Bankruptcy Causes of Action.

ARTICLE XI

EFFECTUATION AND SUPERVISION OF PLAN

11.1 Retention of Jurisdiction. The business and assets of the Debtors shall remain subject to the jurisdiction of the Bankruptcy Court until the Effective Date and the Court shall retain jurisdiction to approve and issue all orders which the Court deems necessary or appropriate with respect to the Reorganization Credit Facility. Provided the CMC has not been appointed, from and after the Effective Date, until the closing

of the Chapter 11 cases by the Bankruptcy Court pursuant to Section 350(a) and Bankruptcy Rule 3022, the Bankruptcy Court shall retain jurisdiction over the Reorganized Company and the Chapter 11 cases for purposes of determining all disputes and other issues presented by or arising under the Plan, including, without limitation, jurisdiction (a) to determine any and all disputes relating to Claims in the allowance and amount thereof, (b) to determine any and all disputes among Creditors with respect to their Claims, (c) to consider and allow any and all applications for compensation for professional services rendered and disbursements incurred in connection therewith, (d) to determine any and all applications, motions, adversary proceedings, any contested or litigated matters pending on the Effective Date and arising and/or relating to the Chapter 11 cases or the Plan, (e) to confirm the Plan as Modified pursuant to Section 1127(b) or to remedy any defect or omission or reconcile any inconsistency in the Confirmation Order, (f) to enforce the provisions of the Plan relating to the distributions to be made hereunder, (g) to issue such orders, consistent with Section 1142, as may be necessary to effectuate consummation and full and complete implementation of the Plan, including, without limitation, appropriate orders to protect the Reorganized Company against actions taken by holders of Claims or interests, (j) to determine any Bankruptcy Causes of Action not compromised or released by the Plan, (k) to determine the final amounts allowable as compensation or reimbursement of expenses pursuant to Section 503(b), and (l) to resolve any dispute after the Effective Date relating to any bills submitted by any professional employed pursuant to Order of the Bankruptcy Court. In the event the CMC has been appointed, the Bankruptcy Court shall maintain power, authority and jurisdiction over the Debtors and Estate Property to the same extent as prior to Confirmation (except as otherwise provided in this Plan) to hear and determine claims or interests, proceedings, and any disputes arising in or related to the priorities in and distribution of the assets or property of the estates to the holders of claims or interests, as provided by and in accordance with the Bankruptcy Code. Except as provided in the Plan

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regarding the Reorganization Fund, distributions by the CMC shall be in accordance with the priorities of the Bankruptcy Code and pursuant to Court Order.

11.2 Unsecured Creditors Committee. Ninety days following Substantial Consummation, or such other date as the Court directs, the Unsecured Creditors Committee shall cease to exist and its members and employees or agents (including, without limitation, attorneys, financial advisors, accountants, and other professionals) shall be released and discharged from all further authority, duties, responsibilities, and obligations relating to and arising from and in connection with these Chapter 11 cases. Additionally, the Unsecured Creditors Committee, the respective present or former members thereof and the respective employees or agents (including, without limitation, attorneys, financial advisors, accountants, and other professions) thereof shall not have or incur any liability to the Debtors, the Reorganized Company, any Creditor, holder of an interest, other party in interest or any other entity for any act or omission, whether known or unknown, arising out of or relating to the Chapter 11 cases or the Debtors except for gross negligence or willful misconduct, and, in all respects, they shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities and shall be deemed to have acted in good faith and so relying. In the event the CMC is appointed, the Unsecured Creditors Committee shall continue in existence for the limited

purpose of resolving disputes between the Bank Group and the Unsecured Creditors Committee as described in Paragraphs 5.2.2, 9.4, and 10.5 and it shall cease to exist upon the termination and discharge of the CMC or such other time as the Court may deem appropriate.

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 Compliance with Tax Requirements. In connection with the Plan, the Debtors and Reorganized Company will comply with all withholding and reporting requirements imposed by federal, state and local taxing authorities, and all distributions hereunder shall be subject to such withholding and reporting requirements.

12.2 Binding Effect of Plan. The provisions of this Plan shall be binding upon and inure to the benefit of the Reorganized Company, any entity affected by this plan and their respective predecessors, successors, assigns, agents, officers and directors.

12.3 Non-voting Stock. In accordance with Section 1123(a)(6), the Certificates of Incorporation of the Reorganized Company shall contain a provision prohibiting the issuance of non-voting equity securities by the Reorganized Company for a period of one (1) year following the Consummation Date.

12.4 Authorization of Corporate Action. The entry of a Confirmation Order shall constitute a direction and authorization to and of the Debtors and the Reorganized Company to take or cause to be taken any corporate action necessary or appropriate to consummate the provisions of this Plan prior to and through Substantial Consummation (including, without

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limitation, taking such action as may be necessary or appropriate to provide for the funding necessary to retire Creditor Claims as provided herein).

12.5 Modification of this Plan. Except as provided above as a basis of Default, the Debtors and the Reorganized Company reserve their rights to modify this Plan in accordance with Section 1127.

12.6 Captions. Article and Paragraph captions used in this Plan are for convenience only and will not affect the construction of this Plan.

12.7 Method of Notice. All notices required to be given under this Plan, if any, shall be in writing and shall be sent by first class mail, postage prepaid, or by overnight courier:

If to the Debtors, to:

Brendle's Stores, Inc.
1919 N. Bridge Street Extension
Elkin, NC 28621
Attn: David Renegar

with copies to:

Allman Spry Humphreys & Leggett, P.A.
380 Knollwood Street, Suite 700
Winston-Salem, NC 27103-4152

Any of the above may, from time to time, change its address for future notices and other communications hereunder by filing a notice of the change of address with the Bankruptcy Court. Any and all notices given under this Plan shall be effective when received.

12.8 Reservation. If the Plan is not confirmed by the Bankruptcy Court for any reason, the rights of all parties in interest in the Chapter 11 Cases will be reserved in full. Furthermore, any concession reflected herein is made for purposes of the Plan only, and if the Plan does not become effective, no party in interest in the Chapter 11 Cases shall be bound or deemed prejudiced by any such concession, including a vote which accepts the Plan. Nothing contained in the Plan waives or shall be deemed to waive any rights of any holder of an Allowed Claim in the classes represented by any supporter of the Plan to object to any provisions of the Plan, all such rights being expressly reserved.

12.9 Savings Clause. If any clause or provision of this Plan is determined by the Bankruptcy Court to be improper or ineffective, the Plan, at the request of the Debtors, may be confirmed without that clause or provision.

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Respectfully submitted this the 10th day of November, 1993.

BRENDLE'S INCORPORATED

By: S/ Douglas D. Brendle

Douglas D. Brendle, Chairman and
Chief Executive Officer

BRENDLE'S STORES, INC.

By: S/ Douglas D. Brendle

Douglas D. Brendle, Chairman and
Chief Executive Officer

S/ R. Bradford Leggett
R. Bradford Leggett, State Bar No. 2697
C. Edwin Allman, III, State Bar No. 8625
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