History and Evolution of T.J.

In the spring of 1977, Allen Hoffman was employed as a salesman of corrugated box products. Through his business contacts, Mr. Hoffman was informed that Bethlehem Steel was interested in selling Halpern Company, one of its subsidiaries. Halpern Company, which was doing business as Halco, was a manufacturer and distributor of Halloween and Santa Claus costumes under the brand Halco. Based on Mr. Hoffman's analysis of the financial and operating information of Halpern Company, he secured a $10,000 loan to purchase substantially all of the assets, including the tradename. On May 2, 1977, Mr. Hoffman incorporated T.J. Corporation for the specific purpose of purchasing the assets of Halpern Company.

When T.J. Corporation began doing business as Halco in May 1977, the Company had approximately ten (10) employees. The Company conducted its operating activities from a building located in New Eagle, Pennsylvania, that had originally been constructed as a roller skating rink before it had been converted to a Civil Defense facility. During its first year of operations, the Company generated approximately $250,000 of revenues.

back in business operating

Pennsylvania, Charleroi, Pennsylvania, and Monongahela

having all of its operating facilities, inventory and raw materials destroyed in the fire, Halco managed to quickly reestablish operations and keep all of its customers.

In 1987, Mr. Hoffman acquired and began leasing to the Company an old roller skating rink located in Belle Vernon, Pennsylvania. In 1989, the Company added approximately 15,000 square feet of warehouse and storage space. In 1989, the Company employed approximately 25 people. As of the valuation date, the Company employed 30 plant employees and six (6) full-time administrative/management employees.

Product Lines

Since shortly after the formation of T.J. Corporation, the Company has focused its manufacturing and sales activities on Santa Claus suits and related holiday accessories. Management estimates that, as of the valuation date, Halco possesses approximately 85% of the world-wide Santa Claus suit market. When the Company opened in 1977, it manufactured approximately five (5) or six (6) Santa Claus suits. As of the valuation date, the Company manufactured a total of 35 different costumes, including twelve (12) different Santa Claus suits. According to its 2001 price list, its least expensive Santa

sales price of $310, and is [illegible]

trim, is satin lined, and includes a zipper coat with belt loop[illegible]

hat, a naugahyde belt with loop, naugahyde boot tops with longhair plush cuffs and white nylon gloves.

In addition to manufacturing and selling Santa Claus suits, the Company also sells a line of Mrs. Claus, Santa's helpers, and elf suits. To support its line of Santa Claus suits and related costumes, the Company sells various accessories, such as: Santa suit stuffer (so that Santa has an appropriately large belly), rectangular and round Santa glasses, men's and ladies' Santa vests, jingle bells and door chimes, Santa's toy bag, Santa wigs and beard sets, and holiday aprons.

To meet the demands of its retail customers, the Company also manufactures and distributes stockings, from 6" mini-stockings to 60" huge, plush stockings, tree skirts, and table covers. Although Halco manufactures most of the products it sells, it imports a variety of accessories, such as stockings, tree skirts and table covers, to meet the demands of certain of its customers for low price products. Management estimates that approximately 3% of its total revenues are generated through sales of imported merchandise.

children and has a list price of [illegible]

percentage of total revenues, Halco's sale of Easter [illegible] representing between $60,000 and $70,000 of revenue annually. Although not listed in the Company's brochure and price list, Halco has manufactured special order Hanukkah Harry suits in the past.

Position in Market

Management estimates that the size of the Santa Claus suit costume and related accessory market is between $2.5 million and $3 million annually. As previously discussed, Management estimates that it possesses approximately 85% of the Santa Claus suit market. Although Halco maintained a dominant position within the market as of the valuation date, it competes against a number of viable competitors (see discussion infra).

Customers

Halco generates its revenues through sales of its products to mass-merchandisers, mail order companies, mom-and-pop retail stores, and costume designers. Its mass-merchandiser customers include stores such as Family Dollar, Joann Fabric Stores, Toys

include party and paper supp

generally generate the highest profit margin because the

as the volumes purchased by mass-merchandisers and mail order companies and, therefore, do not warrant volume discounts.

While not a normal recurring customer, costume designers have purchased the Company's products in the past. When 20th Century Fox was designing costumes for the movie "Jingle All the Way," Halco provided them with 150 costumes which were then embellished and customized by the studio. Halco also had its Santa Claus costumes used in the "Jake and the Fat Man" television show and by other customers in the entertainment industry.

The Company has historically been dependant upon a small group of customers to generate a significant portion of its revenues. During its two most recent fiscal years, the Company's five largest customers generated approximately 30% and 43% of its revenues. During those same two years, its two largest customers generated approximately 32% and 21% of its total revenues, respectively.

("UPS") and Federal Express. Management estimates that 90% of its products are shipped FOB shipping point.

Employees and Labor Relations

As previously stated, the Company employs approximately 30 plant employees. Those employees are subject to a Collective Bargaining Agreement between the Company and Teamsters Local Union #872. That Agreement was effective March 1, 1999 and expires on February 28, 2002.

Management characterizes its relationship with its employees as good. The Company prides itself on retaining its employees, and has one employee who has been working continuously with the Company, or its predecessor company, for 50 years. The last labor stoppage resulting from a strike occurred in 1978 or 1979 and lasted three months.

Key Management

The key members of T.J. Corporation's management include:

Allen Hoffman – Mr. Hoffman, age 68, is the President of the Company and is responsible for the overall executive management, administration and operations

of the Company. Mr. Hoffman is responsible for generating relationships with many of the Company's core customer base, and remains involved in maintaining relationships with customers.

Terri Greenberg – Ms. Greenberg, age 44, is the Vice-President of Marketing and has been employed by the Company since 1992. Ms. Greenberg is responsible for the overall marketing activities of the Company. She attends tradeshows and conventions, handles relationships with independent sales representatives, and works closely with the sales representatives on their accounts. Ms. Greenberg is also involved in the development of new products and catalogs. In addition to her sales and marketing functions, Ms. Greenberg is also responsible for the day-to-day office and administrative activities of the Company.

Kevin Henry – Mr. Henry, age 48, is the General Manager of Halco and has been employed by the Company since 1994. Mr. Henry is responsible for the day-to-day operations of Halco, including purchasing materials, overseeing manufacturing activities, running the shipping department and hiring and firing plant employees.