THIS DISCLOSURE STATEMENT IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE DEBTORS AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS' ~~FIRST~~SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE HAS APPROVED A DISCLOSURE STATEMENT UNDER SECTION 1125 OF TITLE 11 OF THE UNITED STATES CODE. THIS PROPOSED DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL ONLY AND HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	**Chapter 11**
	)	
Fleming Companies, Inc., et al.,[1]	)	
	)	**Case No. 03-10945 (MFW)**
Debtors.	)	**Honorable Mary F. Walrath**
	)	**(Jointly Administered)**
	)	

~~FIRST~~SECOND AMENDED DISCLOSURE STATEMENT IN SUPPORT OF DEBTORS' AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS' ~~FIRST~~SECOND AMENDED JOINT PLAN OF REORGANIZATION OF FLEMING COMPANIES, INC. AND ITS FILING SUBSIDIARIES UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE

IMPORTANT DATES

- Date by which Ballots must be received: [_____], 2004
- Date by which objections to Confirmation of the Plan must be filed and served: [_____], 2004
- Hearing on Confirmation of the Plan: [_____], 2004

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE SECOND AMENDED JOINT PLAN OF REORGANIZATION. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE BANKRUPTCY COURT HAS APPROVED THIS DISCLOSURE STATEMENT.

---

[1] The Debtors are the following entities: Core-Mark International, Inc.; Fleming Companies, Inc.; ABCO Food Group, Inc.; ABCO Markets, Inc.; ABCO Realty Corp.; ASI Office Automation, Inc.; C/M Products, Inc.; Core-Mark Interrelated Companies, Inc.; Core-Mark Mid-Continent, Inc.; Dunigan Fuels, Inc.; Favar Concepts, Ltd.; Fleming Foods Management Co., L.L.C., Fleming Foods of Texas, L.P.; Fleming International, Ltd.; Fleming Supermarkets of Florida, Inc.; Fleming Transportation Service, Inc.; Food 4 Less Beverage Company, Inc.; Fuelserv, Inc.; General Acceptance Corporation; Head Distributing Company; Marquise Ventures Company, Inc.; Minter-Weisman Co.; Piggly Wiggly Company; Progressive Realty, Inc.; Rainbow Food Group, Inc.; Retail Investments, Inc.; Retail Supermarkets, Inc.; RFS Marketing Services, Inc.; and Richmar Foods, Inc.

KIRKLAND & ELLIS LLP
James H. M. Sprayregen, P.C. (ARDC No. 6190206)
Richard L. Wynne (CA Bar No. 120349)
Janet S. Baer (ARDC No. 6182994)
Geoffrey A. Richards (ARDC No. 6230120)
Shirley S. Cho (CA Bar No. 192616)
200 East Randolph Drive
Chicago, IL 60601-6436
Telephone: (312) 861-2000
Facsimile: (312) 861-2200

PACHULSKI, STANG, ZIEHL, YOUNG,
JONES & WEINTRAUB P.C.
Laura Davis Jones (Bar No. 2436)
Ira D. Kharasch (CA Bar No. 109084)
Robert M. Saunders (CA Bar No. 226172)
Scotta E. McFarland (Bar No. 4184)
Christopher J. Lhulier (Bar No. 3850)
919 North Market Street, Sixteenth Floor, P.O. Box 8705
Wilmington, Delaware 19899-8705 (Courier No. 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

Co-Counsel for the Debtors and Debtors-in-Possession
Dated: ~~January 19,~~**March 26,** 2004

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE DEBTORS' AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS' ~~FIRST~~SECOND AMENDED JOINT PLAN OF REORGANIZATION OF FLEMING COMPANIES, INC. AND ITS FILING SUBSIDIARIES UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE ("PLAN") AS WELL AS CERTAIN OTHER DOCUMENTS AND FINANCIAL INFORMATION. THE FINANCIAL INFORMATION SUMMARIES AND OTHER DOCUMENTS ATTACHED HERETO OR INCORPORATED BY REFERENCE HEREIN ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THOSE DOCUMENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN, OR THE OTHER DOCUMENTS AND FINANCIAL INFORMATION INCORPORATED HEREIN BY REFERENCE, THE PLAN OR THE OTHER DOCUMENTS AND FINANCIAL INFORMATION, AS THE CASE MAY BE, SHALL GOVERN FOR ALL PURPOSES. CAPITALIZED TERMS USED HEREIN BUT NOT DEFINED HEREIN SHALL HAVE THE MEANINGS SET FORTH IN THE PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY CANADIAN SECURITIES ADMINISTRATOR ("CSA") OR ANY STOCK EXCHANGE, NOR HAS THE SEC, ANY CSA OR ANY STOCK EXCHANGE PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

MOREOVER, THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, OR LIABILITY, A STIPULATION OR A WAIVER BUT RATHER SHOULD BE CONSTRUED AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

THE DEBTORS MAKE THE STATEMENTS AND PROVIDE THE FINANCIAL INFORMATION CONTAINED HEREIN AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND EQUITY INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE DATE HEREOF UNLESS SO SPECIFIED. EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE SHOULD THEREFORE CAREFULLY REVIEW THE PLAN, THIS DISCLOSURE STATEMENT AND THE EXHIBITS TO BOTH DOCUMENTS IN THEIR ENTIRETY BEFORE CASTING A BALLOT. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. ALL PERSONS DESIRING SUCH ADVICE OR ANY OTHER ADVICE SHOULD CONSULT WITH THEIR OWN ADVISORS.

NO PARTY IS AUTHORIZED TO PROVIDE TO ANY OTHER PARTY ANY INFORMATION CONCERNING THE PLAN OTHER THAN THE CONTENTS OF THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS SHOULD NOT RELY ON ANY INFORMATION, REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN YOUR ACCEPTANCE OF THE PLAN THAT ARE OTHER THAN, OR INCONSISTENT WITH, THE INFORMATION CONTAINED HEREIN AND IN THE PLAN.

THE DEBTORS' MANAGEMENT HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR BEST EFFORTS TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED.

UNLESS OTHERWISE SPECIFIED, ALL REFERENCES TO "DOLLARS" OR "$" SHALL BE DEEMED TO REFER TO UNITED STATES DOLLARS.

ALL CAPITALIZED TERMS IN THIS DISCLOSURE STATEMENT THAT ARE NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS GIVEN TO THEM IN THE PLAN.

Table of Contents

Exhibit 11 Class 5 Preferred Interests Term Sheet

I. SUMMARY

On the Petition Date, the following companies filed petitions under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware: Core-Mark International, Inc.; Fleming Companies, Inc.; ABCO Food Group, Inc.; ABCO Markets, Inc.; ABCO Realty Corp.; ASI Office Automation, Inc.; C/M Products, Inc.; Core-Mark Interrelated Companies, Inc.; Core-Mark Mid-Continent, Inc.; Dunigan Fuels, Inc.; Favor Concepts, Ltd.; Fleming Foods Management Co., O.K., Fleming Foods of Texas, L.P.; Fleming International, Ltd.; Fleming Supermarkets of Florida, Inc.; Fleming Transportation Service, Inc.; Food 4 Less Beverage Company, Inc.; Fuelserv, Inc.; General Acceptance Corporation; Head Distributing Company; Marquise Ventures Company, Inc.; Minter-Weisman Co.; Piggly Wiggly Company; Progressive Realty, Inc.; Rainbow Food Group, Inc.; Retail Investments, Inc.; Retail Supermarkets, Inc.; RFS Marketing Services, Inc.; and Richmar Foods, Inc. Collectively, these entities are referred to herein as the "Debtors."

The Debtors are operating their businesses and managing their properties as debtors and debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

As of the Petition Date, the Debtors were one of the largest distributors of consumable goods in the United States, supplying food, food-related and general merchandise products to approximately 45,000 retail locations throughout the continental United States, Hawaii, Western Canada, and the Caribbean, with distribution centers throughout the country. As of the Petition Date, the Debtors employed over 15,000 people.

As of the Petition Date, the Debtors' distribution business operated within two overall lines of business — (i) wholesale grocery distribution (the "Wholesale Distribution Business"), which supplied a full line of products to grocery stores, discount stores, supercenters and specialty retailers, and (ii) convenience store wholesale distribution ("Fleming Convenience"), which supplied (and continues to supply) products to traditional convenience retailers. The majority of Fleming Convenience is operated under the corporate name of Core-Mark International, Inc. and its subsidiaries Core-Mark Interrelated Companies, Inc., Core-Mark Mid Continent Inc., Minter-Weisman Co., and Head Distributing Co., and the Debtors' other related convenience store operations. Pursuant to section 363 of the Bankruptcy Code, the Bankruptcy Court approved the sale of the Wholesale Distribution Business to C&S Acquisition, LLC (C&S), which sale closed on August 23, 2003 and generated an initial net amount of $237 million and is expected to generate additional sums in the future for the Debtors' estates. The sale to C&S did not include or otherwise affect the assets of Fleming Convenience. By the proposed Second Amended Joint Plan of Reorganization (the "Plan"), the Debtors seek to reorganize their operations around Fleming Convenience.

The Debtors' third line of business, consisting of retail operations, has been discontinued, and the Debtors have either sold or closed all of their retail grocery stores.

Chapter 11 of the Bankruptcy Code allows a debtor to sponsor a plan of reorganization that proposes how to dispose of a debtor's assets and treat claims against, and interests in, such debtor. A plan of reorganization typically may provide for a debtor-in-possession to reorganize by continuing to operate, to liquidate by selling assets of the estate or to implement a combination of both. As mentioned above, the Plan is a reorganizing plan.

Why You Are Receiving This Document

The Bankruptcy Code requires that the party proposing a chapter 11 plan of reorganization prepare and file with the Bankruptcy Court a document called a "disclosure statement." **THIS DOCUMENT IS THE DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") FOR THE PLAN. THE DISCLOSURE STATEMENT INCLUDES CERTAIN EXHIBITS ~~AND A SUPPLEMENT~~, EACH OF WHICH IS INCORPORATED HEREIN BY REFERENCE.**

Please note that any terms not specifically defined in this Disclosure Statement have the meanings ascribed to them in the Plan, and any conflict arising therefrom shall be governed by the Plan.

This Disclosure Statement summarizes the Plan's content and provides information relating to the Plan and the process the Bankruptcy Court will follow in determining whether to confirm the Plan. The Disclosure Statement

also discusses the events leading to the Debtors' filing their Chapter 11 Cases, describes the main events that have occurred in the Debtors' Chapter 11 Cases, and, finally, summarizes and analyzes the Plan. The Disclosure Statement also describes certain potential U.S. and Canadian Federal income tax consequences to Holders of Claims and Equity Interests, voting procedures and the confirmation process.

The Bankruptcy Code requires a disclosure statement to contain "adequate information" concerning the Plan. In other words, a disclosure statement must contain sufficient information to enable parties who are affected by the Plan to vote intelligently for or against the Plan or object to the Plan, as the case may be. The Bankruptcy Court has reviewed this Disclosure Statement and has determined that it contains adequate information and may be sent to you to solicit your vote on the Plan.

All Creditors should carefully review both the Disclosure Statement and the Plan before voting to accept or reject the Plan. Indeed, Creditors should not rely solely on the Disclosure Statement but should also read the Plan. Moreover, the Plan provisions will govern if there are any inconsistencies between the Plan and the Disclosure Statement.

A. Plan Overview

1. Purpose - Reorganization

The purpose of the Plan is to provide the Debtors with a capital structure that can be supported by cash flows from operations. The Debtors believe that the reorganization contemplated by the Plan is in the best interests of their creditors as a whole. If the Plan is not confirmed, the Debtors believe that they will be forced either to file an alternate liquidating plan of reorganization or to liquidate under Chapter 7 of the Bankruptcy Code. In either event, the Debtors believe that the Debtors' unsecured creditors would realize a less favorable distribution of value, or, in certain cases, none at all, for their Claims. *See Article ~~X~~ VIII hereof and the Liquidation Values set forth in the Best Interest Test analysis ~~in the Disclosure Statement Supplement~~ attached hereto as Exhibit 4.*

2. Substantive Consolidation

On the Effective Date, each of the Debtors' estates will be substantively consolidated pursuant to section 105(a) of the Bankruptcy Code for the limited purposes of allowance, treatment and distributions under the Plan. As a result of the substantive consolidation, on the Effective Date, all property, rights and claims of the Debtors shall be deemed pooled for purposes of allowance, treatment and distributions under the Plan. *See Section VI.F.21 hereof.*

3. Creation of Core-Mark Newco and the Post Confirmation Trust

The Plan will provide for the reorganization of the Debtors centered around their ~~r~~ Fleming Convenience businesses through the formation of a new entity, Core-Mark Newco, as outlined in more detail in Section VI.B.2 herein. Additionally, the Debtors' remaining assets and liabilities will be transferred to the Post Confirmation Trust, which will have the responsibility for liquidating such assets, pursuing causes of action and reconciling and paying claims, as outlined in more detail in Section VI.F.8 herein.

4. Summary of Plan Treatment

Unclassified Claims	Plan Treatment
Administrative	

Unclassified Claims	Plan Treatment
Claims:[2]	Subject to the provisions of sections 330(a) and 331 of the Bankruptcy Code, each Holder of an Allowed Administrative Claim, including Holders of Allowed Approved Trade Creditor Lien Claims, but excluding Claims for Professional Fees, will be paid the full unpaid amount of such Allowed Administrative Claim in Cash (i) on the Effective Date or as soon as practicable thereafter, or (ii) if such Administrative Claim is Allowed after the Effective Date, as soon as practicable after the date such Claim is Allowed, or (iii) upon such other terms as may be agreed upon by such Holder and the applicable Reorganized Debtor or otherwise upon an order of the Bankruptcy Court; provided that Allowed Administrative Claims including Allowed Approved Trade Creditor Lien Claims representing obligations incurred in the ordinary course of business or otherwise assumed by the Debtors or Reorganized Debtors pursuant hereto will be assumed on the Effective Date and paid or performed by the applicable Reorganized Debtor when due in accordance with the terms and conditions of the particular agreements governing such obligations. Except as provided in the Plan, Holders of Administrative Claims that arose on or before October 31, 2003 ~~shall file an Administrative Claim on or before the First Administrative Bar Date pursuant~~ to **which** the First Administrative Bar Date ~~Order. Except as provided in the Plan,~~**did not apply and** Holders of Administrative Claims that arose after October 31, 2003 that have not been paid as of the Effective Date, must file an Administrative Claim by the Second Administrative Bar Date. If an Administrative Claim is not timely filed by the First Administrative Bar Date or the Second Administrative Bar Date, as applicable, then such Administrative Claim shall be forever barred and shall not be enforceable against the Debtors or the Reorganized Debtors, their successors, their assigns or their property. The foregoing requirements to file Administrative Claims by the relevant bar date shall not apply to the (i) Administrative Claims of Professionals retained pursuant to sections ~~327 and~~**327, 328 and 363** of the Bankruptcy Code; (ii) expenses of members of the Official Committee of Unsecured **Creditors and the Official Committee of Reclamation** Creditors; (iii) all fees payable and unpaid under 28 U.S.C. § 1930; (iv) any fees or charges assessed against the estates of the Debtors under 28 U.S.C. § 123; (v) Intercompany Claims between Debtors and their affiliates; and (vi) Administrative Claims arising in the ordinary course of business relating to inventory, services or supplies provided by trade vendors or service providers which are paid or payable by the Debtors in the ordinary course of business. An objection to an Administrative Claim filed pursuant to this provision must be filed and properly served within 220 days after the Effective Date. The Debtors and the Post Confirmation Trustee, as applicable, reserve the right to seek an extension of such time to object. All Professionals that are awarded compensation or reimbursement by the Bankruptcy Court in accordance with sections 330, 331 or 363 of the Bankruptcy Code that are entitled to the priorities established pursuant to sections 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code, shall be paid in full, in Cash, the amounts allowed by the Bankruptcy Court: (a) on or as soon as reasonably practicable following the later to occur of (i) the Effective Date; and (ii) the date upon which the Bankruptcy Court order allowing such Claim becomes a Final Order; or (b) upon such other terms as may be mutually agreed upon between such Professional and the Reorganized Debtors. On or before the Effective Date and prior to any distribution being made under the Plan, the Debtors shall escrow into the Professional Fee Escrow Account,

[2] Includes any claim for costs and expenses of administration pursuant to ~~S~~sections 503(b), 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, but not limited to: (a) the actual and necessary costs and expenses incurred after the petition date of preserving the estates and operating the businesses of the Debtors (such as wages, salaries or commissions for services and payments for goods and other services and leased premises); (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed pursuant to ~~S~~sections 328, 330(a) or 331 of the Bankruptcy Code or otherwise for the period commencing on the petition date and ending on the effective date of the Plan; and (c) all fees and charges assessed against the estates pursuant to Chapter 123 of Title 28 United States Code, 28 U.S.C. §§ 1911 through 1930. This excludes Reclamation Claims.

Unclassified Claims	Plan Treatment
	the Carve-Out and the Additional Carve-Out as outlined in the Final DIP Order and any additional estimated accrued amounts owed to Professionals through the Effective Date. Except as otherwise provided by Court order for a specific Professional, Professionals or other entities requesting compensation or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b) and 1103 or 363 of the Bankruptcy Code for services rendered prior to the Confirmation Date must file and serve an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Court. Any objection to the Claims of Professionals shall be filed on or before thirty (30) days after the date of the filing of the application for final compensation. **Allowed Administrative Claims which shall be paid in full under the Plan are currently estimated to be in the range of $96-~~$135~~ to 125 million as of the Effective Date.**
Priority Tax Claims	~~Each Holder of an~~**In** *full satisfaction, settlement, release, and discharge of,* and in exchange for, each Allowed Priority Tax Claim that is due and payable on or prior to the Effective Date~~shall be paid in *full satisfaction, settlement, release, and discharge of* and in exchange for such~~; (a) if payment of the Allowed Priority Tax Claim is not secured or guaranteed by a surety bond or other similar undertaking, commencing on the Effective Date or as soon as practicable thereafter, the Holder of such Claim shall be paid the principal amount of such Claim plus simple interest on any outstanding balance from the Effective Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Effective Date, in quarterly deferred Cash payments over a period not to exceed six years after the date of assessment ~~in accordance with § 1129(a)(9)(C) of the Bankruptcy Code with interest at a rate agreed~~tax on which such Claim is based, unless the Debtor and Holder mutually agree to ~~by the parties~~a different treatment or ~~set~~as otherwise ordered by the Court. (b) if payment of the Allowed Priority Tax Claim is secured or guaranteed by a surety bond or other similar undertaking, the Holder of the Allowed Priority Tax Claim shall be required to seek payment of its Claim from the surety in the first instance and only after exhausting all right to payment from its surety bond or other similar undertaking shall the Holder be permitted to seek payment from the Debtors under this Plan as a holder of an Allowed Priority Tax Claim and the remainder, if any, owing on an Allowed Claim after deducting all payments received from the surety shall be treated as outlined in paragraph (a) above. To the extent the surety pays the Allowed Priority Tax Claim in full, the Priority Tax Claim shall be extinguished. The surety's Claim against the Debtors for reimbursement is not entitled to be paid as a Priority Tax Claim hereunder. To the extent the surety holds no security for its surety obligations, it shall have a Class 6 Claim and shall be paid in accordance with section III.B.8. of the Plan. To the extent the surety holds security for its surety obligations, the surety shall have a Class 3(A) Claim under the Plan and be paid in accordance with section III.B.3. of the Plan. **Allowed Priority Tax Claims which shall be paid in full under the Plan are currently estimated to be in the range of $~~10~~11 to $~~20~~13 million as of the Effective Date.**[3]
DIP Claims:	On the Effective Date, or as soon as practicable thereafter, each Holder of an Allowed DIP Claim shall be paid in full in Cash in full satisfaction, settlement, release and discharge of and in exchange for each and every Allowed DIP Claim, unless such Holder consents to other

[3] This estimate does not include account payable and accrued liabilities incurred in the ordinary course of business and carried through the Effective Date by Core-Mark Newco.

Unclassified Claims	Plan Treatment
	treatment. **Allowed DIP Claims, which are comprised of letters of credit outstanding and which shall be paid in full under the Plan, are currently estimated to be in the range of ~~$130-$135~~ 25 to 30 million, as of the Effective Date.**

Class	Claim	Plan Treatment of Class
1(A)	Other Priority Non-Tax Claims	~~On the Effective Date, *or as soon as practicable thereafter,* each Holder of an Allowed Other Priority Non Tax Claim shall be paid in~~In full satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Other Priority Non-Tax Claim that is due and ~~every Allowed Other Priority Non-Tax~~payable on or prior to the Effective Date, on the Effective Date *or as soon as practicable thereafter*, the Holder of such Claim ~~in Cash in full,~~shall be paid the principal amount of such Claim unless ~~such~~the Holder ~~agrees~~consents to other treatment. **The class is unimpaired and is deemed to accept.** **Allowed Class 1 Claims which shall be paid in full under the Plan are currently estimated to be in the range of $8~~6~~ to $15 million as of the Effective Date.**
1(B)	Property Tax Claims	In full satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Property Tax Claim that is due and payable on or prior to the Effective Date, commencing on the Effective Date or as soon as practicable thereafter, the Holder of such Allowed Property Tax Claim shall be paid the principal amount of such Claim plus simple interest on any outstanding balance from the Effective Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Effective Date, in quarterly deferred Cash payments over a period not to exceed six years after the date of assessment of the tax on which such Claim is based, unless the Debtor and Holder mutually agree to a different treatment. The Class is impaired and entitled to vote. Allowed Property Tax Claims, which shall be paid in full under the Plan, are currently estimated to be in the range of $5 to 6 million as of the Effective Date.
2	Pre-Petition Lenders' Secured Claims	On the Effective Date, or as soon as practicable thereafter unless such Holder consents to other treatment, each Holder of an Allowed Pre-Petition Lenders' Secured Claim shall be paid in full and shall either (i) assign its liens in the Debtors' assets to the lender under the Exit Financing Facility ~~Agreement~~ or (ii) assign its liens in the Debtors' assets to Core-Mark Newco which liens as assigned shall have the same validity and priority as such liens held by the Holders of the Class 2 Claims, and which liens as assigned shall be subject to further transfer to the Post Confirmation Trust, as applicable. **The class is unimpaired and is deemed to accept.** **Allowed Class 2 Claims which shall be paid in full under the Plan are currently estimated to be $0200 to 220 million as of the Effective Date.**
3		
3(A)	Other Secured Claims that are not Class 1(B) Claims	On the Effective Date or as soon as practicable thereafter, each Holder of an Allowed Other Secured Claim that is not a Class 1(B) Claim (e.g. PMSI Holders, equipment financing lenders, etc.) shall receive one of the following treatments, at

Class	Claim	Plan Treatment of Class
		the Debtors' option, such that they shall be rendered unimpaired pursuant to section 1124 of the Bankruptcy Code: (i) the payment of such Holder's Allowed Other Secured Claim in full, in Cash; (ii) payment of the sale or disposition proceeds of the property securing such Allowed Other Secured Claim to the extent of the value of the Holder's interest in such property; or (iii) the surrender to the Holder of the property securing such Claim. **The class is unimpaired and is deemed to accept.** **Allowed Class 3(A) Claims are currently estimated to be in the range of $750,000 to $2 million as of the Effective Date.**
3(B)	Approved Trade Creditor Reclamation Lien Claims	On the Effective Date, or as soon as practicable thereafter~~, Core-Mark Newco or~~ the Post Confirmation Trust~~, as applicable,~~ shall issue ~~a promissory note~~the Class 3B Preferred Interests in favor of the Holders of Allowed Approved Trade Creditor Reclamation Lien Claims in the estimated aggregate amount of such Allowed Claims under the terms and conditions outlined in the Class 3B Preferred Interests Term Sheet (with the interests to be reissued as such Claims are Allowed by Final Order or settlement) and grant a first priority lien to such Holders on the Post Confirmation Trust Distributable Assets entitling each Holder of an Allowed Approved Trade Creditor Reclamation Lien Claim to its Ratable Proportion of the Post Confirmation Trust Distributable Assets up to the total amount of each Holders' Allowed Approved Trade Creditor Reclamation Lien Claim, in full satisfaction, settlement, release and discharge of each Allowed Approved Trade Creditor Reclamation Lien Claim, unless such Holder agrees to other treatment, and subject at the Debtors' option, to reduction for unpaid post-petition deductions, preference payments and other applicable setoff rights. As additional security for the Class 3B Preferred Interests, Core-Mark Newco shall provide a junior secured guarantee under the terms outlined in the Class 3B Preferred Interests Term Sheet. **The class is impaired and entitled to vote.** **Allowed Class 3(B) Claims are currently estimated to be in the range of ~~$13~~ ~~$92~~43 to 55 million prior to setoffs which may be available to the Debtors as of the Effective Date and will be paid in full under the Plan by the Post Confirmation Trust or Core-Mark Newco as outlined in the Class 3(B) Preferred Interests Term Sheet.**
3(C)	DSD Trust Claims	~~(i) In the event that the DSD Trust Claim Holders obtain a Final Order in their favor in the pending litigation allowing their Claims, on the later of (a) the Effective Date or as soon as practicable thereafter; or (b) the date the DSD Trust Claim Holders obtain a Final Order allowing their Claims or as soon as practicable thereafter, each~~**Each** Holder of an Allowed DSD Trust Claim shall be paid in full satisfaction, settlement, release and discharge of each Allowed DSD Trust Claim in Cash ~~in full, unless such Holder agrees to other treatment, subject, at the Debtors' option to reduction for unpaid post petition deductions, preference payments and other applicable setoff rights. In the event the DSD Trust Claim Holders do not prevail in their litigation, all Allowed DSD Trust Claims shall be treated as Class 6 General Unsecured Claims hereunder~~**Ratable Proportion of the DSD Settlement Fund as outlined in the DSD Settlement Agreement. The class is ~~unimpaired~~impaired and ~~is deemed~~entitled to ~~accept~~vote.** ~~Allowed Class 3(C) Claims are currently estimated to~~ **The DSD Settlement Fund shall be in the ~~range~~amount of ~~$0 to $22~~17.5 million~~ as of the Effective Date.**
4	PACA/PASA	

Class	Claim	Plan Treatment of Class
	Claims:[4]	~~On the Effective Date, *or as soon as practicable thereafter,* unless such Holder agrees to other treatment, each Holder of an Allowed PACA/PASA Claim shall be paid in~~In full satisfaction, settlement, release, and discharge of, and in exchange for, each ~~and every~~ Allowed PACA/PASA Claim ~~in Cash in full from the previously established PACA trust or from Core Mark Newco to the extent the PACA trust~~that is ~~insufficient~~due and payable on or prior to ~~satisfy all the Allowed PACA/PASA Claims with any remaining proceeds~~Effective Date, on the Effective Date *or as soon as practicable thereafter*, the Holder of such Claim shall be paid the principal amount of such Claim unless the ~~PACA~~Holder ~~trust~~consents to ~~be distributed to Core Mark Newco~~other treatment. **The class is unimpaired and is deemed to accept.** **Allowed Class 4 Claims which shall be paid in full under the Plan are currently estimated to be in the range of ~~$9~~ $8 to $14 million as of the Effective Date.**
5	Valid Reclamation Claims that are not Class 3(B) Claims	To the extent the Court determines that the Holders of Reclamation Claims that are not Class 3(B) Claims are entitled to priority treatment, on the Effective Date, or as soon as practicable thereafter, ~~Core Mark Newco or~~ the Post Confirmation Trust, ~~as applicable~~, shall issue ~~a promissory note~~the Class 5 Preferred Interests in favor of such Holders in the estimated aggregate amount of their Allowed Claims (with the interests to be reissued as such Claims are Allowed by Final Order or settlement) and grant a second priority lien on the Post Confirmation Trust Distributable Assets entitling each Holder to its Ratable Proportion of the Post Confirmation Trust Distributable Assets, after all Class 3(B) Claims are paid in full. As additional security for the Class 5 Preferred Interests in the event the Court determines that the Holders of Class 5 Claims are entitled to priority treatment, Core-Mark Newco shall provide a junior guarantee under the terms outlined in the Class 5 Preferred Interests Term Sheet. In the event the Court denies the Holders of Reclamation Claims that are not Class 3(B) Claims priority treatment, such Reclamation Claims shall be treated as Class 6 Claims hereunder. . and any ballots cast by Holders of Class 5 Claims shall be counted as ballots cast by Holders of Class 6 Claims. The class is impaired and entitled to vote. **Allowed Class 5 Claims are currently estimated to be in the range of [$0- to ~~$150~~80 million prior to giving affect to all of the Debtors' prepetition deductions as of the Effective Date and to the extent the Court determines the Holders of Class 5 Claims are entitled to priority treatment, the Holders of Class 5 claims will be paid in full under the Plan by the Post-Confirmation Trust or Core-Mark Newco as outlined in the Class 5 Preferred Interests Term Sheet.**[5]
6	General Unsecured Claims other than Convenience Claims	On the Effective Date, or as soon as practicable thereafter, each Holder of an Allowed General Unsecured Claim other than Convenience Claims, shall be paid in full satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed General Unsecured Claim other than Convenience Claims, at the Debtors' option, in one or a combination of the following manners: (i) issuance of a Ratable Proportion of the New Common Stock subject to dilution from the

[4] Includes claims asserted pursuant to the Perishable Agricultural Commodities Act, 7 U.S.C. §499a et seq. ("~~"~~PACA~~""~~), the Packers and Stockyard Act, 7 U.S.C. §181 et seq. ("~~"~~PASA~~"?~~), or state statutes or similar import.

[5] ~~As per the November 21, 2003 Reclamation Claims Summary report filed with the Court by the Debtors, this estimate is net of setoff of prepetition deductions.~~

Class	Claim	Plan Treatment of Class
		issuance of warrants to the Tranche B Lenders ~~or the shares of New Common Stock issued upon the conversion of Preferred Stock issued pursuant to the Rights Offering, if applicable,~~ and through the Management Incentive Plan; and/or (ii) in the event the Debtors, with the consent of the Creditors Committee, elect to sell some or all of their assets as outlined herein, a Ratable Proportion of Cash remaining from the sale of such assets after all of the Allowed Unclassified Claims and Claims of Holders in Classes 1 through 5 have been satisfied in full. As additional consideration, each Holder of an Allowed General Unsecured Claim shall be entitled to a Ratable Proportion of Excess Proceeds (as defined in the Post Confirmation Trust Agreement), if any, available from the Post Confirmation Trust after payment by the Post Confirmation Trust of all claims and obligations required to be made by the Post Confirmation Trust under the Plan, the Post Confirmation Trust Agreement, or otherwise, as set forth in the Post Confirmation Trust Agreement. ~~Further, in the event the Debtors utilize a Rights Offering, each Holder of a General Unsecured Claim that is listed on the Rights Participation Schedule shall be entitled to receive in exchange for such Holders' Claim its Equity Subscription Rights for shares of Preferred Stock as outlined in Section VII.B. of the Plan, and Exhibit 6 herein.~~ **The class is impaired and is entitled to vote.** **Allowed Class 6 Claims are currently estimated to be in the range of $2.6-$3.2 billion as of the Effective Date. Based on this estimated range of Allowed Claims and the estimated value of the New Common Stock, the Holders of Class 6 Claims shall be receiving stock in Core-Mark Newco with a value equal to approximately 4% to 7% of the Allowed Amount of each such Holders' Claim.**
7	Convenience Claims	On or as soon as practicable after the Effective Date, each Holder of an Allowed Class 7 Claim shall receive, in full and final satisfaction of such claim, a cash distribution equal to 10% of the amount of its Class 7 Claim, *provided however*, the aggregate amount of such Allowed Class 7 Claims shall not exceed $10,000,000. If the aggregate amount of the Allowed Class 7 Claims exceeds $10,000,000, each Holder of an Allowed Class 7 Claim shall receive its Ratable Proportion of $1,000,000. **The class is impaired and is entitled to vote.** **Allowed Class 7 Claims are currently estimated to be in the range of $5-$10 million as of the Effective Date.**
8	Equity Interests:	Receives no distribution and are canceled. **The class is fully impaired and deemed to reject.**
9	Intercompany Claims	Receives no distribution and are canceled. **The class is fully impaired and deemed to reject.**
10	Other Securities Claims and Interests	Receives no distribution and are cancelled and discharged. **The class is fully impaired and deemed to reject.**

THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE BANKRUPTCY COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON ALL CLAIM AND EQUITY INTEREST HOLDERS.

5. Executory Contracts and Unexpired Leases

Immediately prior to the Confirmation Date, except as otherwise provided herein, all executory contracts or unexpired leases of the Debtors will be deemed rejected in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code except those executory contracts and unexpired leases **that** (i) have been previously rejected or assumed by Order of the Bankruptcy Court, (ii) are subject to a pending motion to reject or assume**; or** (iii) are ~~executory contracts and unexpired leases related to the Wholesale Distribution Business for which the Option Period to assume or reject such executory contract or unexpired lease has not yet expired or (iv) are~~ specifically listed on the Assumption Schedule **to be** filed with the ~~Plan Supplement~~**Court 15 days prior to the Voting Deadline**. The Debtors, with the consent of the Creditors' Committee, reserve the right for 30 days after the Confirmation Date to modify the Assumption Schedule to add Executory Contracts or Leases or remove Executory Contracts or Leases from such Assumption Schedule. The Debtors shall provide appropriate notice to any party added or removed from the Assumption Schedule after the Confirmation Date, and any such party removed from the Assumption Schedule shall have thirty days from the receipt of such notice to file a proof of claim with the Bankruptcy Court.

B. Voting and Confirmation

Each Holder of a Claim in Classes **1(B), 3(B), 3(C),** 5, 6 and 7 will be entitled to vote either to accept or reject the Plan. Classes **1(B), 3(B), 3(C),** 5, 6 and 7 shall have accepted the Plan if: (i) the Holders of at least two-thirds in dollar amount of the Allowed Claims actually voting in each such Class have voted to accept the Plan and (ii) the Holders of more than one-half in number of the Allowed Claims actually voting in each such Class have voted to accept the Plan. Assuming the requisite acceptances are obtained, the Debtors intend to seek confirmation of the Plan at the Confirmation Hearing scheduled to commence on [_____], 2004 before the Bankruptcy Court. Notwithstanding the foregoing, the Debtors will seek Confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to the Impaired Classes presumed to reject the Plan and reserve the right to do so with respect to any other rejecting Class or to modify the Plan in accordance with Article XIII.D of the Plan.

Article III of this Disclosure Statement specifies the deadlines, procedures and instructions for voting to accept or reject the Plan and the applicable standards for tabulating Ballots. The Bankruptcy Court has established [_____], 2004, (the "Voting Record Date") as the date for determining which Holders of Claims are eligible to vote on the Plan. Ballots will be mailed to all registered Holders of Claims as of the Voting Record Date who are entitled to vote to accept or reject the Plan. An appropriate return envelope will be included with your Ballot, if necessary. Beneficial Holders of Claims who receive a return envelope addressed to their bank, brokerage firm or other Nominee, or any agent thereof, (each, a "Nominee") should allow sufficient time for the Nominee to receive their votes ~~and~~, process them on a Master Ballot **and forward them to the Solicitation Agent** before the Voting Deadline, as defined below.

The Debtors have engaged the Solicitation Agent to assist in the voting process. The Solicitation Agent will answer questions, provide additional copies of all materials and oversee the voting tabulation. The Solicitation Agent will also process and tabulate ballots for each Class entitled to vote to accept or reject the Plan. The "Solicitation Agent" is Bankruptcy Management Corporation, 1330 E. Franklin Avenue, El Segundo, California 90245, (888) 909-0100 (toll free).

~~1. Time and Place of the Confirmation Hearing~~

~~The hearing at which the Bankruptcy Court will determine whether to confirm the Plan will take place on [ ], 2004 at : .m., PREVAILING EASTERN TIME, in the United States Bankruptcy Court, District of Delaware, before the Honorable Mary F. Walrath, United States Bankruptcy Judge.~~

~~2. *Deadline for Voting For or Against the* Plan~~

~~If you are entitled to vote, it is in your best interest to vote timely on the enclosed ballot (the "Ballot") and return the Ballot in the enclosed envelope to the Solicitation Agent.~~

TO NO LATER THAN 5:00 P.M., PREVAILING EASTERN TIME, ON [ ], 2004 (THE "VOTING DEADLINE"), UNLESS THE BANKRUPTCY COURT EXTENDS OR WAIVES THE PERIOD DURING WHICH VOTES WILL BE ACCEPTED BY THE DEBTORS, IN WHICH CASE THE TERM "VOTING DEADLINE" FOR SUCH SOLICITATION SHALL MEAN THE LAST TIME AND DATE TO WHICH SUCH SOLICITATION IS EXTENDED. ANY EXECUTED BALLOT OR COMBINATION OF BALLOTS REPRESENTING CLAIMS IN THE SAME CLASS OR SUBCLASS HELD BY THE SAME HOLDER THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE PLAN SHALL NOT BE COUNTED. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE MAY NOT BE COUNTED IN THE DISCRETION OF THE DEBTORS AND THE CREDITORS' COMMITTEE. BE COUNTED, THE SOLICITATION AGENT MUST RECEIVE YOUR BALLOT (OR MASTER BALLOT OF YOUR NOMINEE HOLDER) INDICATING ACCEPTANCE OR REJECTION OF THE PLAN

THE DEBTORS AND THE CREDITORS' COMMITTEE BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF ALL OF THEIR CREDITORS AS A WHOLE. THE DEBTORS AND THE CREDITORS' COMMITTEE THEREFORE RECOMMEND THAT ALL HOLDERS OF CLAIMS SUBMIT BALLOTS TO ACCEPT THE PLAN.

At the Debtors' request, the Bankruptcy Court has established certain procedures for the solicitation and tabulation of votes on the Plan. They are described in the Order entitled "Order (A) Approving Disclosure Statement; (B) Scheduling A Hearing To Confirm The Plan; (C) Establishing A Deadline For Objecting To The Plan; (D) Approving Form Of Ballots, Voting Deadline And Solicitation Procedures; And (E) Approving Form And Manner Of Notices" and the "Notice Of (I) Entry Of Order Approving Disclosure Statement; (II) Hearing To Confirm Plan Of Reorganization; And (III) Related Important Dates" (the "Confirmation Hearing Notice") that accompany this Disclosure Statement as Exhibit 2.

3. Deadline for Objecting to the Confirmation of the Plan

Objections to Plan confirmation must be filed with the Bankruptcy Court and served upon the following, so that they are ***actually received*** on or before [ ] p.m. Prevailing Eastern Time on [ ], 2004.

Counsel to the Debtors
Kirkland & Ellis LLP
777 South Figueroa Street
Los Angeles, California 90017
Attn: Richard L. Wynne, Esq.
Shirley S. Cho, Esq.

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
Attn: Geoffrey A. Richards, Esq.
Janet S. Baer, Esq.

Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C.
919 N. Market Street, Sixteenth Floor
Post Office Box 8705
Wilmington, Delaware 19899-8705 (Courier 19801)
Attn: Laura Davis Jones, Esq.
Christopher J. Lhulier, Esq.

United States Trustee
Office of the United States Trustee
Joseph McMahon, Esq.
844 N. King Street, Second Floor
Wilmington, Delaware 19801

Counsel for the Creditors Committee

Pepper Hamilton LLP
100 Renaissance Center
Detroit, Michigan 48243
Attn: I. William Cohen, Esq.
Robert Hertzberg, Esq.

Milbank, Tweed, Hadley & McCloy LLP
1 Chase Manhattan Plaza
New York, New York 10005
Attn: Dennis Dunne, Esq.
Paul S. Aronzon, Esq.

C. Risk Factors

Prior to deciding whether and how to vote on the Plan, each Holder of a Claim should consider carefully all of the information in this Disclosure Statement and should particularly consider the Risk Factors described in Article IX hereof.

~~D. Identity of Persons to Contact for More Information~~

~~Any interested party desiring further information about the Plan should contact: Counsel for the Debtors: Kirkland & Ellis LLP, 777 South Figueroa Street, Los Angeles, California, via e-mail at scho@kirkland.com.~~

D. ~~E.~~ Disclaimer

1. Read This Disclosure Statement And The Plan Carefully

All creditors are urged to carefully read this Disclosure Statement, with all attachments and enclosures, in ~~their~~its entirety, in order to formulate an informed opinion as to the manner in which the Plan affects their Claims against the Debtors and to determine whether to vote to accept the Plan.

You should also read the Plan carefully and in its entirety. The Disclosure Statement contains a summary of the Plan for your convenience, but the terms of the Plan, itself, supersede and control the summary.

In formulating the Plan, the Debtors relied on financial data derived from their books and records. The Debtors therefore represent that everything stated in this Disclosure Statement is true to the best of their knowledge. We nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement.

The discussion in this Disclosure Statement regarding the Debtors may contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "believe," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The liquidation analyses, distribution projections and other information are estimates only, and the timing and amounts of actual distributions to creditors may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT IS, OR SHALL BE DEEMED TO BE, AN ADMISSION OR STATEMENT AGAINST INTEREST BY THE DEBTORS FOR PURPOSES OF ANY PENDING OR FUTURE LITIGATION MATTER OR PROCEEDING.

ALTHOUGH THE ATTORNEYS, ACCOUNTANTS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTORS HAVE ASSISTED IN PREPARING THIS DISCLOSURE STATEMENT BASED UPON FACTUAL INFORMATION AND ASSUMPTIONS RESPECTING FINANCIAL, BUSINESS AND ACCOUNTING DATA FOUND IN THE BOOKS AND RECORDS OF THE DEBTORS, THEY HAVE NOT INDEPENDENTLY VERIFIED SUCH INFORMATION AND MAKE NO REPRESENTATIONS AS TO THE ACCURACY THEREOF. THE ATTORNEYS, ACCOUNTANTS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTORS SHALL HAVE NO LIABILITY FOR THE INFORMATION IN THIS DISCLOSURE STATEMENT.

THE DEBTORS AND THEIR PROFESSIONALS ALSO HAVE MADE A DILIGENT EFFORT TO IDENTIFY IN THIS DISCLOSURE STATEMENT AND IN THE PLAN PENDING LITIGATION CLAIMS AND PROJECTED CAUSES OF ACTION AND OBJECTIONS TO CLAIMS. HOWEVER, NO

RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED CAUSE OF ACTION OR OBJECTION TO CLAIM IS, OR IS NOT, IDENTIFIED IN THIS DISCLOSURE STATEMENT OR THE PLAN. THE DEBTORS, THE REORGANIZED DEBTORS OR THE POST CONFIRMATION TRUST MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE LITIGATION CLAIMS AND PROJECTED CAUSES OF ACTION AND OBJECTIONS TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT OR THE PLAN IDENTIFIES ANY SUCH CLAIMS, CAUSES OF ACTION OR OBJECTIONS TO CLAIMS.

II. RECOMMENDATIONS

A. The Debtors And The Creditors' Committee Strongly Recommend That You Vote In Favor Of The Plan

The Debtors and the Creditors' Committee strongly recommend that you vote in favor of the Plan. Your vote on the Plan is important. Nonacceptance of the Plan may result in protracted delays, a chapter 7 liquidation or the confirmation of another less favorable chapter 11 plan. These alternatives may not provide for distribution of as much value to Holders of Allowed Claims as does the Plan. The Debtors and the Creditors' Committee believe that unsecured creditors will receive a greater distribution under the Plan than they would in a chapter 7 liquidation, as more fully discussed in "Alternatives to the Plan – Liquidation Under Chapter 7" below.

III. VOTING ON AND CONFIRMATION OF THE PLAN

A. ~~Voting And Ballots~~*Deadline for Voting For or Against the* Plan

~~IF YOU OWN ANY OF FLEMING'S OLD NOTES, PLEASE RETURN YOUR INDIVIDUAL BALLOT TO THE NOMINEE THAT SENT THE BALLOT TO YOU (AS DISCUSSED BELOW). ALL OTHER INDIVIDUAL BALLOTS SHOULD BE RETURNED *TO THE SOLICITATION AGENT.*~~

If one or more of your Claims is in a voting Class, the Debtors' solicitation agent, Bankruptcy Management Corporation ("Solicitation Agent") has sent you one or more individual Ballots, with return envelopes (WITHOUT POSTAGE ATTACHED) for voting to accept or reject the Plan. The Debtors and Creditors' Committee urge you to accept the Plan by completing, signing and returning the enclosed Ballot(s) in the return envelope(s) (WITH POSTAGE AFFIXED BY YOU), to the Solicitation Agent as follows ~~(the "Solicitation Agent")~~:

If by hand delivery/courier:	If by U.S. mail:
Bankruptcy Management Corporation	Bankruptcy Management Corporation P.O. Box 900
1330 E. Franklin Avenue	El Segundo, CA 90245-0900
El Segundo, CA 90245	Attn: Fleming Solicitation Agent
Attn: Fleming Solicitation Agent	

~~or, if you beneficially own Old Notes through a Nominee or other Record Holder, such as a bank, brokerage firm or any other agent thereof and you received this Disclosure Statement directly from such Nominee, then you should return your ballot to such Nominee. You should allow for enough time so that the Nominee can receive your vote and present it on a Master Ballot before the Voting Deadline.~~

~~Ballots must be sent so that each Ballot is~~ RECEIVED ~~WITH AN ORIGINAL SIGNATURE (NOT A PHOTOCOPIED~~

~~OR FACSIMILE SIGNATURE) NO LATER THAN 5:00 P.M., PREVAILING EASTERN TIME, ON _____, 2004. IF YOU BENEFICIALLY OWN OLD NOTES THROUGH A NOMINEE OR OTHER RECORD HOLDER, SUCH AS A BANK, BROKERAGE FIRM OR ANY OTHER AGENT THEREOF AND YOU RECEIVED THIS DISCLOSURE STATEMENT DIRECTLY FROM SUCH NOMINEE, THEN YOU SHOULD RETURN YOUR BALLOT TO SUCH NOMINEE. YOU SHOULD ALLOW FOR ENOUGH TIME SO THAT THE NOMINEE CAN RECEIVE YOUR VOTE, REFLECT IT ON A MASTER BALLOT AND RETURN THE MASTER BALLOT *TO THE SOLICITATION AGENT* BEFORE THE VOTING DEADLINE.~~

~~*TO NO LATER THAN 5:00 P.M., PREVAILING EASTERN TIME, ON [ ], 2004 (THE "VOTING DEADLINE"). UNLESS THE BANKRUPTCY COURT EXTENDS OR WAIVES THE PERIOD DURING WHICH VOTES WILL BE ACCEPTED BY THE DEBTORS, IN WHICH CASE THE TERM "VOTING DEADLINE" FOR SUCH SOLICITATION SHALL MEAN THE LAST TIME AND DATE TO WHICH SUCH SOLICITATION IS EXTENDED. ANY EXECUTED BALLOT OR COMBINATION OF BALLOTS REPRESENTING CLAIMS IN THE SAME CLASS OR SUBCLASS HELD BY THE SAME HOLDER THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE PLAN SHALL NOT BE COUNTED. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE MAY NOT BE COUNTED IN THE DISCRETION OF THE DEBTORS AND THE CREDITORS' COMMITTEE. BE COUNTED. THE SOLICITATION AGENT MUST RECEIVE YOUR BALLOT (OR MASTER BALLOT OF YOUR NOMINEE HOLDER) INDICATING ACCEPTANCE OR REJECTION OF THE* PLAN~~

Detailed voting instructions are printed on and/or accompany each Ballot. Any Ballot and Master Ballot sent by mail must be received ~~before the first mail collection~~ by the Solicitation Agent ~~*after the Voting Deadline,* and any~~no later than 5:00 p.m. Eastern Time on the Voting Deadline. Any Ballot or Master Ballot received ~~after such first mail collection~~*after the Voting Deadline,* shall not be counted, subject to the discretion of the Debtors

and the Creditors' Committee. Any Ballot or Master Ballot sent by any other means must be physically received by the Solicitation Agent or a Nominee, as the case may be, by the Voting Deadline or it shall not be counted. Any unsigned Ballot or any Ballot that has no original signature, including any Ballot received by facsimile or other electronic means, or any Ballot with only a photocopy of a signature shall not be counted. Any Ballot that is not clearly marked as voting for or against the Plan, or marked as both voting for and against the Plan, shall not be counted. Any Ballot that is properly completed and timely received shall not be counted if such Ballot was sent in error to, or by, the voting party, because the voting party did not have a Claim that was entitled to be voted in the relevant Voting Class as of the Voting Record Date. A Beneficial Holder (but not an entity voting acting in a fiduciary capacity and on behalf of more than one Beneficial Holder, such as a Nominee) that is voting more than one Claim in a Voting Class must vote all of its Claims within a particular Voting Class either to accept or to reject the Plan and may not split its vote in the same Voting Class, and thus, any Ballot (or Ballots in the same Voting Class) of a Beneficial Holder that partially rejects and partially accepts the Plan shall be deemed as accepting the Plan. Whenever a Holder of a Claim in a Voting Class casts more than one Ballot voting the same Claim prior to the Voting Deadline, the last Ballot physically received by the Solicitation Agent or a Nominee, as the case may be, prior to the Voting Deadline shall be deemed to reflect the voter's intent and thus shall supersede and replace any prior cast Ballot(s), and any prior cast Ballot(s), shall not be counted. **The Debtors, in consultation with the Committee, without notice, subject to contrary order of the Court, may waive any defect in any Ballot or Master Ballot at any time, either before or after the close of voting, and without notice. Such determinations will be disclosed in the voting report and any such determination by the Debtors and the Committee shall be subject to de-novo review by the Court.**

The Debtors and the Creditors' Committee filed their ~~First~~Second Amended Joint Plan of Reorganization of Fleming Companies, Inc. and its Filing Subsidiaries Under Chapter 11 of the United States Bankruptcy Code **[Docket No. __]**; and the Bankruptcy Court has entered the Solicitation Order requested thereby, which, among other things, approved the voting procedures addressed herein. You should carefully read the Solicitation Order, which is annexed hereto as Exhibit 2. It establishes, among other things: (a) the deadlines, procedures and instructions for voting to accept or reject the Plan; (b) the Voting Record Date, which is **[_____], 2004** (c) the applicable standards for tabulating Ballots; (d) the deadline for filing objections to Confirmation of the Plan; and (e) the date and time of the Confirmation Hearing (also set forth below).

The Solicitation Order should be referred to if you have any questions concerning the procedures described herein. If there are any inconsistencies or ambiguities between this Disclosure Statement and the Solicitation Order, the Solicitation Order will control.

THE DEBTORS AND THE CREDITORS' COMMITTEE BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF ALL OF THEIR CREDITORS AS A WHOLE. THE DEBTORS AND THE CREDITORS' COMMITTEE THEREFORE RECOMMEND THAT ALL HOLDERS OF CLAIMS SUBMIT BALLOTS TO ACCEPT THE PLAN.

B. Confirmation Hearing For The Plan

The Bankruptcy Court has set a hearing on the Confirmation of the Plan (the "Confirmation Hearing") to consider objections to Confirmation, if any, commencing at _:__ _.m., **Prevailing Eastern Time** on _____ __, **2004,** in the United States Bankruptcy Court, 824 Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned, from time to time, without notice, other than an announcement of an adjourned date at such hearing or an adjourned hearing**, or by posting such continuance on the Court's docket**.

C. Any Objections To Confirmation Of The Plan

Any responses or objections to Confirmation of the Plan must be in writing (with proposed changes to the Plan being marked for changes, i.e., blacklined against the Plan), and must be filed with the Clerk of the Bankruptcy Court with a copy to the Court's Chambers, together with a proof of service thereof, and served on counsel for the Debtors, counsel for the Committee and the Office of United States Trustee **ON OR BEFORE** _____ __, **2004 at 5:00 P.M., Prevailing Eastern Time.** Bankruptcy Rule 3007 governs the form of any such objection.

Counsel on whom objections must be served are:

Counsel for the Debtors:
Kirkland & Ellis LLP
200 E. Randolph Drive
Chicago, Illinois 60601
Attn: Geoffrey A. Richards, Esq.
Janet S. Baer, Esq.

Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C.
919 N. Market Street, Sixteenth Floor
Post Office Box 8705
Wilmington, Delaware 19899-8705 (Courier 19801)
Attn: Laura Davis Jones, Esq.
Christopher J. Lhulier, Esq.

Counsel for the United States Trustee
Office of the United States Trustee
844 N. King Street, Second Floor
Wilmington, Delaware 19801
Attn: Joseph McMahon, Esq.

Counsel for the Official Committee of Unsecured Creditors
Milbank, Tweed, Hadley & McCloy
1 Chase Manhattan Plaza
New York, New York 10005
Attn: Dennis Dunne, Esq.
Paul S. Aronzon, Esq.

Pepper Hamilton LLP
100 Renaissance Center
Detroit, Michigan 48243
Attn: I. William Cohen, Esq.
Robert Hertzberg, Esq.

D. Questions About The Disclosure Statement, Plan Or Ballots

You may address any questions you have about this Disclosure Statement, the Plan or your Ballot(s) to general bankruptcy counsel for the Debtors:

Evan R. Gartenlaub, Esq.

Kirkland & Ellis LLP
200 E. Randolph Drive
Chicago, Illinois 60601
~~Attn: Evan Gartenlaub, Esq.~~
Tel.: (312) 861-~~2261~~2000
Fax: (312) 861-2200
~~Email: Egartenlaub@kirkland.com~~

Unsecured creditors may also address any questions they may have to counsel for the Creditors' Committee:

Dennis Dunne, Esq.
Milbank, Tweed, Hadley & McCloy
1 Chase Manhattan Plaza
New York, New York 10005
Tel: (212) 530-5000
Fax: (212) 530-5219
Email: ddunne@milbank.com

Dennis S. Kayes, Esq.
Pepper Hamilton LLP
100 Renaissance Center
Detroit, Michigan 48243
Tel: (313) 259-7110
Fax: (313) 259-7926
Email: kayesd@pepperlaw.com

IV. ORGANIZATION AND ACTIVITIES OF THE DEBTORS

A. Operations

As of the Petition Date, Fleming, together with its Debtor and non-debtor affiliates, was an industry leading distributor of consumable packaged goods in the United States. The Debtors' distribution business for both the Wholesale Distribution Business and the Convenience Business involved purchasing, receiving, warehousing, selecting, loading, delivering and distributing a wide variety of consumable items including groceries, meat, dairy, delicatessen products and packaged goods, as well as a variety of general merchandise such as health and beauty care items. As of the Petition Date, the Debtors' distribution network operated through 50 distribution centers. In 2002, the average number of stock-keeping units, or SKUs, carried in the Debtors' wholesale distribution centers ranged from 6,000 to 19,000 based on the size and focus of the specific distribution center. **The Wholesale Distribution Business assets were sold during the course of the Chapter 11 Cases as outlined below.**

Largely independent of its distribution segment, certain of the Debtor entities also maintained retail operations. As of the Petition Date, the retail segment operated approximately 100 stores under the Food 4 Less, Rainbow and yes!LESS® trade names, serving primarily middle and lower income consumers. The Debtors' retail establishments were concentrated in Texas, Arizona, Minnesota, New Mexico, Northern California, Utah, Wisconsin and Louisiana. The Debtors' retail operations have been discontinued, and all of the retail stores have since been sold or closed.

The Debtors' corporate headquarters are located in Lewisville, Texas, with accounting and information technology operations located in Oklahoma City, Oklahoma. The corporate headquarters of Fleming Convenience, which is a premier distributor of food and consumer products for convenience stores in North America, are located in San Francisco, California.

B. Debt Structure

1. Debt

The Debtors, and their non-debtor subsidiaries, historically have generated some of the cash necessary to finance operations by incurring certain debt obligations primarily through bank loans and through the issuance of a series of notes under indentures from time to time. Accordingly, the Debtors are party to prepetition financing arrangements including secured bank debt arising under a credit facility and obligations arising under a series of unsecured indentures. Each of the foregoing types of indebtedness is described more fully below.

2. Secured Debt

On June 18, 2002, Fleming entered into a $975 million secured credit facility with a syndicate of banks ~~led~~**agented** by Deutsche Bank **Trust Company Americas** and ~~J.P. Morgan~~**JPMorgan Chase Bank** (the "Pre-Petition Lenders") to refinance the then existing $850 million ~~Pre-Petition Credit Agreement~~**credit agreement**. Under the terms of the Pre-Petition Credit Agreement, the Pre-Petition Lenders made loans and advances to Fleming and issued or caused to be issued letters of credit on Fleming's behalf. The loans and advances were secured by first-priority security interests and liens on all or substantially all of the then existing and after-acquired accounts receivable, inventory, instruments and chattel paper evidencing accounts receivable (or into which any accounts receivable have been, or hereafter are, converted), securities, limited liability company interests, partnership interests, security entitlements, financial assets and investment property, and all proceeds and products of any and all of the foregoing (the "Prepetition Collateral"). The Prepetition Collateral includes all of the proceeds of the Prepetition Collateral~~,~~ existing before and after the commencement of these Cases.

As of the Petition Date, Fleming's entire obligation to the Pre-Petition Lenders under the Pre-Petition Credit Agreement totaled approximately $~~609~~**604** million. Of this entire obligation, $219 million was outstanding under the revolving loan, $239 million was outstanding under the term loan, and $146 million was outstanding under certain letters of credit issued on Fleming's account. **Subsequent to the Petition Date, an automatic step up provision in a letter of credit resulted in an increase of exposure in one letter of credit in an**

amount of $5 million. After such step up, the outstanding pre-petition indebtedness totaled $609 million, including $151 million of pre-petition letters of credit. Of the $609 million outstanding on the Petition Date, approximately $~~223.7~~ 28 million ~~remains~~is expected to be outstanding in funded debt on the Effective Date and approximately $~~59.7~~ 79 million ~~remains~~is expected to be outstanding in prepetition letters of credit~~.~~, which are supported by approximately $60 million of cash collateral as of January 29, 2004. See Section V.C.1b herein.

On April 24, 2003, the Bankruptcy Court approved an interim "bridge" debtor in possession loan facility of $50 million from the Pre-Petition Lenders (Docket No. 565), and on May 7, 2003, the Bankruptcy Court approved a final debtor in possession loan facility of $150 million (Docket No. 743). Both the interim DIP Credit Facility and the DIP Credit Facility are subject to borrowing base requirements and are secured by virtually all of the Debtors' assets on a superpriority basis. The DIP Credit Facility is paid off except for approximately $~~24.6~~25 million in outstanding letters of credit.

3. Unsecured Debt

Prior to the Petition Date, Fleming issued a series of unsecured notes under indentures. Each of these notes is guaranteed by the Fleming Ssubsidiaries.

Outstanding obligations under these indentures are as follows:

- **10 1/8% senior notes due in 2008.**

Under an Indenture dated as of March 15, 2001, Fleming issued its 10 1/8% senior notes due in 2008 in a principal amount of $355 million.

- **9 1/4% senior notes due in 2010.**

Under an Indenture dated as of June 18, 2002, Fleming issued its 9 1/4% senior notes due in 2010 in a principal amount of $200 million.

- **10 5/8% senior subordinated notes due in 2007 (two tranches).**

Under an Indenture dated as of October 15, 2001, Fleming issued two series of 10 5/8% senior subordinated notes due in 2007 in a principal amount of $400 million.

- **5 1/4% convertible senior subordinated notes due in 2009.**

Under an Indenture dated as of March 15, 2001, Fleming issued 5 1/4% convertible senior subordinated notes due in 2009 in a principal amount of $150 million. The holders of these notes may elect to convert these notes into the common stock of Fleming at an initial conversion price of $30.27 per share, subject to adjustment under certain circumstances as described in the Indenture.

- **9 7/8% senior subordinated notes due in 2012.**

Under an Indenture dated as of April 15, 2002, Fleming issued its 9 7/8% senior subordinated notes due in 2012 in a principal amount of $260 million.

Attached as Exhibit 6 is a listing of all known CUSIP numbers corresponding to the above notes.

4. Trade Debt

Debtors' businesses involve the resale of goods that are purchased from third party vendors.

The Debtors transacted business with vendors that are typically the sole suppliers of uniquely branded products for which there are no viable substitutes, such as food products from major food distributors, including, but not limited to, ConAgra Foods, Kraft and Nestle (collectively, the "Merchandise Suppliers"). In addition to the Merchandise Suppliers, the Debtors rely on other vendors to support their core business functions by way of administrative and ancillary support, such as production of advertising circulars for goods distributed.

The Debtors also contracted with transportation vendors to support their core business of distributing food and consumer products from their warehouses across the country to their customers in some 45,000 retail locations.

5. PBGC Debt

~~The~~**As of the Petition Date, the** Debtors sponsor**ed** five tax qualified defined benefit pension plans ~~that are currently underfunded~~. With respect to each of these plans, the Pension Benefit Guaranty Corporation (the "PBGC") has filed Administrative Claims for missed minimum funding contributions, unfunded benefit liabilities and missed PBGC premium payments. The PBGC estimates ~~the~~**that its** claims total approximately $400 million. The Debtors dispute **both** the categorization and amount**s** of these claims. The Debtors believe that most, if not all, of the claims are General Unsecured Claims and that the entire General Unsecured Claim will be substantially less than the PBGC estimate. Benefits under four of the pension plans have been frozen for a number of years, and benefits ~~on~~**under** the fifth plan ~~will be~~**were** frozen as of December 31, 2003. The Debtors ~~are attempting to terminate~~**commenced distress termination application proceedings for** all five pension plans, ~~either through direct petition to the PBGC or otherwise through the Bankruptcy Court,~~**on October 31, 2003,** in order to relieve themselves of future funding obligations towards these plans. ~~Settlement negotiations~~**On February 12, 2004, by agreement between Fleming and the PBGC, the PBGC became the Trustee of the Fleming Companies, Inc. Pension Plan (the "Fleming Pension Plan") and the Fleming Pension Plan was terminated as of January 1, 2004. Discussions between the Debtors and the PBGC** with respect to ~~all of~~ the ~~above~~**Debtors' other four pension plans (the "Existing Pension Plans")** are ~~on-going~~**ongoing**.

The PBGC asserts that, as a matter of law, the Existing Pension Plans may not be rejected in bankruptcy. Rather, they may be terminated only in accordance with the Employee Retirement Income Security Act ("ERISA"), and only if certain financial distress tests are met. In the event that the Existing Pension Plans are not terminated in accordance with ERISA prior to the Effective Date, the PBGC asserts that the Existing Pension Plans will remain on-going as of and after the Effective Date, and that the Debtors, Reorganized Debtors, and each member of the Debtors' control groups (as defined under 29 U.S.C. § 1301(a)(14)) will be liable and responsible for the Existing Pension Plans as required by applicable statutory and regulatory requirements. The Debtors believe the Existing Pension Plans will either be terminated prior to the Effective Date or rejected as of *the Effective Date. Alternatively, the* Debtors may agree to not terminate or otherwise reject the Existing Pension Plans as a result of their discussions with the PBGC regarding the treatment, priority and amount of the PBGC's claims.

6. Potential Environmental Liabilities

Core Mark Newco and the Reorganized Debtors will continue to comply post-Effective Date with environmental requirements, including any remediation requirements, applicable to facilities it will own or operate post-Effective Date. The Debtors have no known environmental remediation liabilities at such facilities other than certain ongoing remediation activities related to underground tanks at several facilities as to which C&S has yet to determine whether it will assume, assign or reject the Leases for those facilities. The Debtors are aware of a few Claims that have been asserted against them for prepetition environmental liabilities which, if Allowed, will be treated as Class 6 Claims under the Plan.

C. Pre-Petition Operational Restructuring Efforts

Prior to the filing of these Chapter 11 Cases, the Debtors attempted several cost-cutting measures designed to increase their competitiveness and focus on their core competencies, including consolidating distribution

operations, reducing overhead and operating expenses by centralizing functions at the Debtors' headquarters in Dallas, Texas, and by selling their retail grocery operations.

V. THE CASES

A. Events Leading to the Chapter 11 Cases

Both the wholesale food distribution and retail food industries are highly competitive. Generally, the consumable goods industry is marked by bulk sales with low profit margins. Consequently, even the slightest price changes have significant economic implications. Given the recent instability of the national economy, the Debtors' businesses have suffered greatly.

In February 2003, Kmart Corporation, then the largest customer of the Debtors' Wholesale Distribution Business, moved in its chapter 11 case in the Northern District of Illinois to reject its supply agreement with Fleming. In 2002, Kmart accounted for approximately twenty percent (20%) of Fleming's net sales, and Kmart listed Fleming as its single largest supplier of food and consumable products in its bankruptcy pleadings, accounting for in excess of $3.0 billion of total sales per annum.

The subsequent termination of the Kmart supply agreement as well as the disputes over the amount of Fleming's claim for damages exacerbated existing liquidity issues. In addition, the negative marketplace perceptions lead to tightening of the credit terms offered to the Debtors by their suppliers which, in turn, directly led to decreased liquidity.

Given the Debtors' liquidity crises, the Debtors attempted to renegotiate with their Pre-Petition Lenders and Agents to reach an agreement ~~and~~to amend the terms of the Pre-Petition Credit Facility in order to provide liquidity and to avoid Debtors' default under the Pre-Petition Credit Agreement. The Debtors were unsuccessful in renegotiating that amendment prior to the Petition Date.

Furthermore, the Debtors were unable to meet a March 28, 2003 deadline for the filing of their Form 10-K Annual Report with the SEC. On the Petition Date, the Debtors were obligated to make a scheduled $18 million interest payment to the holder of the 10 1/8% Senior Notes, which the Debtors did not make. The Debtors filed for bankruptcy protection under Chapter 11 of ~~the~~ title 11 of the United States Code on April 1, 2003 (the "Petition Date").

B. The Auction and Sale Process For the Wholesale Distribution Assets &and Plans for Fleming Convenience Assets

1. Auction and Sale Process for Wholesale Distribution Assets

Certain of the Debtors[65] began an auction process after the Petition Date for the sale of the assets of the Wholesale Distribution Business. C&S Wholesale Grocers, Inc., a Vermont corporation ("C&S"), placed the largest initial bid and became the "stalking horse" bidder in the auction process. Solicitations were sent out, but no other qualified bids were received pursuant to the bidding procedures order dated July 18, 2003.

The Bankruptcy Court approved the asset purchase agreement with C&S (the "C&S Purchase Agreement") by its sale order dated August 15, 2003. The C&S transaction ~~initially~~ closed August 23, 2003. Pursuant to the C&S Purchase Agreement, C&S, its affiliates or third parties designated by C&S ~~may~~had the option to have the Debtors acquire or reject certain assets of the Wholesale Distribution Business and ~~may~~had the option to assume and assign or reject contracts related to the Wholesale Distribution Business on a continual basis over a six-month ~~O~~option ~~P~~period. Such ~~Option Period will expire~~option period expired on February 23, 2004.

[65] ~~This includes~~ Fleming, Fleming Transportation Service, Inc., Fleming International Ltd., Piggly Wiggly Company, RFS Marketing Services, Inc., Fleming Foods Of Texas L.P., Fleming Foods Management Co., L.L.C., ABCO Food Group, Inc., ABCO Markets, Inc. and ABCO Realty Corp.

2. ~~Plans for~~Operations of Fleming Convenience Businesses and Plans for Assets

The Fleming Convenience businesses are one of two national wholesale distribution businesses serving the convenience retail industry in the United States and Western Canada and the second largest in North America. The Fleming Convenience Businesses, headquartered in South San Francisco, California, provide distribution and logistics services as well as value-added programs to over 19,500 customer locations (many customers own multiple locations) of a variety of store formats including traditional convenience retailers, mass merchandisers, drug stores, liquor stores, specialty stores and other stores that carry convenience packaged goods.

Fleming Convenience operates 22 high velocity distribution centers servicing 38 states and five Canadian provinces that have a total of 2.6 million square feet of total warehouse space. Fleming Convenience supplies a broad line of approximately 55,800 stock-keeping units ("SKUs") including cigarettes and tobacco products as well as dry, frozen and chilled food products, health and beauty care products ("HBC") and general merchandise products. Fleming Convenience also offers a broad array of value-added information and data services that enable customers to more effectively manage product movement as well as merchandising and sales functions.

Pursuant to the Plan, the Debtors intend to restructure around the Fleming Convenience ~~assets pursuant to the Plan under which Core-Mark Newco shall be formed~~business as ~~detailed~~outlined in ~~the Plan~~more detail in section VI.F.8 herein.

C. Significant Case Events

1. Summary of Significant Motions

The following summarizes significant motions that have been filed in the Chapter 11 Cases. You can view these motions at www.bmccorp.net/fleming or from the Bankruptcy Court's docket.

a. *Post-Petition Financing*

Debtors' Emergency Motion for (A) Interim and Final Approval of Post-Petition Financing, Under 11 U.S.C. §§ 105, 361, 362, 363 and 364, Fed. R. Bankr. P. 2002, 4001(b), 4001(c) and 9014, and Del. Bankr. LR 4001-2, (B) Approving Terms of Trade Credit Program, and (C) Scheduling Final Hearing Pursuant to Bankruptcy Rule 4001(c) (Docket No. 16). The Debtors received postpetition financing from the Post-Petition Lenders. Pursuant to the terms of the credit agreement, the Post-Petition Lenders were granted super-priority liens on substantially all of the Debtors' assets. The Debtors do not currently owe any amounts under these postpetition credit agreements except for approximately ~~$1824~~.6 million in outstanding letters of credit. *See Final Order Authorizing (I) Post-Petition Financing Pursuant to 11 U.S.C. § 364 and Bankruptcy Rule 4001(c); (II) Use of Cash Collateral Pursuant to 11 U.S.C. § 363 and Bankruptcy Rules 4001(b) and (d); (III) Grant of Adequate Protection Pursuant to 11 U.S.C. §§ 361 and 363; and (IV) Approving Secured Inventory Trade Credit Program and Granting of Subordinate Liens, Pursuant to 11 U.S.C. §§ 105 and 364(c)(3) and Rule 4001(c)* (Docket No. 743).

b. *Pay-Down of Pre-Petition Loans*

Joint Motion of Debtors and Pre-Petition Agents for Authorizationg, Pursuant to Sections 363 and 105 of the Bankruptcy Code, to Pay Amounts to the Pre-Petition Agents on Behalf of the Pre-Petition Lenders (Docket No. 4011). On October 10, 2003, the Debtors and the Pre-Petition Lenders filed this motion to pay down $325 million of the Pre-Petition Lenders' Secured Claims. After two contested hearings, the Bankruptcy Court approved the motion, thus reducing the amount of the Pre-Petition Lenders' Secured Claims from $609 million to $~~284~~228 million. The total amount of the Pre-Petition Lenders Secured Claims is presently $144.38 million based on other paydowns that have subsequently been allowed. (see, e.g., Replacement DIP

Financing below.) *See Order Approving Joint Motion of Debtors and Pre-Petition Agents for Authorization, to Pay Amounts to the Pre-Petition Agents on Behalf of the Pre-Petition Lenders* (Docket No. 4776).

c. *Replacement DIP Financing*

Debtors'' Motion For An Order (I) (A) Authorizing Debtors To Obtain Replacement Post-Petition Financing Under 11 U.S.C. Section 364 And Bankruptcy Rule 4001(C) And Del.Bankr. LR 4001-2 And Assign The Existing Secured Lenders'' Liens To The Replacement Lenders, And (B) Authorizing Debtors To Pay Certain Commitment And Related Fees And Expenses Relating To The Replacement Post-Petition Financing, (II) Granting Adequate Protection Pursuant To 11 U.S.C. Section 361 And 363; And (III) Authorizing Debtors To Repay Certain Outstanding Obligations Under The Pre-Petition Credit Agreement And The Post-Petition Loan Agreement (Docket No. 5034). On December 16, 2003, the Debtors filed this motion to enter into a $250 million replacement DIP facility in order to pay down the Pre-Petition Lenders **and for other relief. After contested hearings on February 17, 2004 and March 3, 2004, the Court approved the Debtors' request to pay down the Pre-Petition Lenders $50 million**. The ~~hearing on~~**Debtors withdrew their request as to the remainder of** the motion ~~originally scheduled for January 5, 2004 has been continued to January 21, 2004.~~**and have not entered into a replacement DIP facility.**

d. *Cash Management Motion*

Motion for Order (A) Authorizing (i) Maintenance of Existing Bank Accounts, (ii) Continued Use of Existing Business Forms, (iii) Continued Use of Existing Cash Management System and (iv) Existing Investment Practices (Docket No. 16). The Bankruptcy Court granted the Debtors' request to continue to utilize the same centralized cash management system, bank accounts and investment practices, among other things, after the Petition Date that had been in use before the Petition Date in order to effectuate a seamless transition into Chapter 11. The Bankruptcy Court entered the Final Order (A) Authorizing (i) Maintenance of Existing Bank Accounts, (ii) Continued Use of Existing Business Forms, (iii) Continued Use of Existing Cash Management System and (iv) Existing Investment Practices on April 22, 2003 (Docket No. 562).

e. *Employee Wages and Benefits Motion*

Motion of Debtors an Order Pursuant to Sections 105 and 363(b) of the Bankruptcy Code (I) Authorizing the Payment of Employee Obligations and (II) Authorizing Institutions to Honor and Process Checks and Transfers Related to Such Obligations (Docket No. 15). The Bankruptcy Court granted the Debtors' request to pay certain employee obligations arising before the Petition Date, including: wages, salaries, commissions and other compensation, severance (subject to certain conditions precedent as set forth in docket no. 1697), vacation, other paid leave, federal and state withholding taxes, payroll taxes and medical benefits up to specified dollar amounts and upon the terms as set forth in the orders approving components of the motion. *See Various Orders re Wage Motion* (Docket Nos. 70, 557, 741, 1352, 1492, 1493, 1697). Although the Debtors sought authority to pay obligations arising in the prepetition period for the Senior Executive Retirement Program ("SERP"), Senior Executive Relocation Program, Aim High Program, Incentive Programs, Fleming Pension Plan and Core-Mark Pension Plan, this request was ultimately withdrawn.

f. *Employee Stay Program*

Motion of Debtors for an Order Pursuant to Section 105 and 363(b) of the Bankruptcy Code Authorizing the Debtors to Implement Wholesale and Convenience Business Employee Stay Program (Docket No. 1852). The Bankruptcy Court granted the Debtors' request to pay $12,000,000 to those certain eligible employees of Fleming Convenience and Debtors' Wholesale Distribution Business as an incentive to stay in the Debtors' employ during its critical stage of selling the Wholesale Distribution Business and to preserve the value of those assets. *See Order Pursuant to Section 105 and 363(b) of the Bankruptcy Code Authorizing the Debtors to Implement Wholesale and Convenience Business Employee Stay Program* (Docket No. 2079).

g. *Critical Trade Motion*

Motion for Order Authorizing the Payment of Critical Trade Vendors in Exchange for Continuing Relationship Pursuant to Customary Trade Terms (Docket No. 11). The Bankruptcy Court granted the Debtors' request to pay $100,000,000 to certain vendors with outstanding pre-petition claims deemed critical to the Debtors' operations upon the restoration of customary trade terms and the execution of the Critical Trade Agreement, as defined in that Motion and Order. *See Order Granting Motion for Order Authorizing the Payment of Critical Trade Vendors in Exchange for Continuing Relationship Pursuant to Customary Trade Term* (Docket No. 733).

h. *Junior Trade Lien*

Supplement to Motion for Order Authorizing the Granting of Junior Trade Lien Status to Critical Vendors in Exchange for Continuing Relationship Pursuant to Customary Trade Terms (Docket No. 297). In connection with the critical trade vendor motion discussed above, the Bankruptcy Court granted the Debtors' request to provide a junior trade lien to vendors who provided trade terms to the Debtors after the Petition Date. Pursuant to the terms of that motion and order and the terms of the ~~Fuel~~Final DIP Order, vendors who hold Reclamation Claims were also entitled to participate in the junior trade lien program. *See Order Granting Motion for Order Authorizing the Payment of Critical Trade Vendors in Exchange for Continuing Relationship Pursuant to Customary Trade Term* (Docket No. 733). The Debtors' Post-Petition Lenders consented to the granting of the junior trade liens as set forth in the Final DIP Order. *See* Docket No. 743.

i. *Pre-Petition Tax Motion*

Motion of Debtors for Order Authorizing Payment of Prepetition Taxes and Authorizing the Use of Existing Bonds to Pay Prepetition Taxes (Docket No. 697). The Debtors obtained approval to pay up to $49,000,000 ~~of taxes arising before the Petition Date~~ on account of sales/use, tobacco and excise taxes arising before the Petition Date. *See Order Authorizing Debtors to Pay Prepetition Taxes* (Docket No. 1067).

j. *Equity Bar Trading Motion*

Emergency Motion for an Interim Order Under 11 U.S.C. §§ 105(a), 362(a)(3), and 541 Limiting Trading in Equity Securities of the Debtors (Docket No. 937). The Debtors filed this motion on an emergency basis requesting that the Bankruptcy Court institute procedures to prohibit, without the consent of the Debtors or the Bankruptcy Court, sales and other transfers of the outstanding common stock of Fleming by Substantial Equityholders (those owning equity securities of any of the Debtors with an aggregate fair market value equal to or greater than 5% of the fair market value of the common stock of Fleming as defined in the motion). The Debtors requested this relief in order to guard against an unplanned change in control for purposes of section 382 of the Internal Revenue Code, which could limit the Debtors' ability to use net operating losses in the future. The Bankruptcy Court granted this motion and entered a final order on May 20, 2003. *See Order Under 11 U.S.C. §§ 105(a), 362(a)(3), and 541 Limiting Trading in Equity Securities of the Debtors* (Docket No. 978).

k. *PACA/PASA Claims Motion*

Motion for Authority to Pay Prepetition Claims Under the Perishable Agricultural Commodities Act and the Packers and Stockyard Act (Docket No. 12). Prior to the Petition Date, certain of the Debtors' vendors (i) sold goods to the Debtors that such vendors assert are covered by the Perishable Agricultural Commodities Act ("PACA") and/or by state statutes of similar effect, including the Minnesota Wholesale Produce Dealers Act (the "PACA Claims") and/or (ii) sold livestock or other similar goods to the Debtors which they assert are covered by the Packers and Stockyard Act ("PASA") and/or state statutes of similar effect (the "PASA Claims"). Therefore, the Debtors filed a Motion for Authority to Pay Prepetition Claims Under the Perishable Agricultural Commodities Act and the Packers and Stockyard Act (Docket No. 12). On May 6, 2003, the Bankruptcy Court entered the Order Requiring Segregation of Funds to Cover Certain PACA Claims and Authorizing Procedure for Reconciliation and Payment of Valid Claims Under the Perishable Agricultural Commodities and the Packers and Stockyard Act (the "PACA/PASA Order") (Docket No. 725). Since that time, the Debtors have filed (a) their ~~(a)~~ Report of Claims

(Docket No. 1505)~~,~~ and (b) their First through Seventh Supplemental Reports of Claims (Docket ~~No~~Nos. ~~1992), (c) Second Supplemental Report of Claims (Docket No. 3210), (d) Third Supplemental Report of Claims (Docket No. 3695), (e) Fourth Supplemental Report of Claims (Docket No. 4088)~~ 1992, 3210, 3695, 4088, 4613, 5605 and ~~(f) Fifth Supplemental Report of Claims (Docket No. 4613~~6779, respectively) (collectively, the "Supplemental Reports"). To date, approximately ~~$56.3~~56.4[6] million[7] in PACA Claims have been asserted in these Cases. Of the asserted PACA Claims, the Debtors have paid ~~$41.8~~(or are scheduled to pay pursuant to a pending PACA Report) $42.6 million and ~~$2.9~~3.6 million has been disallowed pursuant to the PACA/PASA Order. In addition, with respect to ~~$7.9~~13.4 million of the asserted PACA Claims, the Debtors are seeking to disallow such claims as invalid PACA Claims, but the applicable claimants ~~is~~are contesting such disallowance. The remaining ~~$3.4 million~~300,000 of PACA Claims have not been reconciled on a final basis. The Debtors' next Supplemental PACA Report is scheduled to be filed on ~~December~~March 16, ~~2003~~2004. The Debtors do not believe there are any valid PASA Claims in these Cases.

1. *Reclamation ~~Motion~~Related Matters*

Motion of Debtors for an Order, Under 11 U.S.C. Sections 105(a), 503(b) and 546(c): (a) Establishing Procedure for Treatment of Reclamation Claims and (b) Prohibiting Third Parties from Interfering with Delivery of Debtors' Goods (Docket No. 8). The Debtors anticipated that a number of vendors would seek reclamation Claims against the Debtors and otherwise interfere with the delivery of goods after receiving notice of the commencement of these Chapter 11 Cases. Therefore, in the Motion of Debtors for an Order ~~(the "Reclamation Procedures Order"),~~ Under 11 U.S.C. Sections 105(a), 503(b) and 546(c): (a) Establishing Procedure for Treatment of Reclamation Claims and (b) Prohibiting Third Parties from Interfering with Delivery of Debtors' Goods (Docket No. 8), the Debtors requested a procedure by which reclamation claimants could proceed against the Debtors' goods. The Bankruptcy Court entered the Order (the "Reclamation Procedures Order") Under 11 U.S.C. §§ 105(a) 503(b), 546(c) and 546(g), (a) Establishing Procedure for Treatment of Reclamation Claims and (b) Prohibiting Third Parties from Interfering with Delivery of Debtors' Goods on April 22, 2003 (Docket No. 559). On July 21, 2003, the Debtors filed their Motion For Entry Of An Order With Respect To The Reclamation Claims Filed In The Debtors' Cases [Docket No. 2050] (the "Initial Reclamation Motion") pursuant to the Reclamation Procedures Order.

On November 25, 2003, the Debtors filed their Combined Amended Reclamation Report and Motion to Determine that Reclamation Claims are Valueless (the "Amended Report and Motion") (Docket No. 4596).[87] The Amended Report and Motion consisted of two parts. In Part I of the Amended Report and Motion, the Debtors sought the entry of an order that provides that the Reclamation Claims other than Approved Trade Creditor Reclamation Lien Claims are General Unsecured Claims that are not entitled to any priority ~~(administrative or otherwise) and that such Claims may not be asserted as secured claims~~under section 546(c) of the Bankruptcy Code. Part II of the Amended Report and Motion included detail regarding the Debtors' reconciliation of the reclamation claims that have been filed. ~~The~~On December 12, 2003, the Bankruptcy Court, however, declined to hear the motion and directed the Debtors to file separate adversary proceedings against each ~~and every~~ reclamation claimant. ~~The Debtors estimate that they will be required to file approximately 600 such adversary proceedings and are currently in the process of preparing complaints to initiate such proceedings.~~

Assuming on or about January 31, 2004, the Debtors filed 576 reclamation complaints (the "Reclamation Complaints"). The Debtors also filed a motion (the "Consolidation Motion") to consolidate the Reclamation Complaints to determine common legal issues arising from the reclamation claims. The response date on the Consolidation Motion for all reclamation defendants was February 25, 2004, and the reply date was March 3, 2004. The answer date for the Reclamation Complaints has been

6 All numbers in this paragraph have been rounded to the nearest hundred thousand. Exact figures are contained in the Supplemental Reports.

7 ~~All numbers in this paragraph have been rounded to the nearest hundred thousand. Exact figures are contained in the Supplemental Reports.~~

87 The Amended Report and Motion amends and supercedes the Initial Reclamation Motion, and the Debtors have sought leave of court to withdraw the Initial Reclamation Motion.

extended by agreement to April 15, 2004 for all defendants and the hearing on the Consolidation Motion is currently scheduled for April 5, 2004.

On February 2, 2004, the Court, on request of various reclamation claimants, ordered the appointment of an Official Committee of Reclamation Creditors (the "Reclamation Committee") for the purpose of negotiating with the Debtors with respect to the proposed Chapter 11 Plan. On February 13, 2004, the United States Trustee appointed the members of the Reclamation Committee. The members are: The Procter & Gamble Distributing Company, Mead Johnson Nutritionals, Quaker Sales & Distribution, Inc., Swift Company, DelMonte Corporation, Sara Lee Corp. and The Clorox Sales Company.

m. *Schedules and Statements*

The Debtors filed their respective schedules of assets and liabilities and statement of financial affairs (the "Schedules") with the Bankruptcy Court on July 1, 2003. The Schedules can be reviewed at the office of the Clerk of the Bankruptcy Court for the District of Delaware or can be obtained on the website www.bmccorp.net/fleming.

2. Retention of Professionals

At various times through the Chapter 11 Cases, the Bankruptcy Court has approved the retention of certain professionals to represent and assist the Debtors in connection with the Chapter 11 Cases. These professionals were intimately involved with the negotiation and development of the Plan. These professionals include, among others: AP Services, LLC, crisis managers for the Debtors (Docket No. 1698); Kirkland & Ellis LLP, co-counsel for Debtors (Docket No. 740); Pachulski, Stang, Ziehl Young, Jones & Weintraub, P.C., co-counsel for the Debtors (Docket No. 852); and The Blackstone Group, L.P., financial advisors to the Debtors (Docket No. 1692).

The Bankruptcy Court also approved requests to retain other professionals to assist the Debtors in ongoing specialized matters. These professionals include, but are not limited to: McAfee & Taft, special corporate counsel for the Debtors (Docket No. 1028); Ernst & Young LLP, inside auditor and tax accountant for the Debtors (Docket No. 219); Baker, Botts, LLP, special corporate and securities counsel for the Debtors (Docket No. 1241); PricewaterhouseCoopers, LLP, forensic accountants for the audit committee of the Board of Directors of the Debtors (Docket No. 732); Rider Bennett, LLP, special labor relations and business litigation counsel for the Debtors (Docket No. 1065); and Kekst and Company, public relations and corporate communications consultant to the Debtors (Docket No. 1380).

The Bankruptcy Court also approved requests to retain real-estate professionals to assist the Debtors in their disposition efforts. These professionals include, but are not limited to: Dovebid, Inc., auctioneers for the sale of residual assets (Docket No. 1359); The Food Partners, retail grocery financial advisor to the debtors (Docket No. 1691); Retail Consulting Services, Inc./Staubach Retail Services, Inc., exclusive real estate consultants to the debtors (Docket No. 1361); DMC Real Estate, Inc., realtors for the Debtors (Docket No. 3948); and Keen Realty, LLP, special real estate consultant to the Debtors (Docket No. 2161).

3. Appointment of Creditors' Committee and Retention of Professionals

On April 16, 2003, the United States Trustee appointed the following unsecured creditors to the Committee: (a) Bank One Trust Company, N.A., as Indenture Trustee; (b) Apollo Management V, L.P.; (c) Northeast Investors Trust; (d) Kraft Foods; (e) Nestle USA; (f) ConAgra Foods, Inc; and (g) Pension Benefit Guaranty Corporation. The ex officio members of the committee are S.C. Johnson and the Bank of New York.

The Bankruptcy Court also approved the retention of the following professionals to represent and assist the Committee in connection with these Chapter 11 Cases: Pepper Hamilton, LLP, co-counsel to the Official Unsecured Committee of Creditors (Docket No. 1415); Milbank, Tweed, Hadley & McCloy, LLP, co-counsel to the Official Committee of Unsecured Creditors (Docket No. 2155); KPMG, LLP, accountants and restructuring advisors

to the Official Committee of Unsecured Creditors (Docket No. 1356); and Compass SRP Associates, LLP, advisors to the Official Committee of Unsecured Creditors (Docket No. 2155).

4. Asset Sales and Other Dispositions

The Debtors have filed several motions for the sale of disposal of the Debtor's assets as follows:

a. *Sale of Debtors' Wholesale Distribution Business*

On or about July 11, 2003, the Debtors filed their Motion For Order (A) Approving Asset Purchase Agreement With C&S Wholesale Grocers, Inc. And C&S Acquisition LLC, (B) Authorizing (I) Sale Of Substantially All Of Selling Debtors' Assets Relating To The Wholesale Distribution Business To Purchaser Or Its Designee(s) Or Other Successful Bidder(s) At Auction, Free And Clear Of All Liens, Claims, Encumbrances And Interests And (II) Assumption And Assignment Of Certain Executory Contracts, License Agreements And Unexpired Leases, And (C) Granting Related Relief (Docket No. 1906). This motion sought the sale of substantially all of the Wholesale Distribution Business, which supplied a full line of products to grocery stores, discount stores, supercenters and specialty retailers. The winning bidder was determined to be C&S Acquisition, LLC, whose bid was an estimated $400 million. After three days of hearings, the Bankruptcy Court entered an order approving the sale on August 15, 2003 (Docket No. 3142) and the transaction was closed on August 23, 2003.

b. *Adequate Protection Reserve*

In the order approving the sale of the Debtors' Wholesale Distribution Business to C&S, which order was entered by the Bankruptcy Court on August 15, 2003 (Docket No. 3142), the Debtors were required to set aside $75 million as an "Adequate Protection Reserve" for those qualifying creditors' Offset Rights (as defined in the C&S asset purchase agreement) only if those creditors (i) had asserted or joined in a demand for adequate protection by a date certain in connection with the Wholesale Distribution Business sale; (ii) were parties to facility standby agreements that were rejected; and (iii) were parties to promissory notes or forgiveness notes that the Bankruptcy Court determined was not an executory contract or an integrated part of an executory contract.

By motion dated September 12, 2003 (Docket No. 3667), the Debtors sought to reduce the amount of the Adequate Protection Reserve by $40 million to reflect the correct amount of note balances outstanding. The motion was granted, and an order was entered on December 23, 2003 (Docket No. 5224) allowing the Debtors to reduce the Adequate Protection Reserve and further allowing the Debtors to reduce the Adequate Protection Reserve by any settlements made on note balances. Currently, the Adequate Protection Reserve is approximately $29 million. Upon approval of pending settlements of note balances, the Debtors estimate that the amount of the Adequate Protection Reserve will be reduced to approximately $20 million.

c. ~~b.~~ *Sale of California Stores*

On November 13, 2002, Fleming, Richmar and Save Mart entered into an asset purchase agreement for the sale of twenty-eight (28) Food-4-Less grocery stores located in California (the "California Stores") for an aggregate purchase price of $105 million plus inventory at cost (subject to certain purchase price adjustments). Due to the inability to receive the timely approval of the transaction by the Federal Trade Commission (the "FTC"), however, closing of the sale of all 28 stores never occurred. In late January 2003, the FTC permitted the parties to break the California Stores transaction into two parts, one involving the sale of nineteen (19) of the California Stores with a value of approximately $71 million plus inventory and the second involving the sale of nine (9) stores with a value, at that time, of approximately $34 million plus inventory. The parties closed the nineteen (19) store transaction in late January 2003.

On or about May 12, 2003, the Debtors filed a motion in these Chapter 11 Cases seeking to convey their interests in the remaining nine (9) stores and certain contracts and leases to two (2) buyers for an

aggregate purchase price of approximately $27 million plus inventory (Docket No. 817). The Bankruptcy Court entered its orders approving this motion and the sale to each buyer on June 4, 2003 (Docket Nos. 1375 & 1377).

d. ~~e.~~ *Sale of Rainbow Food Retail Grocery Stores*

On or about May 12, 2003, the Debtors filed their Debtors' Motion For Order Authorizing: (A) Sale Of 31 Rainbow Food Retail Grocery Stores' Assets Free And Clear Of All Liens, Claims, Interests And Encumbrances; And (B) Assumption And Assignment Of Acquired Contracts And Leases (Docket No. 816). This Motion sought to sell the assets used in the operation of thirty-one (31) of the Rainbow Food retail grocery stores. The aggregate purchase price was approximately $44 million plus inventory. The Bankruptcy Court entered an order approving this motion on June 4, 2003 (Docket No. 1362).

e. ~~d.~~ *Sale of Pharmacy Assets*

On or about April 15, 2003, the Debtors filed their Emergency Motion For An Order Authorizing Sale Of Pharmacy Assets Located At Seven Of The Debtors' Stores (Docket No. 323). This motion sought the sale of the Debtors' drug inventory, prescription files and related assets located at seven (7) of the Debtors' stores to two (2) bidders for approximately $1.5 million. The Bankruptcy Court entered an order approving this motion on April 21, 2003 (Docket No. 556).

f. ~~e.~~ *Sale of Fleming-Owned Real Property Under Auction*

On or about September 12, 2003, the Debtors filed their "Debtors' Motion For Order: (A) Authorizing and Scheduling an Auction for the Sale of Certain of the Debtors' Real Property; (B) Approving the Terms and Conditions of Such Auction, Including Bidding Procedures Related Thereto; and (C) Approving Assignment Procedures For Affected Unexpired Leases" (Docket No. 3666). This motion sought, among other things, approval of bidding procedures for the sale of certain real property owned by the Debtors and the assignment of the Debtors' rights under certain real property leases. The real property subject to these proposed sales and assignments consisted of certain of the Debtors' assets not associated with the Wholesale Distribution Business and therefore not associated with the C&S Purchase Agreement.

At a hearing on October 2, 2003, the Bankruptcy Court approved the motion and authorized the Debtors to proceed with an auction, upon the terms described within the motion, on October 14, 2003. On October 14, 2003, the auction was held, and the Debtors identified the highest and best bidders for each of the real property locations subject to the auction. On October 24, 2003, the Bankruptcy Court entered an order approving the sale or assignment, as applicable, of the auctioned properties to the highest and best bidders identified by the Debtors at the auction (Docket No. 4205). The gross proceeds received by the Debtors as a result of the auction were approximately $4.8 million.

g. *Sale of Fleming-Owned Real Property Not Under Auction*

Pursuant to the "Order Establishing Procedures for the sale of Real Estate And Personal Property Located Therein" under Sections 363(b), 363(f) and 1146(c) of the Bankruptcy Code (the "Expedited Procedures For The Sale Of Real Estate And Personal Property), entered May 22, 2003 (Docket No. 1016), the Debtors may sell free and clear of all mortgages, liens, claims, interests and encumbrances (Liens) certain real property and personal property contained therein at the highest price offered, with all valid Liens to be satisfied from the net proceeds of the sales without further order of the Court, but subject to approval by the Notice Parties (as defined in the order) under a 5 business day notice period. The gross proceeds received by the Debtors to-date as a result of these sales were approximately $9.2 million.

h. ~~f.~~ *Order Authorizing Store Closing Sales and Abandonment of Assets re Closing Locations*

Pursuant to the "Order Authorizing The Debtor To Conduct Store Closing Sales Pursuant To Section 363 Of The Bankruptcy Code And Abandon Inconsequential Assets Related To The Closing Locations"

(the "Store Closing Sale Order"), entered on May 21, 2003 (Docket No. 1014), the Debtors are authorized to conduct store closing sales free and clear of liens in the ordinary course of business pursuant to a procedure whereby the Debtors give notice of any store closing sale, and the Debtors may consummate the sale without further order of the Court if there are no objections. Pursuant to this procedure, the Debtors may also give notice of abandonment of assets at the closed locations. If no timely objections are filed, the Debtors may abandon the assets without further order of the Court.

i. ~~g.~~ *Order Authorizing Sale or Abandonment of Assets of De Minimis Value*

Pursuant to the "Order Pursuant To Sections 363(b), 363(f), 554(a) And 1146(c) Of The Bankruptcy Code Authorizing And Approving Expedited Procedures For The Sale Or Abandonment Of The Debtors' De Minimis Assets" (the "De Minimis Sale Order"), entered May 21, 2003 (Docket No. 1018), the Debtors may sell free and clear of liens various assets, including customer lists and accounts receivable that are past due and owing to the Debtors, remaining inventory in retail stores, tractors, trailers, furniture, fixtures and other excess warehouse and supermarket equipment such as coolers, refrigeration compressor systems, shelving, generators and material handling equipment (e.g. stock carts, pallet jacks and fork lifts), and assets of de minimis value to the Debtors, such as notes owing to the Debtors and franchise rights (which may include the Debtors' rights under trademark licenses of de minimis value to the Debtors), that relate to the Debtors' abandoned, or to be abandoned, relationships with retail grocery store businesses.

Depending on whether the assets to be sold or abandoned have a value under $2.5 million or a value between $2.5 million and $6.5 million, different notice periods apply. Under both procedures, if no timely objection is filed, the Debtors may file a Certificate of No Objection and consummate the sale after entry of the order.

j. ~~h.~~ *Order Authorizing Sale of Obsolete and Other Excess Inventory*

Pursuant to the "Order Under 11 U.S.C. §§ 105(a), 363(b) And 363(f) Granting Authority To Debtors To Dispose Of Obsolete And Other Excess Inventory Free And Clear Of Any Existing Liens, Claims And Interests" (the "Excess Inventory Sale Order"), entered on May 20, 2003 (Docket No. 1031), the Debtors may sell free and clear of liens certain excess inventory. Prior to accepting any bid to sell excess inventory to a diverter or liquidator, the Debtors must give the Committee and the Lenders written notice of its intention to accept such bid at least five (5) days prior to accepting the bid.

k. ~~i.~~ *Order Approving Going Out of Business ("GOB") Sale*

Under the Order Approving GOB Procedures In Connection With The Final Dip Order, (Final Order Authorizing (I) Post-Petition Financing Pursuant to 11 U.S.C. § 364 and Bankruptcy Rule 4001(c); (II) Use of Cash Collateral pursuant to 11 U.S.C. § 363 and Bankruptcy Rule 4001(b) and (d); (III) Grant of Adequate Protection Pursuant to 11 U.S.C. §§ 361 and 363; and (IV) Approving Secured Inventory Trade Credit Program and Granting of Subordinate Liens, Pursuant to 11 U.S.C. §§105 and 364(c)(3) and Rule 4001 (c) (Docket No. 743)) entered May 20, 2003 (Docket No. 1030), the Debtors are entitled, under certain circumstances, to vacate and surrender certain premises, as well as abandon assets located in the premises. On the surrender date, the lease is deemed rejected unless the Debtors have filed a specific notice to assume the lease.

5. Debtor in Possession Operating Reports

Consistent with the operating guidelines and reporting requirements established by the United States Trustee (the "Guidelines") in these Chapter 11 Cases, the Debtors have satisfied their initial reporting

requirements, have filed their first ~~eight~~eleven Monthly Operating Reports[98] and will continue to file such Monthly Operating Reports as required by the Guidelines. Each Monthly Operating Report includes for the relevant period, among other things, (a) information regarding the Debtors' cash receipts and disbursements, (b) an income statement (prepared on an accrual basis), (c) a balance sheet (prepared on an accrual basis), (d) a statement regarding the status of the Debtor's post-petition taxes and (e) a statement regarding the status of accounts receivable reconciliation and aging.

6. Pending Litigation And The Automatic Stay

a. *Directors' & Officers' Litigation*

In re Fleming Companies Inc. Securities and Derivative Litigation, United States District Court for the Eastern District of Texas, Texarkana Division, Case No. MDL 1530. During 2002, a number of securities class action cases were commenced by and on behalf of persons who purchased Fleming's publicly traded securities. The actions named Fleming and certain of Fleming's directors and officers as defendants and sought damages under either or both of the Securities Exchange Act of 1934 (the "Exchange Act") and the Securities Act of 1933 (the "Securities Act"). ~~*During the same time period, two derivative actions were filed on Fleming's behalf, seeking damages from various of Fleming's directors and officers for alleged violations of securities laws. Those derivative actions have been, or are in the process of being, administratively closed or dismissed without prejudice.*~~ Various parties to those actions asked the Judicial Panel on Multidistrict Litigation (the "JPML") to consolidate that litigation, then consisting of 14 separately filed cases, in a single court. On June 25, 2003, the JPML issued an order directing that all of those actions be transferred to the Eastern District of Texas, Texarkana Division, for coordinated or consolidated pretrial proceedings. *During the same time period, two derivative actions were filed on Fleming's behalf, seeking damages from various of Fleming's directors and officers for alleged violations of securities laws. Those derivative actions have been, or are in the process of being, administratively closed or dismissed without prejudice.*

On February 20, 2003, while the JPML proceedings were pending, a class action generally captioned *Massachusetts State Carpenters Pension Fund, etc. v. Fleming Companies, Inc., et al.*, was filed in the 160th District Court, Dallas County, Texas, and thereafter removed to the United States District Court for the Northern District of Texas, Dallas Division, as Case No. 3-03CV0460-P. That action named Fleming, various of Fleming's directors and officers, Lehman Brothers, Inc., Deutsche Bank Securities, Inc., Wachovia Securities, Morgan Stanley & Co., Inc., and Deloitte & Touche, L.L.P., as defendants, and sought damages under the Securities Act. Subsequently, on April 17, 2003, an identical action (except for the elimination of Fleming as a defendant) was commenced in the Eastern District of Texas, Texarkana Division, as Case No. 03-CV-83, where it could be, and ultimately was, consolidated with the Fleming securities litigation pending in that Court. Meanwhile, the District Court for the Northern District of Texas denied the plaintiffs' motion to dismiss that action without prejudice. Ultimately, the action was transferred to the Eastern District of Texas where it, too, was consolidated with the litigation pending in that district.

On June 27, 2003, eighty individual plaintiffs commenced an action against various present and former directors and officers of Fleming and against Deloitte & Touche, L.L.P. That action, captioned *Rick Fetterman, et al., v. Mark Hansen, et al.*, United States District Court for the Northern District of Texas, Dallas Division, Case No. 3:03-CV-1435 (L), sought damages for alleged violations of the Exchange Act and certain Texas securities statutes. The JPML has transferred that case to the Eastern District of Texas as a "tag-along" case, and it has been consolidated with the other cases pending in that district.

On August 28, 2003, sixty-three individual plaintiffs commenced an action against various present and former directors and officers of Fleming and against Deloitte & Touche, L.L.P. That action,

[98] The Debtors have filed the following Monthly Operating Reports which Reports can be obtained from the court's docket in these cases: 4/1/03 - 4/19/03 [Docket No. 3102]; 4/20-03 - 5/19/03 [Docket No. 3103]; 5/18/03 - 6/14/03 [Docket No. 3214]; 6/15/03 - 7/12/03 [Docket No. 3373]; 7/13/03 - 8/9/03 [Docket No. 3754]; 8/10/03 - 9/6/03 [Docket No. 4139 amended by Docket No. 5106]; 9/17/03-10/4/03 [Docket No. 4979]; 10/5/03-11/1/03 [Docket No. 5112]; 11/2/03-11/30/03 [Docket No. 5720]; 12/1/03-12/31/03 [Docket No. 6776 amended by Docket No. 6969]; and 1/1/04-1/31/04 [Docket No. 7188].

captioned *Christopher L. Doucet, et al. v. Mark Hansen, et al.*, United States District Court for the Northern District of Texas, Dallas Division, Case No. 3-03-CV-1950 H, sought damages for alleged violations of the Exchange Act and certain Louisiana securities statutes and under theories of fraud, misrepresentation and conspiracy. A "tag along" notice has been filed with the JPML, but the case has not yet been transferred to the Eastern District of Texas for consolidated or coordinated pretrial proceedings in that court.

See Article VI.L.9. herein for a discussion of the effects the Plan and certain provisions therein will have on the directors and officers litigation.

b. *SEC Investigation*

The lawsuits described above encompass allegations dealing with accounting, financial reporting and other disclosures and claim that Fleming falsely inflated its ~~stock~~ **securities** prices by means of accounting fraud and false public statements about its business operations and profit. Shortly after the first lawsuit was filed, the *Wall Street Journal* published an article on September 5, 2002, citing examples where Fleming allegedly had taken certain aggressive deductions against its suppliers.

These events prompted an informal inquiry by the SEC. On November 13, 2002, Fleming announced that the SEC had initiated an informal inquiry related to Fleming's vendor trade practices, the presentation of second quarter 2001 adjusted earnings per share data in Fleming's second quarter 2001 and 2002 earnings press releases, Fleming's accounting for drop-ship sales transactions with an unaffiliated vendor in Fleming's discontinued retail operations, and its calculation of comparable store sales in its discontinued retail operations.

The SEC converted the informal inquiry into a formal investigation on February 13, 2003. The formal investigation has focused on whether any persons or entities engaged in any acts, transactions, practices or courses of business which operated or would operate as a fraud or a deceit upon purchasers of Fleming securities or upon other persons in violation of the federal securities laws. Fleming has answered questions submitted by the SEC and has produced documents to the SEC. The SEC has interviewed several current and former employees of Fleming as well as third parties. Fleming continues to be in discussions with the SEC and intends to continue to fully cooperate with the SEC. Kraft Foods, Dean Food and Frito-Lay recently announced they have been notified that the SEC is considering filing charges against those companies in connection with their business dealings with Fleming, including whether employees of those companies aided Fleming in accelerating revenue improperly.

After receiving notice of the informal SEC inquiry, Fleming undertook an independent investigation related to the same topics. The Audit and Compliance Committee of the Board of Directors of Fleming ("Audit Committee") engaged independent legal counsel and independent accounting consultants to assist in connection with the independent investigation. The independent investigation included a review of transactions that occurred during the 2000, 2001 and 2002 time periods. These periods are the subject of the SEC investigation. The scope of the independent investigation included the original topics identified by the SEC as well as issues related to the timing of recording revenue, documentation of certain vendor transactions and certain initiatives undertaken for the purpose of increasing reported income.

On April 17, 2003, Fleming issued a press release (the "April 17 Release") announcing that it would **have to** restate its 2001 annual and quarterly financial statements and 2002 quarterly financial statements previously filed with the SEC and that it would revise its previously announced 2002 fourth quarter and annual financial results. Fleming announced that the restatements and revisions reflected significant business issues and developments affecting it, including the recent termination of Fleming's supply agreement with Kmart and events leading to Fleming's voluntary Chapter 11 bankruptcy filing on April 1, 2003, as well as adjustments identified in connection with the continuing independent investigation by the Audit Committee into certain accounting and disclosure issues.

The April 17 Release also reported that the restatements of the results for the full-year 2001 and the first three quarters of 2002 would reduce the pre-tax financial results from continuing operations for

such periods by an aggregate amount of not more than $85 million and that the restatements would mainly correct the timing of when certain vendor transactions are recognized and the balance of certain reserve accounts.

The April 17 Release also announced that Fleming would have to revise its previously announced 2002 fourth quarter and annual financial results to reflect a loss from continuing operations. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, Fleming announced that it expectsed to record a non-cash adjustment to continuing operations for a full impairment of goodwill currently valued at approximately $645 million, due to an overall decrease in the value of Fleming. In accordance with SFAS No. 144, Fleming also announced that it would record an additional impairment charge to discontinued operations of approximately $90 million related to retail store operations held for sale, due to a reduction in the net realizable value of such operations. In accordance with SFAS No. 109, Fleming announced that it had determined that it would record a non-cash charge against continuing operations in the fourth quarter of 2002 relating to its deferred tax assets in the range of $275-325 million, due to uncertainties as to whether net operating losses would be utilized against future tax payments. Fleming also announced that its fourth quarter 2002 pre-tax loss from continuing operations would be increased by expenses totaling not more than $80 million as a result of a number of factors, including increased vendor payback rates, the Kmart contract cancellation and corrections identified as a result of the Audit Committee's independent investigation.

Finally, Fleming announced on April 17, 2003, that it would early adopt EITF 02-16, Accounting by a Reseller for Cash Consideration Received from a Vendor, retroactive to the beginning of fiscal year 2002. This rule requires cash consideration received from a vendor to be recorded as an adjustment to the prices for the vendor's products and therefore characterized as a reduction of cost of sales when recognized in the customer's income statement. Fleming announced that the 2002 effect of adopting EITF 02-16 iswas expected to reduce the pre-tax loss from 2002 annual results in the range of $5-15 million, although the cumulative effect that willwould be recorded as of the beginning of 2002 iswas expected to be an expense of not more than $45 million.

In a Form 12b-25 filed by Fleming with the SEC on June 4, 2003, Fleming announced that it would restate its 2000 annual financial statements previously filed with the SEC would require restatement. The June 4th announcement stated that it expectsed the related restatements of the results for the full-year 2000 willto reduce consolidated pre-tax financial results for such period by an aggregate amount of not more than $2 million, reflecting an increase in 2000 pre-tax loss from continuing operations of not more than $6 million and a decrease in 2000 pre-tax loss from discontinued operations of not more than $4 million. As stated in the June 4th announcement, those restatements willwould principally correct the timing of when certain vendor transactions were recognized and willwould reflect other adjustments and corrections identified as a result of the Audit Committee's independent investigation.

c. ***Labor-Related Claims***

During the prepetition and post-petition period, the Debtors had several labor-related claims pending against them by individual employees and/or union representatives for grievance/arbitration claims for vacation pay, health and welfare payments, severance pay and discrimination claims, the majority of which the Debtors believe, if allowed, will be General Unsecured Claims.

In connection with the wind-down of their Wholesale Distribution Business, the Debtors closed several facilities in various states, including Wisconsin, for which there are currently claims pending by the Wisconsin Department of Workforce Development for claims under Section 109.07 of the Wisconsin Statutes based on insufficient notice of the facility closings.

In addition, except as set forth in the Benefits Schedule, the Debtors shall have withdrawn from all "multiemployer plans" (as such term in defined in Section 3(37) of ERISA) prior to the Effective Date. As a result, several multiemployer benefit plans have filed proofs of claims against the Debtors' estates. The Debtors propose to treat these claims as General Unsecured Claims.

d. ~~c.~~ *Significant Prepetition Litigation*

(1) *DiGiorgio Corp. v. Fleming Companies, Inc., et al.*, United States District Court for the District of New Jersey, Case No. 02-2887-DMC. DiGiorgio alleged that Fleming breached a non-compete agreement with respect to supplying certain grocery items in Connecticut, New York and parts of New Jersey. DiGiorgio sought injunctive relief and an unspecified amount of damages and requested an audit of Fleming's books and an order extending the term of the non-compete agreement beyond its scheduled June 2004 expiration date. Fleming denied that it breached the agreement and, additionally, claimed that the non-compete agreement was invalid because it was unreasonably broad. Finally, Fleming asserted that even if there were an enforceable agreement that had been breached, DiGiorgio's damages, if any, were nominal. On April 1, 2003, the court granted DiGiorgio's motion for a preliminary injunction and prohibited Fleming from, among other things, engaging in wholesale distribution of meat, dairy, deli, frozen meats, frozen dairy and frozen deli products for retail sale within the Amended Restricted Territory. On April 23, 2003, the Bankruptcy Court lifted the automatic stay to permit Fleming to appeal and/or pursue other actions regarding the order granting the preliminary injunction, and on April 30, 2003, Fleming filed its notice of appeal to the United States Court of Appeals for the Third Circuit. ~~All other proceedings~~**The parties reached a global settlement** in the ~~action remain stayed~~**bankruptcy case resolving all their disputes, including the issues raised in this litigation. The settlement was approved by the Bankruptcy Court on November 25, 2003.**

(2) *Harvest Logistics, Inc. and Iceworks Logistics, Inc. v. Fleming Companies, Inc.*, United States District Court for the Northern District of Texas, Case No. 301-CV1813-L. After the parties mutually agreed to terminate Harvest's five-year written warehouse management contract for a Ft. Wayne facility and Iceworks' five-year oral warehouse management contract for a Grand Rapids perishable produces facility in August 2001, those entities sued Fleming for breach of contract, alleged anticipatory repudiation of Fleming's obligation to pay future management fees, unjust enrichment and quantum meruit. Plaintiffs claimed that they were owed $6,000,000 for unreimbursed expenses and $10,000,000 for five years of future management fees. Fleming denied Harvest's and Iceworks' claims and asserted counterclaims against them for breach of contract and against their parent entity, Tibbett & Britten Group North America, Inc., for failure to properly supervise performance of those agreements. Fleming alleged that Harvest and Iceworks were corporate shells and alter egos of Tibbett & Britten and sought damages of approximately $5,600,000, subsequently reduced to $3,900,000. Discovery has been completed, and the case was set for trial in June 2003. Fleming moved for summary judgment on the Harvest and Iceworks' claims for alleged anticipatory repudiation of Fleming's obligation to pay future management fees, and Harvest and Iceworks cross-moved for summary judgment on Fleming's claim that they were corporate shells and alter egos of Tibbett & Britten. The automatic stay that has been imposed when Fleming commenced its chapter 11 case was lifted to permit the parties to brief these motions. Thereafter, the parties reached an agreement in principle that Fleming will dismiss with prejudice its claims against Tibbett & Britten (but not against Harvest and Iceworks), and Harvest

and Iceworks will dismiss with prejudice their claims against Fleming insofar as those claims pertains to loss of future management fees, but not as to claimed unreimbursed expenses. This agreement in principle will result in the withdrawal of the cross-motions for summary judgment, which no longer will be necessary.

(3) *SuperValu, Inc. and SuperValu Holdings, Inc. v. Rainbow Food Group, Inc. H. Brooks & Co., LLC and Fleming Companies, Inc.*, Second Judicial District Court, Ramsey County, Minnesota, Case No. C4-02-4394. SuperValu alleged that Rainbow had used Rainbow's broker, H. Brooks, to obtain SuperValu's ads and used the information in those ads to undercut Cub Foods prices or to reschedule promotions. SuperValu asserted claims of misappropriation of trade secrets and tortious interference with prospective business advantage and sought injunctive relief, unspecified compensatory and punitive damages and attorneys' fees. Rainbow and Fleming denied SuperValu's claims and asserted counterclaims for misappropriation of trade secrets and confidential information, tortious interference with contract, unfair competition and tortious employee raiding stemming from SuperValu's wrongful raiding of former Rainbow associates and subsequent use of confidential information possessed by those associates, and claims for unlawful restraint of trade and violation of the Minnesota antitrust monopolization of food products statute. Rainbow and Fleming sought injunctive relief, unspecified actual and treble damages, interest and attorneys' fees. The parties agreed to a confidential settlement prior to commencement of the Chapter 11 Cases, and consummated that settlement after the Petition Date.

(4) *Home Depot v. Ronald Griffin and Fleming Companies, Inc.*, Court of Chancery of the State of Delaware, Case No. 19649-NC. Griffin, a former employee of Home Depot, was hired by Fleming. Home Depot alleged that Griffin breached his agreement not to solicit Home Depot employees and that Fleming tortiously interfered with Griffin's non-solicitation agreement and sought compensatory damages in excess of $6,000,000 (including $1,000,000 in Griffin's stock option gains), plus attorneys' fees totaling more than $300,000. Griffin and Fleming denied the allegations, Fleming has tendered Griffin's defense to its directors' and officers' liability insurance carrier. **The parties have reached a settlement in principle in this case, although they continue to work out the language of a final settlement agreement and any settlement is subject to approval of the Bankruptcy Court.**

(5) *Fleming Companies, Inc. v. Clark Retail Enterprises, Inc.*, American Arbitration Association Case No. 51 181 00447 01; In re Clark Retail Enterprises, Inc., United States Bankruptcy Court for the Eastern District of Illinois, Case No. 02-40045 (JHS). Fleming asserted that Clark committed to at least $80,000,000 annually in non-cigarette purchases under a five-year supply agreement and that such commitment induced Fleming to enter into the agreement and to agree to provide over $40,000,000 in incentive payments over the five-year term of the agreement. Fleming sought to rescind the agreement due to Clark's failure to make the requisite non-tobacco purchases. Clark requested termination of the agreement due to Fleming's unilateral modification of contract terms in alleged breach of the agreement. Fleming agreed to the requested termination. Fleming sought damages, including the reimbursement of the approximately $8,000,000

unamortized portion of the $12,000,000 incentive payment it made to Clark, plus more than $20,000,000 for Fleming's start-up warehousing and other costs. Clark replaced Fleming with a new supplier and claimed related damages in excess of $5,000,000, including lost "benefit of the bargain" resulting from termination of the agreement. The dispute was scheduled for mandatory arbitration, but all proceedings were stayed when Clark filed its liquidating chapter 11 case in October 2002. Fleming filed a $31,600,000 proof of claim in the Clark chapter 11 case. Just before the commencement of the Chapter 11 Cases, Clark sought to lift the stay in its own chapter 11 case to proceed with the arbitration. All proceedings were stayed when Fleming filed its bankruptcy case. The parties have ~~tentatively~~ settled their matter by agreeing to mutual releases ~~subject to their respective bankruptcy courts' approval~~. **The Bankruptcy Court approved the settlement by order entered February 13, 2004.**

(6) *Russell Stover Candies, Inc., et al. v. Fleming Companies, Inc.*, United States District court for the Western District of Missouri, Case No. 01-1022-CV-W-3. Stover commenced an action against Fleming based upon Fleming's distribution of Stover candy that allegedly had become heat damaged while in Fleming's custody. Ultimately, Stover and Fleming entered into a settlement agreement resolving the litigation, subject to full performance of the settlement. A dispute arose over the manner in which a term of the settlement agreement was to be interpreted. Stover asserted that Fleming was required to pay an additional $737,000 under the agreement. On February 28, 2003, the parties filed cross motions for summary judgment. The matter was submitted to the court, and the parties engaged in settlement negotiations, and those motions were pending when Fleming commenced bankruptcy. On September 15, 2003, the court dismissed the summary judgment motions without prejudice to their being reset if and when the parties obtain relief from the automatic stay in the Fleming bankruptcy case.

(7) *Bank of New York v. Fleming Companies, Inc.*, New York Supreme Court, Erie County, Index No. 2001-9864. One of the principals of Avery's Markets, a grocery store operator supplied by Fleming, owned real property subject to a mortgage to Bank of New York ("BONY"). The mortgage contained an assignment of rents clause. Fleming leased the property and subleased the premises to Avery's. The principal defaulted on the BONY mortgage, Avery's and its principals filed bankruptcy cases and BONY foreclosed on its mortgage. Five years later BONY sued Fleming to enforce its assignment of rents rights and to collect approximately $203,000. Fleming asserted defenses of setoff, improper exercise of the assignment of rents clause and laches. The parties filed and argued cross-motions for summary judgment. The Chapter 11 Cases were commenced before those motions were decided, and all proceedings in the case are now stayed.

(8) *Wayne Berry v. Fleming Companies, Inc.*, et al, USDC Hawaii No. 01 00446 SPK-LEK. Wayne Berry, designer of certain software used by Fleming at its Kapolei, Hawaii facilities to track freight, sued Fleming for copyright infringement. Fleming denied the allegations, and the matter went to trial. On March 6, 2003, the jury found in favor of Fleming on all claims but one. With regard to the claim on which the jury found in Berry's favor, the jury awarded damages of $98,250 and

found that Fleming had willfully infringed. Post-trial motions were still pending when the bankruptcy petition was filed on April 1, 2003, staying the proceedings.

(9) ***Duane D. Betterman v. Fleming Companies Inc.*, State of Wisconsin, Court of Appeals District III, County of Douglas (Case No. 02-2617). After a jury trial, judgment was entered in favor of Betterman in January 2002. Betterman was awarded damages totaling $555,666. On October 24, 2002, Fleming appealed to the Wisconsin Court of Appeals. The Wisconsin Court of Appeals affirmed the judgement in favor of Betterman. Fleming does not anticipate any further appeals.**

e. ***Significant postpetition litigation outside of Bankruptcy Court***

(1) ***Fleming Companies, Inc. v. Baker Petrolite Corporation and Baker Hughes, Inc.*, 15th Judicial District Court, Lafayette Parish, Louisiana, 20036373. Fleming filed suit against defendants alleging their contamination of certain real property owned by Fleming in Broussard, Louisiana. Defendants owned adjacent property whose soil and groundwater became contaminated from defendants' operations and contaminated Fleming's property. Fleming subsequently sold the property, postpetition. The purchase required a $1 million reduction in the sale price due to the contamination. Fleming filed suit alleging claims of trespass, negligence, nuisance and strict liability against defendants to recover the diminution in property value. This lawsuit is currently pending.**

(2) ***Chouteau I-35 Development, L.L.C. v. Fleming Companies, Inc. and Kirsten Richesson.* Circuit Court of Clay County, Liberty, Missouri. This proceeding involved the liquidation of Fleming's ownership interest in a joint venture. Specifically, I-35 and Fleming established a joint venture in 1998 to own and develop a shopping center. Fleming alleged that I-35 took every possible action to prevent a sale of the property and forced Fleming to pursue attempts to sell the property by dissolving the entity and liquidating the assets as well as preparing pleadings necessary to foreclose on a mortgage loan Fleming extended to the joint venture. I-35 alleged that Fleming sought a quick repayment of its outstanding loan balance in a postpetition fire sale and that Fleming had no right under the operating agreement to sell the shopping center without first meeting certain prerequisites. The Bankruptcy Court granted relief from stay on or about December 15, 2003, to allow both parties to litigate outside of Bankruptcy Court. I-35 initiated a lawsuit against Fleming in the Circuit Court of Clay County. This matter was settled on or about January 30, 2004. The terms of the settlement agreement are, generally, that Fleming and I-35 agreed to sell the property for $10,550,000, that I-35 would receive $720,000, the parties further waived and released each other from all claims, and agreed that they would then dissolve the joint venture and wind up its affairs.**

f. ~~d.~~ *Significant Adversary Proceedings Filed in the Debtors' Chapter 11 Cases*

~~Listed below are the major ongoing~~

(1) Reclamation related adversary proceedings ~~filed in these Chapter 11 Cases~~. As described in section C.1.l. above, on November 25, 2003, the Debtors filed the Amended Report and Motion in connection with Reclamation Claims. In relevant part, the Amended Report and Motion sought the entry of an order that provides that the Reclamation Claims are General Unsecured Claims that are not entitled to any priority (administrative or otherwise) and that such Claims may not be asserted as secured claims. The Bankruptcy Court, however, declined to hear the motion and directed Fleming to file separate adversary proceedings against each and every Reclamation Claimant. Accordingly, the Debtors have filed approximately 575 such adversary proceedings against reclamation claimants seeking a judicial determination that the Reclamation Claims are General Unsecured Claims that are not entitled to any priority. In addition to the declaratory relief sought in each such adversary proceeding, the Debtors asserted additional causes of action or defenses, if applicable, that related to any particular Reclamation Claimant. Many of the 576 adversary proceedings include causes of actions related to preferential transfers, other avoidance powers, set off rights or actions based on breach of contract.

(2) Adversary Proceedings against surety companies. Fleming initiated a number of Adversary Proceedings in these Chapter 11 Cases against surety companies. Below is a summary of each such Adversary Proceeding.

(a) *Fleming Companies, Inc. v. Hartford Fire Insurance Company and Hartford Casualty Insurance Company*, 03-60185. This Adversary Proceeding was commenced on December 23, 2003 to recover alleged preferences in the sum of $12,644,152 from Hartford Fire Insurance Company and Hartford Casualty Insurance Company (together, "Hartford"). On January 19, 2004, Hartford filed an answer denying all liability and raising a number of affirmative defenses.

(b) *Fleming Companies, Inc. v. RLI Insurance Company*, 03-60186. This Adversary Proceeding was commenced on December 23, 2003 to recover alleged preferences in the sum of $15,000,000 from RLI Insurance Company. The parties negotiated a settlement, and on January 21, 2004, the Bankruptcy Court entered its Order Granting Debtors' Motion Pursuant To 11 U.S.C. Section 105(a) and Fed. R. Bankr. P. 9019 For

Approval Of Compromise With RLI Insurance Company. This adversary proceeding was dismissed with prejudice on February 17, 2004.

(c) *Fleming Companies, Inc. v. Travelers Casualty and Surety Company of America*, 03-60187. This Adversary Proceeding was commenced on December 23, 2003 to recover alleged preferences in the sum of $4,100,000 from Travelers Casualty and Surety Company of America ("Travelers"). On February 6, 2004, Travelers filed an answer denying all liability and raising a number of affirmative defenses.

(d) *Fleming Companies, Inc. v. Westchester Fire Insurance Company*, 03-60188. This Adversary Proceeding was commenced on December 23, 2003 to recover alleged preferences in the sum of $11,000,000 from Westchester Fire Insurance Company. The parties negotiated a settlement, and on January 21, 2004, the Bankruptcy Court entered its Order Granting Debtors' Motion Pursuant To 11 U.S.C. Section 105(a) and Fed. R. Bankr. P. 9019 For Approval Of Compromise With Westchester Fire Insurance Company. This adversary proceeding was dismissed with prejudice on February 17, 2004.

(e) *Fleming Companies, Inc. v. Zurich American Insurance Company*, 03-60189. This Adversary Proceeding was commenced on December 23, 2003 to recover alleged preferences in the sum of $7,500,000 from Zurich American Insurance Company ("Zurich"). On January 20, 2004, Zurich filed Defendant's Motion To Dismiss For Failure To State A Claim Upon Which Relief Can Be Granted. Fleming filed its opposition to the motion on February 13, 2004.

(f) *Fleming Companies, Inc. v. Greenwich Insurance Company, AIG Europe (UK) Limited, Underwriters at Lloyd's Syndicates, Zurich Specialties London Limited, RLI Insurance Company, Twin Cities Fire Insurance Company, Starr Excess Liability International Insurance, Ltd., Underwriters at Lloyd's Syndicates,*

Gulf Insurance Company and Lumbermen's Mutual Casualty Company, 03-59474. This Adversary Proceeding was commenced on December 9, 2003, to obtain declaratory relief with respect to various issues under primary and excess policies of directors and officers liability insurance. Defendants Greenwich Insurance Company, Underwriters at Lloyd's Syndicates, Zurich Specialties London Limited, Twin Cities Fire Insurance Company, Gulf Insurance Company and Lumbermen's Mutual Casualty Company have answered the complaint and have filed counterclaims for declaratory relief on the same issues that form the basis of the complaint. Fleming has filed a reply to each counterclaim. Defendant AIG Europe (UK) Limited was recently served with summons and complaint and has not yet responded to the complaint. Defendant Starr Excess Liability International Insurance Ltd. demanded that it be served pursuant to the provisions of the Hague Convention on Service of Process Abroad. That service has been made, but Starr has not yet responded to the complaint. The parties have a greed to hold in abeyance all issues other than coverage issues raised by the complaint and counterclaims and have propounded written discovery to each other on those issues.

(3) The following are other Adversary Proceedings filed in these Chapter 11 Cases

(a) ~~(1)~~ *The Kroger Co. v. Fleming Companies, Inc.*, 03-52915. This is a reclamation claim. The parties have stipulated to suspend proceedings pending general resolution of reclamation claims collectively.

(b) *Superior Dairy v. Fleming Companies Inc, et al, 03-53034*. Plaintiff alleged that certain funds in Fleming's possession were Plaintiff's property. The parties stipulated to a dismissal of the action on or about February 13, 2004.

(c) *American Greetings Corporation v. Fleming Companies, Inc., 03-53346*. Plaintiff alleged that certain funds in Fleming's possession were held in constructive trust for the benefit of the

vendors. The parties reached a settlement that was approved by the Bankruptcy Court by order entered February 5, 2003.

(d) ~~(2)~~ *Farris Produce, Inc., et al. v. Fleming Companies, Inc., et al.* 03-54449. This proceeding is a class action brought by and on behalf of numerous vendors who delivered certain goods directly to retailers and invoiced Fleming for such deliveries. Plaintiffs contend that certain funds in Fleming's possession are held in constructive trust for the benefit of the class of vendors. **Fleming denied Plaintiffs' claims.** The ~~judge granted an injunction in favor of the plaintiffs, then certified the class.~~**parties reached a settlement on or about February 5, 2004.** Under the ~~injunction order~~**terms of the proposed settlement**, Fleming ~~has escrowed and/or paid out~~**will pay the class** ~~$14.7~~17.5 million. ~~Fleming has appealed *the Bankruptcy Court's ruling* on class certification. Discovery is ongoing in advance of a final hearing still to be scheduled~~**The parties are currently seeking court approval**.

(e) ~~(3)~~ *Fleming Companies, Inc. v. Jackson Capital Management, et al.* 03-54449. This proceeding is a request for an injunction under 11 U.S.C. § 105 to prevent class actions against present and former directors. The parties have postponed the proceedings by stipulation.

(f) ~~(4)~~ *Fleming Companies, Inc. v. Robert Ellis et al.*, 03-54756. This proceeding is a request for an injunction under 11 U.S.C. § 105 to prevent the State of Georgia from criminally prosecuting a Fleming executive. The Bankruptcy Court granted a preliminary injunction against the prosecution. Discovery is ongoing in advance of an unscheduled final hearing.

(g) ~~(5)~~ *Wayne Berry v. Hawaiian Express Service et al.*, USDC Hawaii No. CV 03 00385 SOM-LEK. In this proceeding, Wayne Berry has sued Fleming, C&S and other companies and individuals in the United States District Court for Hawaii alleging that the defendants continue to violate his copyright in certain freight tracking software previously used by

Fleming at its facilities in Kapolei, Hawaii. Berry's software was the subject of a prepetition lawsuit, discussed in the prepetition section above, in which Berry won $98,250 and a finding of willful infringement against Fleming, but the ~~bankruptcy~~**automatic** stay went into effect before the judgment was entered. In the postpetition lawsuit, originally filed on July 22, 2003 and amended on August 13, 2003 to include Fleming, C&S and various employees as individuals, Berry alleges that the defendants continue to infringe on his software copyrights notwithstanding the prepetition jury verdict. ~~The defendants deny the allegations and have filed motions to dismiss, stay or transfer.~~ Discovery is ongoing.~~.~~ **, and a trial date has been set for November 16, 2004.**

(h) ~~(6)~~ *Gorman Foods, LLC v. Fleming Companies, Inc.*, 03-55518. This proceeding is a complaint brought by a group of store owners seeking over $445,000 in damages on the basis that Fleming is holding in trust for the benefit of the store owners certain funds remitted by certain vendors to Fleming to pay for various product advertisements run by the group of store owners. Discovery is ongoing.

(i) ~~(7)~~ *The Unofficial Committee of Unsecured Trade Creditors of Dunigan Fuels, Inc. v. Deutsche Bank Trust Company Americas, et al.*, 03-55715. This proceeding is a fraudulent conveyance complaint brought by a group of creditors against various banks and Fleming for $9.2 million which was allegedly owed by Dunigan Fuels, Inc. The creditors group contends that but for Fleming's causing Dunigan Fuels to guarantee unrelated debts, Dunigan Fuels would have been able to repay the group. The group therefore seeks to have this money repaid by the banks or by Fleming. **The Debtors have settled this matter and are in the process of documenting the settlement.**

(j) ~~(8) *Cavendish Farms et al. v. Fleming Companies, Inc., et al., Adv. Proc. No. 03-56207 (MFW), United States Bankruptcy Court for the District of Delaware.~~ ***56207.*** This ~~proceeding is an~~ adversary proceeding **was** filed on September 26, 2003, by eleven

PACA claimants against Fleming Companies, Inc. and three of its officers. In their adversary complaint, plaintiffs seek to recover $3,203,608.89 (plus costs and attorneys' fees) as statutory trust assets pursuant to the PACA. In addition, plaintiffs assert common law claims of breach of contract and breach of fiduciary duties. **By order entered January 29, 2004, the Bankruptcy Court granted Fleming's motion to withdraw the reference.**

(k) ***Sara Lee Bakery Group, Inc. v. Fleming Companies, Inc., et. al., 03-53027.*** **Sara Lee Bakery Group ("SLBG") was a vendor that delivered goods directly to retailers and invoiced Fleming for such deliveries. SLBG initiated this adversary proceeding, on April 17, 2003, alleging, inter alia, that the funds paid to Fleming by the retailers were held in constructive trust for the benefit of SLBG. Fleming denied SLBG's claims. On May 12, 2003, the Bankruptcy Court entered a Temporary Restraining Order (the "TRO"). Pursuant to the TRO, Fleming paid the amount of $1,205,739.70 to SLBG and placed $948,403.56 in a segregated account pending the final resolution of the Adversary Proceeding. After the completion of discovery, the parties reached a settlement which was approved by the Bankruptcy Court on November 25, 2003. Under the terms of the settlement, SLBG paid to Fleming the sum of $205,739.70, SLBG retained the remainder of the funds paid to it by Fleming pursuant to the TRO and SLBG retained an allowed unsecured claim in the amount of $701,195. In addition, the TRO was vacated and Fleming and SLBG were relieved of their obligations under the TRO, including Fleming's obligation to segregate funds for the benefit of SLBG. Each party bore its own costs and attorneys' fees.**

7. Claims Bar Date and Review Process

a. *Claims Bar Date*

On June 25, 2003, the Bankruptcy Court entered an order (the "Bar Date Order") establishing September 15, 2003 as the bar date (the "Non-Governmental Claims Bar Date") for all non-governmental Persons and Entities to file prepetition Claims in these Chapter 11 Cases and October 1, 2003 as the bar date (the "Governmental Bar Date") for all governmental Persons and Entities to file prepetition Claims in these

Chapter 11 Cases. The Bar Date Order further provides that, among other things, any Person or Entity that is required to file a Proof of Claim in these Chapter 11 Cases but fails to do so in a timely manner shall be forever barred, estopped and enjoined from (a) asserting any Claim against the Debtors that such Person or Entity has that (i) is in an amount that exceeds the amount, if any, that may be set forth in the Schedules or (ii) is of a different nature or in a different classification than what may be set forth in the Schedules (in either case any such Claim referred to as an "Unscheduled Claim") and (b) voting upon, or receiving distributions under, any plan or plan of reorganization in these Chapter 11 Cases in respect of an Unscheduled Claim.

b. *Administrative Claim Bar Date*

On December 3, 2003, the Bankruptcy Court entered an order approving January 15, 2004 as the bar date for all persons or entities holding an Administrative Claim arising on or after April 1, 2003, through and including October 31, 2003 (the "First Bar Date Order") [Docket No. 4738]. For purposes of the First Administrative Bar Date, an Administrative Claim includes any Claim (as defined in 11 U.S.C. § 101(5)) with respect to which the holder intends to seek priority of payment pursuant to sections 503 and 507(a)(1) of the Bankruptcy Code, except for the following: (i) Administrative Claims of professionals retained pursuant to sections 327 and 328 of the Bankruptcy Code; (ii) expenses of members of the Creditors' Committee; (iii) all fees payable and unpaid under 28 U.S.C. § 1930; (iv) any fees or charges assessed against the estates of the Debtors under 28 U.S.C. § 123; (v) intercompany Claims between Debtors and their affiliates; (vi) Administrative Claims arising in the ordinary course of business relating to inventory, services or supplies provided by trade vendors or service providers which are paid or payable by the Debtors in the ordinary course of business; (vii) Claims for reclamation asserted pursuant to section 546(c) of the Bankruptcy Code; (viii) Administrative Claims relating to executory contracts and unexpired leases that have neither been rejected nor assumed by the Debtors, as well as Administrative Claims relating to, or arising under, executory contracts or unexpired leases, regardless of whether such executory contracts or unexpired leases have been assumed or rejected, that are unknown to the claim holder; (ix) Administrative Claims that have previously been filed or for which any request for payment pursuant to section 503(a) of the Bankruptcy Code or adversary proceeding is pending; and (x) any Claims of the Pre-Petition Lenders' agents and Pre-Petition Lenders as well as those of the Post-Petition Lenders' agents and Post-Petition Lenders arising under or in connection with the Pre-Petition Credit Agreement, DIP Credit Facility and the Final DIP Order. The Administrative Bar Date Order further provides that any person or entity that is required to file a Proof of Administrative Claim in these Chapter 11 Cases, but fails to do so on or before the Administrative Claims Bar Date, shall not, with respect to any such Administrative Claim, be treated as a creditor of the Debtors for purposes of allowing such Claim. The court-approved Administrative Claims Bar Date Notice provides that, among other things, any Person or Entity that is required to file a Proof of Administrative Claim in these Chapter 11 Cases, but fails to do so in a timely manner, shall be forever barred, estopped and enjoined from (a) asserting any such Administrative Claim against the Debtors and (b) voting upon, or receiving distributions under, any plan or plan of reorganization in these Chapter 11 Cases in respect of such Administrative Claim.

c. *Claims Review Process*

The Debtors have begun to evaluate the numerous Claims filed in these Cases to determine, among other things, whether it is necessary and appropriate to file objections seeking to disallow, reduce and/or reclassify such Claims The Debtors expect to also reconcile the Claims against their Schedules in an effort to (a) eliminate duplicative or erroneous Claims and (b) ensure that the Bankruptcy Court allows only valid Claims. If the Debtors, Core-Mark Newco, or the Post Confirmation Trust, as applicable, objects to a Claim, a hearing regarding such objection will be held and notice of such objection and the related hearing will be provided to affected Claim Holders as well as to other parties entitled to receive notice. To the extent necessary, the Bankruptcy Court will rule on the objection and ultimately determine whether, and in what amount and priority, to allow the applicable Claim. If the Debtors, Core-Mark Newco, or the Post Confirmation Trust, as applicable, do not object to a Claim by the Objection Deadline, such Claim will be deemed allowed and will receive the treatment accorded such Claim under the Plan. As appropriate, the Debtors, Core-Mark Newco, or the Post Confirmation Trust, as applicable, may seek to negotiate and/or settle disputes regarding a Claim or Claims as an alternative to filing objections to the allowance or treatment of such Claims.

The Debtors have begun to file procedural and substantive objections to secured, administrative and priority claims ("SAP Claims") in order to reconcile their estimated exposure with the

value of the asserted SAP Claims. On December 5, 2003, the Debtors filed their First Omnibus Objections to Claims (Docket No. 4790). On January 31, 2004, the Debtors filed their Second and Third Omnibus Objections to Claims (Docket Nos. 6178 and 6179 respectively). These Omnibus Objections affect approximately 1,000 secured, administrative and/or priority claims with an asserted value of $3.2 billion. The Court has entered an Order granting the relief in the First Omnibus Objection [Docket No. 5768]. The hearing date on the Second and Third Omnibus Objections is March 25, 2004 with an objection deadline of March 18, 2004. On February 24, 2004, the Debtors filed their Fourth and Fifth Omnibus Objections to Claims (Docket Nos. 6178 and 6179 respectively). These Omnibus Objections affect approximately 129 secured, administrative and/or priority claims with an asserted value of $25 million.

On February 13, 2004, the Debtors filed their Motion for Waiver of Del. Bankr. Local Rule 3007-1(f) With Respect To Certain Omnibus Objections to Claims, which Motion requests authority, notwithstanding the Local Rules, to object to more than 150 claims in specific "Reclassify Only" Objections, to file more than two substantive Omnibus Objections in a month (for Reclassify Only Objections) and to object to certain claims solely on the basis of priority reserving the right to later object to such claims on other grounds. The Motion was granted on March 3, 2004. On March 18, 2004, the Debtors filed the first of their Reclassify Only Objections in the Debtors' Sixth Omnibus Objection to Claims. These Reclassify Only Objections affect approximately 363 secured, administrative and/or priority claims with an asserted value of $160 million. The hearing date on the Sixth Omnibus Objection is April 19, 2004 with an objection deadline of April 12, 2004.

VI. SUMMARY OF THE PLAN OF REORGANIZATION

A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and interest holders. Another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor-in-possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against, and interests in, a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan and any creditor of, or equity holder in, the debtor, whether or not such creditor or equity holder (a) is impaired under or has accepted the plan or (b) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtors from any debt that arose prior to the date of confirmation of the plan and substitutes therefore the obligations specified under the confirmed plan.

A chapter 11 plan may specify that the legal, contractual and equitable right of the holders of claims or interests in classes are to remain unaltered by the reorganization effectuated by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are deemed to accept the plan. Accordingly, it is not necessary to solicit votes from the holders of claims or equity interests in such classes. A chapter 11 plan also may specify that certain classes will not receive any distribution of property or retain any claim against a debtor. Such classes are deemed not to accept the plan and, therefore, need not be solicited to vote to accept or reject the plan. Any classes that are receiving a distribution of property under the plan but are not "unimpaired" will be solicited to vote to accept or reject the plan.

Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall classify the claims of a debtor's creditors and equity interest holders. In compliance therewith, the Plan divides Claims and Equity Interests into various Classes and sets forth the treatment for each Class. The Debtors also are required under section 1122 of the Bankruptcy Code to classify Claims and Equity Interests into Classes that contain Claims and Equity Interests that are substantially similar to the other Claims and Equity Interests in such Classes. The Debtors believe that the Plan has classified all Claims and Equity Interests in compliance with the provisions of section 1122 of the Bankruptcy Code, but it is possible that a Holder of a Claim or Equity Interest may challenge the classification of Claims and Equity Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, the Debtors intend, to the extent permitted by the Bankruptcy Court and the Plan, to make such reasonable modifications of the classifications under the Plan to permit confirmation and to use the Plan acceptances received in this solicitation for the purpose of obtaining the approval of the reconstituted Class or Classes of which the accepting Holder is ultimately deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan.

The Debtors (and each of their respective Affiliates, agents, directors, officers, employees, advisors and attorneys), the Creditors Committee (and each of their respective Affiliates, agents, directors, officers, employees, advisors and attorneys) have, and upon confirmation of the Plan will be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code with regard to the distributions of the securities under the Plan, and therefore are not, and on account of such distributions will not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

THE REMAINDER OF THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND MEANS FOR IMPLEMENTATION OF THE PLAN AND THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS THERETO AND DEFINITIONS IN THE PLAN).

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

THE PLAN ITSELF AND THE DOCUMENTS IN THE PLAN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTORS UNDER THE PLAN AND WILL, UPON THE OCCURRENCE OF THE EFFECTIVE DATE, BE BINDING UPON ALL HOLDERS OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTORS, THE DEBTORS' ESTATES, ALL PARTIES RECEIVING PROPERTY UNDER THE PLAN AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT SHALL CONTROL.

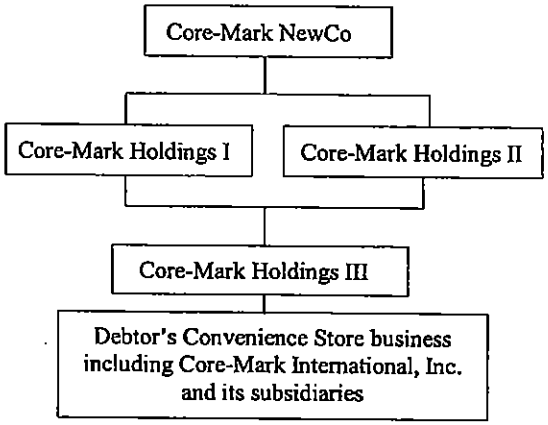
B. Generally

1. Structure of Reorganizing Plan

The Debtors believe that the Plan provides the best and most prompt possible recovery to Holders of Claims and Equity Interests. For purposes of this Disclosure Statement, the term Holder refers to the holder of a Claim or Equity Interest in a particular Class under the Plan. If the Plan is confirmed by the Bankruptcy Court and consummated, on the Effective Date or as soon as practicable thereafter, the Debtors will make distributions in respect of certain Classes of Claims and Equity Interests as provided in the Plan. The Classes of Claims against, and Equity Interests in, the Debtors created under the Plan, the treatment of those Classes under the Plan and distributions to be made under the Plan are described below.

2. Creation of Core-Mark Newco

The Plan ~~will provide~~**provides** for the reorganization of the Debtors centered around the~~ir~~ remaining convenience store wholesale distribution business. As a result of the restructuring transactions described below in S~~s~~ection ~~IX~~**VI.E.5.** hereof, **the** Debtors' corporate structure will change as of the Effective Date. On the Effective Date, ~~as a result of~~**two newly formed** ***wholly-owned subsidiaries of Core-Mark Newco ("Core-Mark Holdings I" and "Core-Mark Holdings II") will each own 50% of another*** **newly formed** ***subsidiary ("Core-Mark Holdings III"),*** **all** of Fleming's assets **related to it's convenience store business, including** the ~~transfer~~**Reorganized Debtors, will be transferred** to Core-Mark Holdings III **and the reorganized subsidiaries. Fleming's remaining assets will be transferred to a Post Confirmation Trust which will be liquidated and Fleming's remaining direct and indirect subsidiaries will be dissolved. As a result,** Core-Mark International, Inc., Core-Mark Interrelated Companies, Inc., Core-Mark Mid-Continent, Inc., **General Acceptance Inc., C/M Products, Inc., ASI Office Automation, Inc., E.A. Morris Distributors, Inc. Marquise Ventures Company, Inc.,** Minter-Weisman Co., **and** Head Distributing Co. ~~and other subsidiaries of Fleming~~**(the "Reorganized Debtors"),** will become indirect, wholly-owned subsidiaries of Core-Mark Newco. ~~Two new, wholly-owned subsidiaries of Core-Mark Newco ("Core-Mark Holdings I" and "Core-Mark Holdings II") will each own 50% of another new subsidiary ("Core-Mark Holdings III").~~ An organizational chart depicting the anticipated corporate structure of the new holding companies of the Reorganized Debtors as of the Effective Date is set forth below.



3. Exit Financing Facility, Obtaining Cash for Plan Distributions and Transfers of Funds Among the Debtors and the Reorganized Debtors

All Cash necessary for Core-Mark Newco and the Post Confirmation Trust, as applicable, to make payments pursuant to the Plan will be obtained from the Reorganized Debtors' existing Cash balances, **the continuing** operations **of Core-Mark Newco**, the Exit Financing Facility, the Tranche B Loan ~~or the Rights Offering~~ and prosecution of Causes of Action, including collections of the Litigation Claims, unless such Cash is not sufficient to fund the Plan, in which case the Debtors, with the consent of the Committee, reserve the right to raise Cash from a sale of some or substantially all of their assets. On the Effective Date, the Reorganized Debtors are authorized to execute and deliver those documents necessary or appropriate to obtain the Exit Financing Facility. ~~The determination of whether to utilize a~~ **and the** Tranche B Loan ~~or a Rights Offering to fund certain Plan payments shall be made upon the mutual agreement of the Debtors and the Committee~~**, if necessary**. The Exit Financing Facility shall not be secured by the assets transferred to the Post Confirmation Trust.

4. Tranche B Loan

The Tranche B Loan shall be a term credit facility in the amount of up to $60 million available to be borrowed from the Tranche B Lenders on the Effective Date in the form of funded borrowings or letters of credit. All obligations under the Tranche B Loan shall be secured by second priority security interests in and liens upon substantially all present and future assets of Core-Mark Newco, other than those assets transferred to the Post Confirmation Trust, including accounts receivable, general intangibles, inventory, equipment, fixtures and real property, and products and proceeds thereof. The Tranche B Loan shall be junior to the Exit Financing Facility.

The Tranche B Loan shall be made by the Tranche B Lenders on substantially the terms set forth ~~on~~**in** the **Indicative** Tranche B Loan Term Sheet~~, which is~~ **attached hereto as** Exhibit ~~E to the Plan.~~**8.**

5. Sale of Assets

In the event that the Debtors do not have sufficient Cash from their (i) existing Cash balances on the Effective Date, (ii) operations, (iii) the Exit Financing Facility, (iv) the Tranche B Loan or ~~the Rights Offering or~~ (v) pursuit of Causes of Action to make the required payments under the Plan, the Debtors, with the consent of the Creditors Committee, reserve the right to fund the Plan through a sale of some or substantially all of the assets of the Debtors under section 363 of the Bankruptcy Code.

C. Classification And Treatment Of Claims And Equity Interests

1. Summary of Unclassified Claims against all Debtors

a. *Administrative Claims*

Subject to the provisions of section 330(a) and 331 of the Bankruptcy Code, each Holder of an Allowed Administrative Claim, including Holders of Allowed Approved Trade Creditor Lien Claims, but excluding claims for Professional Fees, will be paid the full unpaid amount of such Allowed Administrative Claim in Cash (i) on the Effective Date or as soon as practicable thereafter, or (ii) if such Administrative Claim is Allowed after the Effective Date, as soon as practicable after the date such Claim is Allowed, or (iii) upon such other terms as may be agreed upon by such Holder and the applicable Reorganized Debtor or otherwise upon an order of the Bankruptcy Court; *provided that* Allowed Administrative Claims including Allowed Approved Trade Creditor Lien Claims representing obligations incurred in the ordinary course of business or otherwise assumed by the Debtors or Reorganized Debtors pursuant hereto will be assumed on the Effective Date and paid or performed by the applicable Reorganized Debtor when due in accordance with the terms and conditions of the particular agreements governing such obligations.

Except as provided in the Plan, Holders of Administrative Claims that arose on or before October 31, 2003 ~~shall file an Administrative Claim on or before the First Administrative Bar Date pursuant to~~ which the First Administrative Bar Date ~~Order. Except as provided in the Plan,~~ did not apply and Holders of Administrative Claims that arose after October 31, 2003 that have not been paid as of the Effective Date, must file an Administrative Claim by the Second Administrative Bar Date. If an Administrative Claim is not timely filed by the First Administrative Bar Date or the Second Administrative Bar Date, as applicable, then such Administrative Claim shall be forever barred and shall not be enforceable against the Debtors or the Reorganized Debtors, their successors, their assigns or their property. The foregoing requirements to file Administrative Claims by the relevant bar date shall not apply to the (i) Administrative Claims of Professionals retained pursuant to sections ~~327 and~~327, 328 and 363 of the Bankruptcy Code; (ii) expenses of members of the Official Committee of Unsecured Creditors; (iii) all fees payable and unpaid under 28 U.S.C. § 1930; (iv) any fees or charges assessed against the estates of the Debtors under 28 U.S.C. § 123; (v) Intercompany Claims between Debtors and their affiliates; and (vi) Administrative Claims arising in the ordinary course of business relating to inventory, services or supplies provided by trade vendors or service providers which are paid or payable by the Debtors in the ordinary course of business. An objection to an Administrative Claim filed pursuant to this provision must be filed and properly served within 220 days after the Effective Date. The Debtors and the Post Confirmation Trustee, as applicable, reserve the right to seek an extension of such time to object.

All Professionals that are awarded compensation or reimbursement by the Bankruptcy Court in accordance with sections 330, 331 or 363 of the Bankruptcy Code that are entitled to the priorities established pursuant to sections 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code, shall be paid in full, in Cash, the amounts allowed by the Bankruptcy Court: (a) on or as soon as reasonably practicable following the later to occur of (i) the Effective Date; and (ii) the date upon which the Bankruptcy Court order allowing such Claim becomes a Final Order; or (b) upon such other terms as may be mutually agreed upon between such Professional and the Reorganized Debtors. On or before the Effective Date and prior to any distribution being made under the Plan, the Debtors shall escrow into the Professional Fee Escrow Account, the Carve-Out and the Additional Carve-Out as outlined in the Final DIP Order and any additional estimated accrued amounts owed to Professionals through the Effective Date.

Except as otherwise provided by Court order for a specific Professional, Professionals or other entities requesting compensation or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b) and 1103 or 363 of the Bankruptcy Code for services rendered prior to the Confirmation Date must file and serve an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Court. Any objection to the Claims of Professionals shall be filed on or before thirty (30) days after the date of the filing of the application for final compensation.

b. *Priority Tax Claims*

In *full satisfaction, settlement, release, and discharge of*, and in exchange for, each *Allowed Priority Tax Claim that is due and payable on or prior to the Effective Date*:

(1) ~~Each Holder of an *Allowed Priority Tax Claim that is due and payable on or prior to the Effective Date*~~If payment of the Allowed Priority Tax Claim is not secured or guaranteed by a surety bond or other similar undertaking, commencing on the Effective Date or as soon as practicable thereafter, the Holder of such Claim shall be paid the principal amount of such Claim plus simple interest on any outstanding balance from the Effective Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Effective Date, in ~~*full satisfaction, settlement, release, and discharge of* and in exchange for such Priority Tax Claim in~~ quarterly deferred Cash payments over a period not to exceed six years after the date of assessment ~~in accordance with §1129(a)(9)(C) of the Bankruptcy Code with interest at a rate agreed to by the parties or set by the Court~~tax on which such Claim is based, unless ~~such~~the Debtor and Holder ~~consents~~mutually agree to ~~other~~a different treatment or as otherwise ordered by the Court.

(2) If payment of the Allowed Priority Tax Claim is secured or guaranteed by a surety bond or other similar undertaking, the Holder of the Allowed Priority Tax Claim shall be required to seek payment of its Claim from the surety in the first instance. Only after exhausting all right to payment from its surety bond or other similar undertaking shall the Holder be permitted to seek payment from the Debtors under this Plan as a holder of an Allowed Priority Tax Claim, and the remainder, if any, owing on an Allowed Claim after deducting all payments received from the surety, shall be treated as outlined in paragraph (1) above.

To the extent the surety pays the Allowed Priority Tax Claim in full, the Priority Tax Claim shall be extinguished. The surety's Claim against the Debtors for reimbursement is not entitled to be paid as a Priority Tax Claim hereunder. To the extent the surety holds no security for its surety obligations, it shall have a Class 6 Claim and shall be paid in accordance with section III.B.8. of the Plan. To the extent the surety holds security for its surety obligations, the surety shall have a Class 3(A) Claim under the Plan and be paid in accordance with section III.B.3. of the Plan.

c. *DIP Claims*

On the Effective Date, or as soon as practicable thereafter, each Holder of an Allowed DIP Claim shall be paid in full in Cash in full satisfaction, settlement, release and discharge of and in exchange for each and every Allowed DIP Claim, unless such Holder consents to other treatment.

2. Classification and Treatment of Classified Claims

a. Class 1(A)—Other Priority Non-Tax Claims

(1) *Classification:* Class 1(A) consists of all Allowed Other Priority Non-Tax Claims.

(2) *Treatment:* ~~On the Effective Date, *or as soon as practicable thereafter,* unless such Holder agrees to other treatment, each Holder of an Allowed Other Priority Non-Tax Claim shall be paid in~~In full satisfaction, settlement, release, and discharge of, and in exchange for, each ~~and every~~ Allowed Other Priority Non-Tax Claim ~~in Cash in full~~**that is due and payable on or prior to the Effective Date, on the Effective Date** *or as soon as practicable thereafter,* **the Holder of such Claim shall be paid the principal amount of such Claim on any outstanding balance, unless the Holder consents to other treatment**.

(3) *Voting:* Class 1(A) is not impaired and the Holders of Class 1(A) Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 1 are not **entitled to vote to accept or reject the Plan.**

b. Class 1(B)—Property Tax Claims

(1) *Classification:* Class 1(B) consists of all Allowed Property Tax Claims.

(2) *Treatment:* In full satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Property Tax Claim that is due and payable on or prior to the Effective Date, commencing on the Effective Date or as soon as practicable thereafter, the Holder of such Allowed Property Tax Claim shall be paid the principal amount of such Claim plus simple interest on any outstanding balance from the Effective Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Effective Date, in quarterly deferred Cash payments over a period not to exceed six years after the date of assessment of the tax on which such Claim is based, unless the Debtor and Holder mutually agree to a different treatment.

(3) *Voting:* Class 1(B) is impaired and the Holders of Class 1(B) Claims are entitled to vote to accept or reject the Plan.

c. ~~b.~~ Class 2—Pre-Petition Lenders' Secured Claims

(1) *Classification:* Class 2 consists of all Allowed Pre-Petition Lenders' Secured Claims.

(2) *Treatment:* On the Effective Date, or as soon as practicable thereafter, unless such Holder consents to other treatment, each Holder of an Allowed Pre-Petition Lenders' Secured Claim shall be paid in full and shall either (i) assign its liens in the Debtors' assets to the lender under the Exit Financing Facility ~~Agreement~~ or (ii) assign its liens in the Debtors' assets to Core-Mark Newco, which liens as assigned shall

have the same validity and priority as such liens held by the Holders of the Class 2 Claims, and which liens as assigned shall be subject to further transfer to the Post Confirmation Trust, as applicable.

Any default with respect to any Class 2 Claim that existed immediately prior to the filing of the Chapter 11 Cases shall be deemed cured upon the Effective Date.

(3) *Voting:* Class 2 is not impaired and the Holders of Class 2 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 2 are not entitled to vote to accept or reject the Plan.

d. ~~c.~~ Class 3(A)— *Other Secured Claims that are not Class 1(B) Claims*

(1) *Classification:* Class 3(A) consists of all Allowed Other Secured Claims **that are not Class 1(B) Claims**.

(2) *Treatment:* On the Effective Date or as soon as practicable thereafter, each Holder of an Allowed Other Secured Claim **that is not a Class 1(B) Claim** (e.g. PMSI Holders, equipment financing lenders, etc.) shall receive one of the following treatments, at the Debtors' option, such that they shall be rendered unimpaired pursuant to section 1124 of the Bankruptcy Code: (i) the payment of such Holder's Allowed Other Secured Claim in full, in Cash; (ii) the sale or disposition proceeds of the property securing such Allowed Other Secured Claim to the extent of the value of the Holder's interests in such property; or (iii) the surrender to the Holder of the property securing such Claim.

(3) *Voting:* Class 3(A) is unimpaired and Holders of Class 3**(A)** Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 3(A) are not entitled to vote to accept or reject the Plan.

e. ~~d.~~ Class 3(B)—Approved Trade Creditor Reclamation Lien Claims

(1) *Classification:* Class 3(B) consists of all Allowed Approved Trade Creditor Reclamation Lien Claims.

(2) *Treatment:* On the Effective Date, or as soon as practicable thereafter, ~~Core-Mark Newco or~~ the Post Confirmation Trust~~, as applicable,~~ shall issue ~~a promissory note~~**the Class 3B Preferred Interests** in favor of the Holders of Allowed Approved Trade Creditor Reclamation Lien Claims in the estimated aggregate amount of such Allowed Claims **under the terms and conditions of the Class 3B Preferred Interests Term Sheet (with the interests** to be reissued as such Claims are Allowed by Final Order or settlement**)** and grant a first priority lien to such Holders on the Post Confirmation Trust Distributable Assets, entitling each Holder of an Allowed Approved Trade Creditor Reclamation Lien Claim to its Ratable Proportion of Post Confirmation Trust Distributable Assets up to the total amount of each Holders' Allowed Approved Trade Creditor Reclamation Lien Claim, in full satisfaction, settlement, release and discharge of each Allowed Approved Trade Creditor Reclamation Lien Claim, unless such Holder agrees to other treatment, and subject, at the Debtors' option, to

reduction for unpaid post-petition deductions, preference payments and other applicable setoff rights.

As additional security for the Class 3B Preferred Interests, Core-Mark Newco shall provide a junior guarantee under the terms outlined in the Class 3B Preferred Interests Term Sheet.

(3) *Voting:* Class 3(B) is impaired and the Holders of Class 3(B) Claims are entitled to vote to accept or reject the Plan.

f. ~~e.~~ Class 3(C)—DSD Trust Claims

(1) *Classification:* Class 3(C) consists of all Allowed DSD Trust Claims.

(2) *Treatment:* ~~(i) In the event that the DSD Trust Claim Holders obtain a Final Order in their favor in the pending litigation allowing their Claims, on the later of (a) the Effective Date or as soon as practicable thereafter; or (b) the date the DSD Trust Claim Holders obtain a Final Order allowing their Claims or as soon as practicable thereafter, each~~**Each** Holder of an Allowed DSD Trust Claim shall be paid in full satisfaction, settlement, release and discharge of each Allowed DSD Trust Claim in Cash ~~in full, unless such Holder agrees to other treatment, subject, at the Debtors' option to reduction for unpaid post-petition deductions, preference payments and other applicable setoff rights and (ii) in the event the DSD Trust Claim Holders do not prevail in~~ their ~~litigation, all Allowed DSD Trust Claims shall be treated as Class 6 General Unsecured Claims hereunder~~**Ratable Proportion of the DSD Settlement Fund as outlined in the DSD Settlement Agreement**.

(3) *Voting:* Class 3(C) is ~~unimpaired~~**impaired** and Holders of Claims in Class 3(C) are ~~conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 3(C) are not~~ entitled to vote to accept or reject the ~~p~~**P**lan.

g. ~~f.~~ Class 4—PACA/PASA Claims

(1) *Classification:* Class 4 consists of all Allowed PACA/PASA Claims.

(2) *Treatment:* ~~On the Effective Date, *or as soon as practicable thereafter,* unless such Holder agrees to other treatment, each Holder of an Allowed PACA/PASA Claim shall be paid in~~**In** full satisfaction, settlement, release, and discharge of, and in exchange for, each ~~and every~~ Allowed PACA/PASA Claim ~~in Cash in full from the previously established PACA trust or from Core-Mark Newco to the extent the PACA trust~~**that** is ~~insufficient~~**due and payable on or prior** to ~~satisfy all~~ the ~~Allowed PACA/PASA Claims with~~**Effective Date, on the Effective Date *or as soon as practicable thereafter,* the Holder of such Claim shall be paid the principal amount of such Claim on** any ~~remaining proceeds of~~**outstanding balance, unless** the ~~PACA~~**Holder** ~~trust~~**consents** to ~~be distributed to Core-Mark Newco~~**other treatment**.

(3) *Voting:* Class 4 is unimpaired and Holders of Allowed Claims in Class 4 are conclusively deemed to have accepted the Plan pursuant to section

1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 4 are not entitled to vote to accept or reject the Plan.

h. ~~g.~~ Class 5—Valid Reclamation Claims that are not Class 3(B) Claims

(1) *Classification:* Class 5 consists of Allowed Valid Reclamation Claims that are not Class 3(B) Claims.

(2) *Treatment:* To the extent the Court determines that the Holders of Reclamation Claims that are not Class 3(B) Claims are entitled to priority treatment, on the Effective Date, or as soon as practicable thereafter, ~~Core Mark Newco or~~ the Post Confirmation Trust, ~~as applicable~~, shall issue ~~a promissory note~~**the Class 5 Preferred Interests** in favor of such Holders in the estimated aggregate amount of their Allowed Claims **(with the interests to be reissued as such Claims are Allowed by Final Order or settlement)** and grant a second priority lien on the Post Confirmation Trust Distributable Assets entitling each Holder to its Ratable Proportion of the Post Confirmation Trust Distributable Assets, after all Class 3(B) Claims are paid in full. ~~*In the event the Court denies the Holders of Reclamation Claims that are not Class 3(B) Claims priority treatment, such Reclamation Claims shall be treated as Class 6 General Unsecured Claims* hereunder.~~

As additional security for the Class 5 Preferred Interests in the event the Court determines that the Holders of Class 5 Claims are entitled to priority treatment, Core-Mark Newco shall provide a junior guarantee under the terms outlined in the Class 5 Preferred Interests Term Sheet.

***In the event the Court denies the Holders of Reclamation Claims that are not Class 3(B) Claims priority treatment, such Reclamation Claims shall be treated as Class 6 General Unsecured Claims* hereunder, and any ballots cast by Holders of Class 5 Claims shall be counted as ballots cast by Holders of Class 6 Claims.**

(3) *Voting:* Class 5 is impaired and Holders of Allowed Claims in Class 5 are entitled to vote to accept or reject the Plan.

i. ~~h.~~ Class 6—General Unsecured Claims other than Convenience Claims

(1) *Classification:* Class 6 consists of all Allowed General Unsecured Claims other than Convenience Claims.

(2) *Treatment:* On the Effective Date, or as soon as practicable thereafter, each Holder of an Allowed General Unsecured Claim other than Convenience Claims, shall be paid in full satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed General Unsecured Claim other than Convenience Claims, at the Debtors' option, in one or a combination of the following manners: (i) issuance of a Ratable Proportion of New Common Stock subject to dilution from the issuance of warrants to the Tranche B Lenders ~~or the shares of New Common Stock issued upon the conversion of Preferred Stock issued pursuant to the Rights Offering, if applicable,~~ and through the Management Incentive Plan; and/or (ii) in the event the Debtors, with the consent of the Creditors Committee, elect to sell some or all of

their assets as outlined herein, a Ratable Proportion of Cash remaining from the sale of such assets after all of the Allowed Unclassified Claims and Claims of Holders in Classes 1 through 5 have been satisfied in full.

As additional consideration, each Holder of an Allowed General Unsecured Claim shall be entitled to a Ratable Proportion of Excess Proceeds (as defined in the Post Confirmation Trust Agreement), if any, available from the Post Confirmation Trust after payment by the Post Confirmation Trust of all claims and obligations required to be made by the Post Confirmation Trust under the Plan, the Post Confirmation Trust Agreement, or otherwise, as set forth in the Post Confirmation Trust Agreement.

~~*As additional consideration, each Holder of an Allowed General Unsecured Claim shall be entitled to a Ratable Proportion of Excess Proceeds (as defined in the Post Confirmation Trust Agreement), if any, available from the Post Confirmation Trust after payment by the Post Confirmation Trust of all claims and obligations required to be made by the Post Confirmation Trust under the Plan, the Post Confirmation Trust Agreement, or otherwise, as set forth in the Post Confirmation Trust Agreement.*~~ ~~Further, in the event the Debtors utilize a Rights Offering, each Holder of a General Unsecured Claim that is listed on the Rights Participation Schedule shall be entitled to receive, in exchange for such Holder's Claim, its Equity Subscription Rights for shares of Preferred Stock as outlined in Section VII.B of the Plan and Exhibit 6 to this Disclosure Statement.~~

(3) *Voting:* Class 6 is impaired and Holders of Claims in Class 6 are entitled to vote to accept or reject the Plan.

j. ~~i.~~ Class 7 - Convenience Claims

(1) *Classification:* Class 7 consists of all General Unsecured Claims**, other than the claims of Holders of Old Notes,** of $5,000 or less held by a single Holder. Holders of **Old Notes and** General Unsecured Claims in excess of $5,000 may not opt into Class 7.

(2) *Treatment:* On or as soon as practicable after the Effective Date, each Holder of an Allowed Class 7 Claim shall receive, in full and final satisfaction of such Claim, a e**C**ash distribution equal to 10% of the amount of its Class 7 Claim, provided however, the aggregate amount of such Allowed Class 7 Claims shall not exceed $10,000,000. If the aggregate amount of the Allowed Class 7 Claims exceeds $10,000,000, each Holder of an Allowed Class 7 Claim shall receive its Ratable Proportion of $1,000,000.

(3) *Voting:* Class 7 is impaired, and Holders of Class 7 Claims are entitled to vote to accept or reject the Plan.

k. ~~j.~~ Class 8—Equity Interests

(1) *Classification:* Class 8 consists of all Equity Interests.

(2) *Treatment:* Receives no distribution and are canceled as of the Effective Date.

(3) *Voting:* Class 8 is impaired, but because no distributions will be made to Holders of Class 8 Claims nor will such Holders retain any property, such Holders are deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code. Class 8 is not entitled to vote to accept or reject the Plan.

~~k.~~ l. Class 9—Intercompany Claims

(1) *Classification:* Class 9 consists of all Intercompany Claims.

(2) *Treatment:* Receives no distribution and are canceled as of the Effective Date.

(3) *Voting:* Class 9 is impaired, ~~and~~but because no distributions will be made to Holders of Class 9 Claims nor will such Holders retain any property, such Holders are deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code. Class 9 is not entitled to vote to accept or reject the Plan.

~~l.~~ m. Class 10 – Other Securities Claims and Interests

(1) *Classification*: Class 10 consists of all Other Securities Claims and Interests of whatever kind or nature.

(2) *Treatment*: Receives no distribution and are cancelled and discharged as of the effective date.

(3) *Voting*: Class 10 is impaired, and since no distributions will be made to Holders of Class 10 Claims, such Holders are deemed to reject the Plan pursuant to Section 1126(g) of the Bankruptcy Code. Class 10 is not entitled to vote to accept or reject the Plan.

D. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' or the Reorganized Debtors' rights in respect of any Unimpaired Claims, including, but not limited to, all rights in respect of legal and equitable defenses to or setoffs or recoupments against such Unimpaired Claims.

E. Acceptance And Rejection Of The Plan

1. Voting Classes

Each Holder of an Allowed Claim in Classes ~~3~~1(B), 3(B), 3(C), 5, 6 and 7 shall be entitled to vote to accept or reject the Plan.

2. Acceptance by Impaired Classes

An Impaired Class of Claims shall have accepted the Plan if (a) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders (other than any Holder designated

under section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

3. Presumed Acceptance of Plan

Classes ~~1,~~1(A), 2, 3(A~~), 3(C)~~ and 4 are unimpaired under the Plan and, therefore, are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

4. Presumed Rejection of Plan

Classes 8, 9 and 10 are impaired and shall receive no distributions and, therefore, are presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

5. Non-Consensual Confirmation

The Debtors and the Committee ~~reserve the right to~~will seek Confirmation of the Plan under section 1129(b) of the Bankruptcy Code, to the extent applicable, ~~in~~based on the ~~event that~~deemed rejection by classes 8, 9 and 10 and, if any Voting Class fails to accept the Plan in accordance with section 1129(a)(8) of the Bankruptcy Code. The Debtors and the Committee reserve the right (a) to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code and/or (b) to modify the Plan in accordance with Ssection XIV.D. thereof.

F. Plan Implementation

1. Substantive Consolidation

As set forth in ~~Article~~section V.A of the Plan, all of the Debtors seek a limited substantive consolidation of their estates solely for purposes of actions associated with the confirmation and consummation of the Plan, including, but not limited to, voting, confirmation and distribution. The Plan does not contemplate the merger or dissolution of any Debtor which is currently operating or which currently owns operating assets or the transfer or commingling of any asset of any Debtor, except that the assets of Fleming ~~already~~currently being used by Fleming Convenience in its operations ~~as~~ shall be formally vested in Core-Mark Newco, ~~Inc.,~~ or one of ~~its~~the Reorganized ~~Debtor subsidiaries~~Debtors, and except to accomplish the distributions under the Plan. Such limited substantive consolidation shall not affect (other than for Plan voting, treatment and/or distribution purposes) (i) the legal and corporate structures of a Reorganized Debtor or (ii) equity interests in the Filing Subsidiaries.

a. *Other Effects of Substantive Consolidation*

As set forth in Article V of the Plan, as a result of substantive consolidation, a Holder of Claims against one or more of the Debtors arising from or relating to the same underlying debt that would otherwise constitute Allowed Claims against two or more Debtors, including, without limitation, Claims based on joint and several liability, contribution, indemnity, subrogation, reimbursement, surety, guaranty, co-maker and similar concepts, shall have only one Allowed Claim on account of such Claims. In addition, all Claims between and among Fleming and its Filing Subsidiaries shall be eliminated as a result of substantive consolidation under the Plan.

b. *Benefits of Substantive Consolidation*

The Debtors and the Committee believe that substantive consolidation is in the best interest of the Debtors' estates and will promote a more expeditious and streamlined distribution and recovery process for Creditors. Substantive consolidation of the Debtors' estates will result in (i) the deemed consolidation of the assets and liabilities of the Debtors; (ii) the deemed elimination of intercompany claims, multiple and duplicative creditor claims, joint and several liability claims and guarantees; and (iii) the payment of Allowed Claims from a common pool of assets. Substantive consolidation will relieve the Debtors' estates from having to engage in the costly and time-consuming exercise of litigating intercompany claims as those claims will be eliminated. It will also relieve the Debtors from having to litigate creditor claims against multiple Debtor entities on the same liability, as

only one claim will be deemed allowed and payable from one common pool of assets. The Debtors estimate that there have been over $20 billion of duplicate proofs of claim filed against the Debtors' estates. Moreover, substantive consolidation will provide for a greater recovery overall for the vast majority of creditors of the Debtors' estates.

c. *Legal Analysis of Substantive Consolidation*

Substantive consolidation is an equitable doctrine that permits the Bankruptcy Court to merge the assets and liabilities of affiliated entities so that the combined assets and liabilities are treated as though held by one entity. It is well established that section 105(a) of the Bankruptcy Code, which provides in pertinent part that the "court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title," empowers a bankruptcy court to authorize substantive consolidation. The Bankruptcy Code also contemplates consolidation in aid of reorganization. 11 U.S.C. § 1123(a)(5).

There are no express criteria in the Bankruptcy Code for determining whether an order granting substantive consolidation should issue, but the Third Circuit has generally articulated a standard based on two cases, *In re Auto-Train Corp.*, 810 F.2d 270 (D.C. Cir. 1987) and *Union Savings Bank v. Augie/Restivo Baking Co.* (*In re Augie/Restivo Baking Co.*), 860 F.2d 515 (2d Cir. 1988). Under the Auto-Train test, the court looks at (1) whether there is substantial identity between the entities to be consolidated and (2) whether consolidation is necessary to avoid some harm or to realize some benefit. Under the Augie/Restivo test, the court will examine: (1) whether creditors dealt with the entities as a single economic unit and did not rely on their separate identity in extending credit or (2) whether the affairs of the debtor companies are so entangled that consolidation will be beneficial.

A party may be estopped from opposing substantive consolidation where a reasonable party in a similar situation "knew or should have known of the close association between affiliate and bankrupt," or where the party could be deemed to have dealt with the debtors with full knowledge of their consolidated operations. *In re Snider Bros., Inc.*, 18 B.R. 230, 237-38 (Bankr. Mass. 1982). The existence of cross-corporate guarantees among each of the debtor entities may also put a party on notice of substantial identity among affiliates. *See In re Commercial Envelope Mfg. Co.*, 3 B.C.D. 647, 655 (Bankr. S.D.N.Y. 1977). Estoppel is warranted, even though a creditor may not have dealt with more than any one debtor at a time, where the knowledge that there existed an intercorporate relationship could have bolstered confidence in dealing with any individual corporation because the creditor knew s/he could rely on the credit and assets of all the entities, not just the one with which s/he was dealing. *Id.*

Substantive consolidation is ultimately a test of balancing of the equities where the court must weigh the economic prejudice of continued debtor separateness against the economic prejudice of substantive consolidation. As a court-made doctrine, substantive consolidation is constantly evolving to meet the realities of the ever-changing and increasingly complex business world. There is a modern trend towards favoring substantive consolidation. This trend is driven by judicial cognizance of modern business practices, which use complex interrelated business structures, involving interconnected parents and subsidiaries, overlapping directorates, and integrated administrative, operational and cash management systems. *Murray Indus., Inc.*, 119 B.R. 820, 832 (Bankr. M.D. Fla. 1990). Substantive consolidation should be authorized whenever it will benefit the debtors' estates without betraying legitimate expectations of the debtors and their respective creditors. *Id.*

d. *The Debtors Meet the Criteria for Substantive Consolidation*

The substantial interrelationship between and among Fleming and the Filing Subsidiaries warrants substantive consolidation in this case. For example, the Debtors currently share a joint corporate structure, joint business operations and joint liability on the most significant and largest outstanding debts in these Chapter 11 Cases.

(1) Joint Corporate Structure.

- Fleming operates as the parent company for the Filing Subsidiaries as well as for the non-filing subsidiaries and owns 100% of the capital stock (directly or indirectly) of all of the Filing Subsidiaries.

- Fleming's officers and directors also serve as officers and directors of the Filing Subsidiaries' boards.

- Important decisions were generally made by the Fleming board and implemented by unanimous consent at the subsidiary level without separate board meetings.

- The Debtors file joint tax returns and engage in consolidated audits of their financial records.

- The Debtors file**d** consolidated financial statements and SEC filings.

(2) Joint Business Operations.

- The Debtors use a centralized cash management system for operations conducted between themselves, their affiliates and third parties, including the Pre-Petition Lenders.

- The Fleming Subsidiaries have no access to capital outside of Fleming's credit facility because all funds in the Fleming Subsidiaries' accounts are swept on a daily basis into Fleming's main concentration accounts.

- The Filing Subsidiaries were managed as seamless divisions of Fleming. For example, after ~~the~~ Fleming**'s** acquisition of Core-Mark in June 2002, Core-Mark interacted with the public as **part of** Fleming Convenience, **a an existing** division of Fleming. The Debtors also heavily promoted the acquisition of Core-Mark as creating a seamless national geographic network **when combined** with ~~respect to~~ Fleming ~~Convenience~~**'s existing convenience operations** (as discussed in more detail infra).

- Fleming provides**d** various insurance, SEC reporting and other administrative services including legal services for the Fleming Subsidiaries.

- Vendors perceived the Debtors as one integrated company based on the fact that Vendors of Fleming Convenience withdrew millions of dollars of credit from Fleming Convenience because of fears concerning Fleming Companies, Inc.'s economic condition.

(3) Joint Liability on Debt.

- The Filing Subsidiaries are liable to the Pre-Petition Lenders for all Pre-Petition Lenders' Claims arising under Class 2 of the Plan due to a guarantee on the Pre-Petition Lenders' secured pre-petition indebtedness executed by the Filing Subsidiaries.

- The Filing Subsidiaries executed the Bond Guarantees in favor of the Holders of Old Notes pre-petition and are thus liable for amounts outstanding under the Old Notes.

- The PBGC alleges that the Filing Subsidiaries, as members of Fleming's controlled group, are liable for the PBGC Claims.

- A substantial majority of the Claims filed against the Debtors by the Bar Date are against multiple Debtors for the same underlying debt.

Based upon the Debtors' joint corporate structure, joint business operations, and joint liability on debt, among other things, the Debtors believe that Fleming and all Filing Subsidiaries should be

consolidated for Plan purposes. The Debtors have undertaken an extensive factual review of the factors in support of substantive consolidation and believe that the facts in these cases warrant substantive consolidation.

For example, the Debtors believe that Core-Mark International, Inc. ("Core-Mark") as well as its direct subsidiaries should be consolidated with Fleming. Fleming acquired Core-Mark on June 18, 2002. The code name for Fleming's acquisition of Core-Mark was "Project Platform." That is, Fleming acquired Core-Mark as a platform to create a national convenience store distribution business to compliment its national wholesale distribution business. Immediately upon acquiring Core-Mark, Fleming went to work on combining and promoting its new national convenience store distribution business. For example, from the outset, Fleming instructed Core-Mark to change the name under which it did business to include a reference to Fleming. Shortly thereafter, Core-Mark and Fleming settled on the name "Fleming Convenience." Fleming also gave operational control of its seven existing eastern convenience store distribution centers to Fleming Convenience.

Core-Mark's transformation into Fleming Convenience was accomplished both within the company and in the outside convenience distribution world at large. Internally, Core-Mark changed virtually all aspects of its identity from Core-Mark to Fleming Convenience. The company name on everything from envelopes and letterhead to human resources forms and employee benefits plans was changed from Core-Mark to Fleming Convenience. Core-Mark's intercompany forms that were changed to Fleming Convenience forms included life insurance forms, health insurance forms, job application forms, 401K plan forms, designation of beneficiary forms, employee attendance record forms and summary of benefits forms.

The change from Core-Mark to Fleming Convenience was just as pronounced to the outside convenience distribution world. After the acquisition, Core-Mark began answering its phones as Fleming-Convenience, Fleming-Core-Mark, and/or Core-Mark-Fleming. The company name on the materials given to the outside convenience distribution world was changed to Fleming Convenience as well. For example, the name on company e-mails, letterhead, envelopes, invoices, purchase orders, driver receipt forms, manual check stock, customer reorder tags, credit-due-us forms and credit applications was changed from Core-Mark to Fleming Convenience. In addition, shortly after the acquisition, the business cards of the sales and marketing personnel added the Fleming Convenience logo, and the business cards of the other Fleming Convenience personnel changed thereafter as well.

By July 2002, less than a month after its acquisition by Fleming, Core-Mark was marketing itself to the outside world as Fleming's national convenience store distribution business. To accomplish this task, Core-Mark changed the name on its Smart Stock, Smart Set, Cooler Door, Promo Power and other marketing programs to Fleming Convenience. These Fleming Convenience marketing materials were sent to its major vendors, as well as its customers and potential customers. Core-Mark also changed the name on its monthly newsletter which it sent to vendors and customers alike to Fleming Convenience.

In addition, at the key convenience store industry event of the year, the 2002 National Association of Convenience Stores (NACS) conference in Orlando, Florida, Fleming went to great lengths to inform the industry of the advent of Fleming Convenience, its new nationwide convenience store distribution platform. Fleming Convenience sent invitations announcing the change from Core-Mark to Fleming Convenience to all of the members of NACS, which included vendors, distributors and customers alike. Fleming Convenience also solicited its major vendors (now its creditors) to sponsor its much larger than usual booth at the 2002 NACS Conference. Fleming Conveniences' solicitations, as well as its NACS booth, heralded the change from Core-Mark to Fleming Convenience. Fleming Convenience also hosted a golf tournament and a separate gala at the NACS conference. Over 500 of its customers and vendors participated in these events where the Fleming Convenience name was prominently featured.

Fleming also held meetings with the industry's largest trade credit group, the National Food Manufacturers Credit Group (NFMCG), in which they discussed the acquisition of Core-Mark and its transformation to Fleming Convenience. On October 25, 2002, representatives of Fleming met with the NFMCG's Trade Relations Committee in Scottsdale, Arizona. In that meeting, they discussed, among other things, Fleming's integration of Core-Mark. On January 24, 2003, Fleming met again with the Trade Relations Committee of the NFMCG. In that meeting, they discussed the success of Fleming's acquisition of Core-Mark and presented the

Trade Relations Committee with consolidated financial information that included Fleming Conveniences' financial information as well.

That the outside world knew full well of Fleming Convenience's interconnection with Fleming was evident when the market became aware of Fleming's financial troubles. Indeed, as early as November 2002, one or more of Fleming Conveniences' large vendors tightened their credit terms with Fleming Convenience as a result of an unfavorable article published about Fleming in the Wall Street Journal. Thereafter, in March 2003, as the market became more aware of Fleming's troubles, many of Fleming Conveniences' vendors restricted their credit terms based on the reputed troubles of Fleming.

e. *Substantive Consolidation Will Provide A Benefit To The Estates And Result In A Higher Recovery For Creditors*

Under the circumstances of this case, substantive consolidation is warranted because there is substantial identity between Fleming and the Filing Subsidiaries, because the benefits outweigh the harm of consolidation, because untangling intercompany accounts would be lengthy and needlessly costly, and because creditors, who may or may not be prejudiced, and who knew or should have known they were dealing with a single entity, are estopped from asserting any kind of defense against substantive consolidation, which will facilitate the expedient consummation of the Plan. In particular, the very same creditors who, prior to the bankruptcy treated Fleming Convenience as part of Fleming, cannot now be heard to complain that they did not believe that they were dealing with Fleming.

A denial of substantive consolidation will result in lengthy delay as intercompany liabilities and duplicate Claims are adjudicated, thereby threatening the timely consummation of the Plan and jeopardizing the patience and credit of customers and vendors willing to work with the reorganized Debtors, or Core-Mark Newco. These lengthy adjudications will necessitate large administrative costs, which will consume the assets of the Debtors' estates that would otherwise be used for distribution to creditors. Substantive consolidation will benefit the vast majority of creditors, who will not only benefit from streamlined legal proceedings and the administrative cost savings that engenders, but will realize a greater distribution than if the Debtors were forced to pursue separate liquidations or plans. Lastly, substantive consolidation will benefit the creditors of these cases because it will facilitate a speedy and cost-effective reorganization that will hasten the emergence of a viable Fleming Convenience business in which these creditors will have an interest.

f. *Objections to Substantive Consolidation*

The Debtors have received a few objections to the Disclosure Statement which allege that the Disclosure Statement contains inadequate information about the effect of substantive consolidation on the creditors or, or potentially, the effect of not substantively consolidating the Debtors' estates. The Debtors believe those Objections are not well founded. The Disclosure Statement, as outlined above, outlines in great detail the grounds for substantive consolidation and the negative impact attempting to construct a plan which does not consolidate the estates would have on creditors. Section 1125(a) of the Bankruptcy Code specifically states that the adequate information required for a disclosure statement to be approved "need not include such information about any other possible or proposed plan."

Central States, Southeast and Southwest Areas Pension Plan Fund ("CSPF"), complained that "substantive consolidation will undoubtedly result in creditors of certain of the Debtors receiving a higher percentage distribution than they might otherwise have received without consolidation, while certain other creditors' distributions might be negatively impacted." Essentially, this is a Plan Objection which is more appropriately addressed by the Court at confirmation. Further, CSPF is essentially demanding the analysis of another "possible plan," namely the no-substantive-consolidation-at-all Plan. The "need not include" language of section 1125(a) indicates that a Disclosure Statement is not required to contain information about another "possible plan." Hence, under the very statutory section to which they cite, CSPF is not empowered to demand such information. The Debtors do not believe they have to provide CSPF with a smorgasbord of sundry plans because "the disclosure statement is intended to assist the creditors in evaluating the plan on its face rather than to promote a comparison among various proposed

plans." *In re Brandon Mill Farms, Ltd.*, 37 B.R. 190, 192 (Bankr. Ga. 1984) (citing *In re Civitella*, 14 B.R. 151, 8 B.C.D. 12 (Bankr. E.D. Pa. 1981) (holding that the debtor's disclosure statement need not indicate the existence of an alternate plan)).

2. Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors

Each ~~Debtor shall, as a~~ Reorganized Debtor~~,~~ shall continue to exist after the Effective Date as a separate legal entity, each with all the powers of a corporation or partnership, as applicable, under the laws of its respective jurisdiction of organization and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law. Except as otherwise provided in the Plan, on and after the Effective Date all property of the Estate and any property acquired by ~~the Debtors or~~ the Reorganized Debtors under the Plan shall vest in the applicable Reorganized Debtor, free and clear of all Claims, liens, charges or other encumbrances. On and after the Effective Date, the Reorganized Debtors may operate their respective businesses and may use, acquire or dispose of property without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order.

3. Cancellation of Old Notes, Old Stock and Other Equity Interests

On the Effective Date, except to the extent otherwise provided in the Plan, all notes, instruments, certificates and other documents evidencing (a) the Old Notes, (b) the Old Stock and (c) any stock options, warrants or other rights to purchase Old Stock shall be canceled, and the obligations of the Debtors thereunder or in any way related thereto shall be discharged. On the Effective Date, except to the extent otherwise provided in the Plan, any indenture relating to any of the foregoing, including, without limitation, the Indentures, shall be deemed to be canceled, as permitted by section 1123(a)(5)(F) of the Bankruptcy Code, and the obligations of the Debtors thereunder, except for the obligation to indemnify the Old Notes Trustees, shall be discharged; *provided that* the indentures that govern the rights of the Holder of a Claim and that are administered by the Old Notes Trustees, an agent or servicer shall continue in effect solely for the purposes of (y) allowing the Old Notes Trustees, agent or servicer to make the distributions to be made on account of such Claims under the Plan and to perform such other necessary administrative functions with respect thereto and (z) permitting the Old Notes Trustees, agent or servicer to maintain any rights or liens it may have for fees, costs and expenses under such indenture or other agreement. Any fees or expenses due to any of the Old Notes Trustees, agent or servicer shall be paid directly by the Debtors and shall not be deducted from any distributions to the Holders of Claims and Equity Interests.

4. Issuance of New Securities; Execution of Related Documents

On or as soon as practicable after the Effective Date, Core-Mark Newco shall issue all securities, notes, instruments, certificates and other documents of Core-Mark Newco required to be issued pursuant to the Plan, including~~, without limitation,~~ the New Common ~~and Preferred Stock, if applicable, each of~~ which shall be distributed as provided in the Plan. Core-Mark Newco shall execute and deliver such other agreements, documents and instruments, ~~including the Registration Rights Agreement, if applicable~~**as are necessary to effectuate the Plan**.

5. Restructuring Transactions

On or before the Effective Date, **Fleming intends to (i) dissolve all other of its direct or indirectly wholly owned Debtor subsidiaries other than (a) Core-Mark International, Inc.; (b) Core-Mark Mid Continent, Inc.; (c) General Acceptance Corporation; (d) Core-Mark Interrelated Companies, Inc.; (e) CM Products, Inc.; (f) ASI Office Automation, Inc.; (g) E.A. Morris Distributors Limited; (h) Head Distributing Company; (i) Marquise Ventures Company, Inc.; and (j) Minter-Weisman Co. and (ii) transfer the convenience store assets that are part of its Leitchfield, Kentucky Division to either Core-Mark International, Inc. or one of the Reorganized Debtors. The specific recipient of these assets will be determined prior to the Confirmation Date.**

On or before the Effective Date, Core-Mark Newco, a ~~new~~ Delaware corporation, shall be formed by certain of the Debtors' creditors or a nominee on their behalf. Core-Mark Newco shall **then** form two

wholly-owned subsidiaries, Core-Mark Holdings I and Core-Mark Holdings II, both Delaware corporations, and make a capital contribution of its stock to these entities. Core-Mark Holdings I and Core-Mark Holdings II shall form another subsidiary, Core-Mark Holdings III, owned equally by Core-Mark Holdings I and Core-Mark Holdings II, and shall make a capital contribution of the stock of Core-Mark Newco to Core-Mark Holdings III. ~~Core-Mark Newco, Core-Mark Holdings I, Core-Mark Holdings II, Core-Mark Holdings III and Fleming shall engage in certain transactions on~~ On the Effective Date, ~~that~~Fleming will ~~result~~transfer the stock of the Reorganized Debtors to Core-Mark Holdings III and Fleming will receive, in~~, among other things, all of the~~ exchange for such stock, stock of Core-Mark Newco ~~being, distributed~~Core-Mark Holding III will retain a portion of Core-Mark Newco's stock to satisfy disputed claims and hold such stock for the benefit of the holders of Class 6 General Unsecured Claims. Fleming will distribute the Core-Mark Newco stock received from Core-Mark Holdings III to its creditors in accordance with ~~Article III of~~ the Plan of Reorganization. Core-Mark Holdings III will transfer stock of Core-Mark Newco to holders of Class 6 General Unsecured Claims as such claims are resolved. Once these transactions have occurred, the creditors of Fleming, participants in the Management Incentive Plan and persons acquiring Core-Mark Newco equity as a result of the exercise of warrants will be the owners of Core-Mark Newco, which will act as the holding company for the convenience store business. Core-Mark Newco will then own 100% of each of Core-Mark Holdings I and Core-Mark Holdings II, and those two entities will each own 50% of stock of Core-Mark Holdings III. Core-Mark Holdings III will own the Reorganized Debtors.

~~In addition, on~~On or after the Effective Date, the Reorganized Debtors may continue to enter into such transactions and may continue to take such actions as may be necessary or appropriate to effect a further corporate restructuring of their respective businesses, including actions necessary to simplify, reorganize and rationalize the overall reorganized corporate structure of the Reorganized Debtors. While the Debtors are presently evaluating potential restructuring transactions, the contemplated transactions may include (i) dissolving various additional unnecessary subsidiary companies, including certain of the Reorganized Debtors, (ii) filing appropriate certificates or articles of merger, consolidation or dissolution pursuant to applicable state law and (iii) any other action reasonably necessary or appropriate in connection with the contemplated transactions. In each case in which the surviving, resulting or acquiring corporation in any of these transactions is a successor to a Reorganized Debtor, such surviving, resulting or acquiring corporation will perform the obligations of the applicable Reorganized Debtor pursuant to the Plan, to pay or otherwise satisfy the Allowed Claims against such Reorganized Debtor.

6. Corporate Governance, Directors and Officers, and Corporate Action

a. Amended Certificate of Incorporation and By-laws

After the Effective Date, the Reorganized Debtors, as applicable, may, if necessary, reincorporate in their respective states of incorporation and file their Restated Certificates of Incorporation with the Secretary of State in the state in which they are incorporated. After the Effective Date, the Reorganized Debtors may, if necessary, amend and restate their Restated Certificates of Incorporation and other constituent documents as permitted by applicable law.

b. Directors and Officers of the Reorganized Debtors

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, as of the Effective Date, the principal officers of the Debtors immediately prior to the Effective Date will be the officers of the Reorganized Debtors. The principal officers of Core-Mark Newco are presently anticipated to be the following: J. Michael Walsh, President and Chief Executive Officer; Henry Hautau, Vice President, Employee and Corporate Services and Assistant Secretary; Stacy Loretz-Congdon, Treasurer and Assistant Secretary; Gregory P. Antholzner, Controller and Assistant Secretary; Basil P. Prokop, President, Canada Division; Tom Barry, Vice President, National Accounts; Gerald Bolduc, Vice President, Information Technology and Chief Information Officer; David W. Dresser, Vice President, Merchandising; Thomas Small, Vice President, Operations; Chris Walsh, Vice President, Marketing; Tom Perkins, Vice President, U.S. Divisions; Scott McPherson, Vice President, U.S. Divisions; and Cyril Wan, Assistant Secretary.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose, on or prior to the Confirmation Date, the identity and affiliations of any Person proposed to serve on the initial board of directors of Core-Mark Newco and each Reorganized Debtor. The initial board of directors of Core-Mark Newco ~~shall~~is presently contemplated to consist of ~~seven~~five members, the Chief Executive Officer of Core-Mark Newco,~~[ ]~~ two representatives selected by the Committee and ~~[ ] representatives selected~~two independent members to be mutually agreed upon by the ~~Equity Investor, if applicable~~Debtors and the Committee. To the extent any such Person is an "insider" under the Bankruptcy Code, the nature of any compensation for such Person will also be disclosed. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of such Reorganized Debtor's certificate of incorporation, and other constituent documents.

c. Corporate Action

After the Effective Date, the adoption and filing, if necessary, of any of the Reorganized Debtors' Restated Certificates of Incorporation, the approval of their Restated By-laws, the appointment of directors and officers for Core-Mark Newco, the adoption of the Management Incentive Plan, and all other actions contemplated hereby with respect to each of the Reorganized Debtors shall be authorized and approved in all respects (subject to the provisions hereof). All matters provided for in the Plan involving the corporate structure of any Debtor or any Reorganized Debtor, and any corporate action required by any Debtor or any Reorganized Debtor in connection with the Plan, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders or directors of such Debtor or Reorganized Debtor. On the Effective Date, the appropriate officers of each Reorganized Debtor and members of the board of directors of each Reorganized Debtor are authorized and directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by the Plan in the name of and on behalf of such Reorganized Debtor.

7. ~~The Rights Offering Alternative~~ Reclamation Claims

~~In order~~

Pursuant to ~~fund the Debtors' obligations under the Plan, the Debtors, among other things, may, in the alternative to the Tranche B Loan, offer Holders of Class 6 Claim the opportunity to purchase,~~Final DIP Order and in exchange for ~~cash, additional equity in the Reorganized Debtors' businesses. This opportunity shall be~~extension of post petition trade credit, the Debtors provided Approved Trade Creditors holding Reclamation Claims with a junior lien in the ~~form~~lesser of ~~(a Rights Offering whereby each Holder of a Class 6 Claim that is listed on the Rights Participation Schedule (filed with the Plan as Exhibit B) shall be entitled to exercise its right to purchase shares of Preferred Stock in Core-Mark Newco ("Equity Subscription Rights"), up to~~ the amount of ~~each Holder's Rights Participation Claim Amount listed on the Rights Participation Schedule.~~actual trade credit ~~The terms and conditions of the Rights Offering and a description of the Preferred Stock are outlined in the Equity Commitment Letter filed with the Plan as Exhibit F and Exhibit 5~~provided pursuant to the ~~Disclosure Statement.~~

~~G.~~ ~~Postagreement with the Debtors as outlined in the Debtors' Trade Credit Program (as defined in the Final DIP Order) and (b) the amount of the Allowed Reclamation Claim, as outlined in the Trade Credit Program determined without consideration of whether the value of the inventory of the Debtors exceeded the amount of the Pre-Petition Lenders' Secured Claim as of the Petition Date. The Debtors also agreed that to the extent that any valid Reclamation Claim held by an Approved Trade Creditor and as set forth on such Approved Trade Creditor's Trade Credit Program Letter Agreement (as defined in the Final DIP Order) is not covered fully by such Approved Trade Creditor's Trade Creditors' Lien, then the balance of such valid Reclamation Claims shall constitute an Administrative Expense Claim, junior in right to the Post Petition Lender Superpriority Claim, the Pre-Petition Lender Superpriority Claims and the Carve-Out and up to an additional $6 million of professional fees and expenses approved by the Court. Holders of Claims granted this protection under the Final DIP Order are Holders of Class 3(B) Claims under the Plan.~~

Other creditors alleging Reclamation Claims that did not participate in the Debtors' Trade Credit Program have not, to date, been granted any lien or priority status by the Court and are simply creditors asserting Reclamation Claims allegedly entitled to protection under section 546(c) of the Bankruptcy Code. Holders of such Reclamation Claims are Holders of Class 5 Claims under the Plan.

Currently, the Holders of Class 3(B) claims have a junior security interest in the assets of the Debtors. Under the Plan, however, certain assets of the Debtors are being transferred to the Post Confirmation Trust while certain other assets are being retained by the Reorganized Debtors or transferred to Core-Mark Newco. As a result, the Plan replaces the lien currently held by the Class 3(B) Claim Holders with a lien on the Post Confirmation Trust's Distributable Assets. In addition, Core-Mark Newco is providing a secured guarantee of the Post Confirmation Trust's obligation to the Class 3(B) creditors under the terms outlined in the Class 3(B) Preferred Interests Sheet attached hereto as Exhibit 10 in order to assure that Allowed Class 3(B) Claims are paid in full.

The Debtors estimate that, as of the Effective Date, the aggregate amount of the Class 3(B) Claims is in the range of $43 to 55 million, prior to setoffs which may be available to the Debtors. The Debtors believe that certain of the Class 3(B) Claimants owe the Debtors funds related to pre-petition transactions. Such debts due from the Class 3(B) Claimants may be subject to setoff against liabilities owed by the Debtors to such claimants. The Debtors believe they will be able to effect setoff of such amounts due to the Debtors in full or in part against the Class 3(B) Claims. The Class 3(B) Claimants have challenged this position of the Debtors. The treatment provided for the Holders of Class 3(B) Claims under the Plan will afford such Holders payment in full of their Allowed Claims from either the Post Confirmation Trust, or in the event that the Post Confirmation Trust does not have sufficient assets, from Core-Mark Newco as a result of the secured guaranty provided to such Holders.

At the present time, it is unclear what the Court will ultimately determine with respect to the priorities, if any, of the Claims held by the Class 5 Claimants. On November 25, 2003, the Debtors filed their Combined Amended Reclamation Report and Motion to Determine that Reclamation Claims are Valueless (Docket No. 4596). Among other things, the Debtors sought the entry of an order that provides that Class 5 Claims are General Unsecured Claims that are not entitled to any priority under section 546(c) of the Bankruptcy Code. On December 12, 2003, the Bankruptcy Court, however, declined to hear the motion and directed the Debtors to file separate adversary proceedings against each reclamation claimant.

On or about January 31, 2004, the Debtors filed approximately 576 reclamation complaints (the "Reclamation Complaints"). The Debtors also filed a motion to consolidate the Reclamation Complaints to determine common legal issues arising from the reclamation claims, namely whether the reclamation claims are entitled to any priority under section 546(c) of the Bankruptcy Code. The consolidation motion is fully briefed and a hearing has been requested. The answer date for the Reclamation Complaints has been extended by agreement to April 15, 2004 for all defendants.

The projections attached to the Disclosure Statement as Exhibit 3C assume that Class 5 Claims will be found to have a priority, entitled to payment after payment of Claims, a reserve for Prioritized Property Tax Claims reserve for a prudent minimum operating cash level for the Post Confirmation Trust and payment of Class 3B Claims. The Plan also provides that, to the extent the Court determines that the Holders of Reclamation Claims that are not Class 3(B) Claims are entitled to priority treatment, on the Effective Date, or as soon as practicable thereafter, the Post Confirmation Trust, shall issue Preferred Interests in favor of such Holders in the estimated aggregate amounts of their Allowed Claims and grant them a second priority lien on the Post Confirmation Trust Distributable Assets entitling each Holder of a Class 5 Claim to its Ratable Proportion of the Post Confirmation Trust Distributable Assets after all Class 3(B) Claims are paid in full. As additional security for the Class 5 Preferred Interests, Core-Mark Newco shall provide a junior secured guarantee under the terms outlined in the Class 5 Preferred Interests Term Sheet attached to this Disclosure Statement as Exhibit 11.

The Debtors estimate that, as of the Effective Date, the aggregate amount of Class 5 Claims is in the range of $0 to $80 million, depending on *the Bankruptcy Court's ruling* with respect to the priority of these claims and prior to giving affect to all of the Debtors' prepetition deductions. The Debtors believe that certain of the Class 5 Claimants owe the Debtors funds related to pre-petition transactions. Such debts due from the Class 5 Claimants may be subject to setoff against liabilities owed by the Debtors to such claimants. The Debtors believe they will be able to effect setoff of such amounts due to the Debtors in full or in part against the Class 5 Claims. The Class 5 Claimants have challenged this position of the Debtors. The treatment provided to the Holders of Class 5 Claims under the Plan, including the additional security issued by Core-Mark Newco, will assure that Class 5 Claims shall be paid in full to the extent the Debtors are required to do so.

On February 9, 2004 Hershey Food Corporation ("Hershey") filed its Objection to the Debtors' Disclosure Statement. Thereafter, 27 other objections to the Disclosure Statement were filed that "joined" the Hershey's Objection or a similar Objection filed by the ad hoc Reclamation Committee and related parties. Collectively, the 28 Objections shall be referred to herein as the "Reclamation Objections" and the objectors shall be referred to as the "Reclamation Objectors.") Some Reclamation Objectors hold Trade Creditor Reclamation Lien Claims and some do not.

The Reclamation Objections are primarily objections to the Debtors' Plan and specifically the treatment afforded to the Reclamation Creditors under the Plan. Therefore, they are not proper objections to the Disclosure Statement. The Reclamation Objectors will have the opportunity to vote on the Plan. The Debtors believe that the treatment afforded to Holders of Reclamation Claims under the Plan is consistent with the requirements of section 1129(a) of the Bankruptcy Code and the Plan is confirmable under section 1129(b) of the Code. Nevertheless, the Plan has been amended to include the Class 3(B) and Class 5 Preferred Interests and guarantees from Core-Mark Newco. These Preferred Interests and guarantees address the Reclamation Objectors concerns about violating the Final DIP Order and Trade Credit Program as they essentially provide the Reclamation Claimants with the benefit of the liens given to the Reclamation Lien Creditors thereunder. In addition, the Preferred Interests and guarantees assure the feasibility of the Plan. To the extent the Post Confirmation Trust does not have sufficient funds to pay the Class 3(B) or Class 5 Claims (if necessary) in full, Core-Mark Newco will ultimately assume that responsibility. Thus, the financial strength of Core-Mark Newco will also assure payment and thus, feasibility of the Plan.

Hershey also alleges that the treatment of Trade Creditor Reclamation Lien Claims in the Plan violates the Debtors' Trade Credit Program and that the Plan discriminates against the Reclamation Lien Claims by treating only non-reclamation Trade Lien Claims as Administrative Claims. The Debtors disagree. The treatment of the Reclamation Lien Claims is completely consistent with the Final DIP Order and the Trade Credit Program. The non-reclamation Trade Lien Creditors provided the debtors with post-petition credit. As a result, under the Final DIP Order and section 503 of the Bankruptcy Code, their Trade Lien Claims are entitled to administrative status to the extent they are not paid in the ordinary course of the Debtors business, which they, in fact, have been. With respect to the Reclamation Lien Claims, their treatment is completely consistent with the Final DIP Order and, by granting a lien in both the Post