

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

Chapter 11

FLEMING COMPANIES, INC., et al.

Case No. 03 - 10945 (MFW)

Debtors

Jointly Administered

**FOURTH MONTHLY APPLICATION OF KPMG LLP AS ACCOUNTANTS  
AND RESTRUCTURING ADVISORS  
FOR ALLOWANCE OF  
COMPENSATION AND REIMBURSEMENT OF EXPENSES  
FOR THE PERIOD FROM JULY 1, 2003 THROUGH JULY 31, 2003**

Name of Applicant: KPMG LLP

Authorized to Provide Professional Services to: Official Committee of Unsecured Creditors

Date of Retention: April 14, 2003

Period for which Compensation and Expense Reimbursement is sought: July 1, 2003 through July 31, 2003

Amount of Compensation sought as actual, reasonable and necessary: \$ 280,317

Amount of Expense Reimbursement sought as actual, reasonable and necessary: \$26,438

This is an:  interim  final application

The total time expended for fee application preparation is approximately 29.9 hours and the corresponding compensation requested is approximately \$10,014 <sup>1</sup>

If this is not the first application filed, disclose the following for each prior application:

Application	Date Filed	(fees) Requested	(exp)	(fees) Paid	(exp)
April 14, 2003 - April 30, 2003	15-Aug-03	\$ 187,644	\$ 17,785	\$ 168,880	\$ 17,785
May 1, 2003 - May 31, 2003	19-Aug-03	\$ 208,902	\$ 14,673		
June 1, 2003 - June 30, 2003	19-Aug-03	\$ 339,642	\$ 25,720		

<sup>1</sup> KPMG has not previously sought any fees in connection with the preparation of monthly statements and/or interim fee applications. The above referenced hours and fees applies to the production, review, and submission of the first three monthly statements as well as the First Quarterly Fee Application.

Larry H. Lattig  
KPMG LLP  
717 North Harwood St  
Dallas, TX 75201-6585  
Tel: (214) 840-2000  
Fax: (214) 840-2180

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

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In re	)	Chapter 11
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FLEMING COMPANIES, INC., <u>et al.</u> ,	)	Case Nos. 03 – 10945 (MFW)
	)	
Debtor(s).	)	Jointly Administered
	)	

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**FOURTH INTERIM APPLICATION OF KPMG LLP AS  
ACCOUNTANTS AND RESTRUCTURING ADVISORS TO THE  
OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR  
COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR THE  
PERIOD FROM JULY 1, 2003 THROUGH JULY 31, 2003.**

1. KPMG LLP (“KPMG”) respectfully files this Fourth Interim Application (the “Application”) of KPMG LLP as Accountants and Restructuring Advisors to the Official Committee of Unsecured Creditors of Fleming Companies (collectively, the “Committee”), for the period from July 1, 2003 through July 31, 2003 (the “Fourth Interim Period”). This Application is filed pursuant to §§330 and 331 of Title 11 of the United States Code (the “Bankruptcy Code”), Rule 2016(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Rules for the District of Delaware . In support of the Application, KPMG states:

## **INTRODUCTION**

2. This Application is made for the Fourth Interim allowance of compensation for services rendered as accountants and restructuring advisors to the Committee during the Fourth Interim Period in the amount of \$280,317 for 708.6 hours of services rendered by professionals. KPMG seeks reimbursement in the amount of \$26,438 incurred for actual and necessary expenses. A fee application summary sheet as required by the Executive Office of the U.S. Trustee's Guidelines (the "Guidelines") dated March 22, 1995, as amended January 30, 1996, and as required by the local rules of the United States District Court for the District of Delaware is attached hereto as Exhibit A.

## **BACKGROUND**

3. On April 1, 2003 (the "Petition Date:), the Debtors filed their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code (The "Chapter 11 Cases"). Contemporaneously therewith, the Debtors filed a motion seeking to jointly administer their Chapter 11 Cases for administrative purposes only. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner or committee has been appointed in these cases.

4. The Debtors are currently the largest distributor of consumable goods in the United States, supplying food-related and general merchandise products to approximately 45,000 retail locations throughout the country, Hawaii, Canada, the Caribbean and the South Pacific with approximately 50 distribution centers throughout the country. For the twelve months ending December 31, 2002, the Debtors generated total net sales of \$17.6 billion. Of the Debtors revenues for the 2002 calendar year,

approximately \$15.5 billion or 88% were attributable to the distribution segment of their business and approximately \$2.1 billion or 12% were attributable to the retail segment of their businesses.

5. The Debtors' distribution business involves purchasing, receiving, warehousing, marketing, selecting and loading, delivering and distributing a wide variety of food items (including groceries, meat, dairy and delicatessen products, frozen foods, produce, bakery goods) as well as general merchandise items (such as health and beauty care related items). The Debtors distribute products purchased from major merchandise trademark holders such as ConAgra Foods, Kraft Foods, Nestle, Procter & Gamble, and General Mills, among others. The Debtors also offer products under private Fleming's brands, including BestYet™, Comida, Sabrosa™, Exceptional Value™, and Nature's Finest® labels. The Debtors' customers include supermarkets, convenience stores, supercenters, discount stores, specialty stores, and gift shops, among others.

6. The Debtors also operate approximately 100 stores under the Food 4 Less, Rainbow Foods, and yes!LESS® trade names in Texas, Arizona, Minnesota, New Mexico, North California, Utah, Wisconsin, and Louisiana. Since the fall of 2002, the Debtors have been actively engaged in the process of selling their retail operations in order to concentrate on their core competencies in the distribution segment. The Debtors are currently in discussions with a buyer to sell approximately 32 retail locations of the Rainbow Foods stores in Minnesota.

7. As of the Petition Date, the Debtors have over 20,000 employees. The Debtors' corporate headquarters are in Dallas, Texas, with accounting and information technology operations in Oklahoma City, Oklahoma. The Debtors' Core-Mark subsidiaries, which are a premier distributor of food and consumer products for convenience stores in North America, has its corporate headquarters in San Francisco, California.

8. The food distribution business is highly competitive. The dominant features of the consumable-goods industry are high-volume sales and low-profit margins. Even small changes in pricing can have significant impact on companies like the Debtors. In February 2003, Kmart Corporation, the largest customer of the Debtors' distribution segment, moved in its bankruptcy case currently pending in the Northern District of Illinois to reject its supply agreement with Fleming Companies, Inc. In 2002 Kmart accounted for 20% of the Debtor's net sales, and Kmart listed Fleming Companies, Inc. as its single largest supplier of food and consumable products in pleading filed in its bankruptcy case, accounting for \$3.6 billion of total sales per annum.

9. On April 10, 2003, the Office of the United States Trustee appointed the following creditors as member of the Committee:

Bank One Trust Company, N.A., as Indenture Trustee  
Apollo Management V, L.P.  
AIG Global Investment Corp.  
Northeast Investors Trust  
Kraft Foods  
Nestle USA  
ConAgra Foods, Inc.  
Pension Benefit Guaranty Corporation

10. At a duly meeting on April 14, 2003, the Committee, after due deliberation and a vote, decided to retain KPMG LLP as its Accountants and Restructuring Advisors in these Cases.

### **OVERVIEW OF SERVICES**

11. The Committee has retained KPMG to provide the following services. A full and detailed description of the services provided can be found in the accompanying exhibits.

- i) Analysis and review on reports or filings that are prepared pursuant to the Bankruptcy Code, the Bankruptcy Rules or the Local Bankruptcy Rules, in accordance with orders of the Bankruptcy Court, or at the request or direction of the Office of the United States Trustee, including, but not limited to schedules of assets and liabilities, statements of financial affairs, and monthly operating reports;

- ii) Analysis and consultation on the Debtors' financial information, including but not limited to cash receipts and disbursements, financial statements items and proposed or potential transactions for which Bankruptcy Court approval is or may be sought;
- iii) Monitoring of any debtor-in-possession or other financing arrangements, including budgets and reports prepared in conjunction therewith;
- iv) Assistance with identifying, analyzing and evaluating potential cost containment and liquidity enhancement opportunities;
- v) Assistance in identifying and analyzing potential operational improvement and asset redeployment opportunities and coordinate with Compass SRP Associates LLP ("Compass") regarding an assessment of such improvements and opportunities;
- vi) Analysis of assumption and rejection issues regarding Executory contracts and leases';
- vii) Analysis of and consultation on the Debtors' proposed business plans and the operations and financial condition of the Debtors generally and coordinate with Compass regarding the assessment of these areas;
- viii) Assistance in reviewing and analyzing reorganization and strategies and alternatives;
- ix) Analysis and critique of the Debtors' financial projections and assumptions;
- x) Analysis of liquidation and reorganization values and coordinate with Compass regarding the assessment of such values;
- xi) Assistance in preparing and documenting a plan of reorganization including but not limited to analyzing feasibility and preparing, developing and analyzing information necessary of confirmation;
- xii) Advice and assistance to the Committee and, where appropriate, participation in or attendance at negotiations and meetings with the Debtors, lenders and other parties-in-interest and coordinate with Compass regarding the assessment of areas;
- xiii) Analysis and monitoring of the Debtors' tax positions, including advice and assistance in evaluating the tax consequences of proposed plans of reorganization and other transactions or events;
- xiv) Evaluation of compensation and benefit issues, including pension and other post-retirement employee benefit obligations, labor agreements and potential employee retention and severance plans;
- xv) Assistance with analysis of claims, including analyses of creditors' claims by type of entity;

- xvi) Investigation and forensic analysis of the Debtors' prepetition transactions or other transfers of cash or other assets;
- xvii) Litigation support services and expert witness testimony regarding confirmation issues, avoidance actions or other matters; and
- xviii) Other such functions by the Committee or its counsel to assist the Committee in the Cases.

KPMG is a firm of accountants and financial advisors with diverse experience and extensive knowledge in the fields of accounting, taxation and bankruptcy. The Debtors require assistance in collecting, analyzing and presenting accounting, financial and other information in relation to the restructuring and Chapter 11 proceedings. KPMG has considerable experience with rendering such services to debtors and other parties in numerous Chapter 11 cases. As such, KPMG is qualified to perform the consulting work required in these Cases.

FEES AND EXPENSES INCURRED DURING THE INTERIM PERIOD FROM JULY 1, 2003  
THROUGH JULY 31, 2003

Attached as Exhibit A are the names, titles, hourly rates, and a summary of hours charged for the professionals whose services are being billed in connection with this case during the Fourth Interim Period. Attached as Exhibit B is (1) a summary schedule of hours and fees charged for each category of services; and (2) a summary schedule of actual and necessary expenses incurred during the Fourth Interim Period.

Attached as Exhibits C1 through C6 hereto are the detailed daily descriptions of services rendered by each professional and billed to the estate during the Fourth Interim Period, including the hours necessarily incurred with respect to each task and the resultant fees. These descriptions are separated into the following matters:

- C1 Cash Collateral/ DIP Financing Issues
- C2 Court Hearings and Committee Meetings

- C3 Financial and Company Analysis
- C4 Key Employee Retention Plan (KERP)
- C5 Fee Applications and Billing
- C6 Travel billed @ 50%

Attached, as Exhibit D1 hereto is the detail of actual and necessary expenses incurred by KPMG in the performance of services.

The fees and expenses sought by KPMG, except to the extent prohibited by the Guidelines, are billed at rates and in accordance with or less than practices customarily employed by KPMG and generally accepted by KPMG's clients. KPMG's billing rates are consistent with those being charged to other, non-bankrupt KPMG clients. KPMG has received no payment from any source for services rendered or to be rendered in any capacity in connection with the matters covered in this Application.

KPMG performed services and incurred expenses during the Fourth Interim Period for which KPMG is not seeking compensation, in the approximate amount of \$2,400 in fees and approximately \$450 in expenses. The services for which KPMG is not seeking compensation and expenses for which KPMG is not seeking reimbursement do not appear in the daily detailed descriptions of services rendered in Exhibits C1 through C6, or the detailed expense descriptions in Exhibit D1 attached hereto.

#### OTHER REPORTING REQUIREMENTS

There is no agreement or understanding between KPMG and any other person, other than the partners of the firm, for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

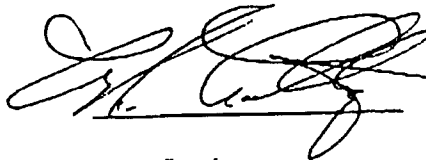


Wherefore KPMG respectfully requests a Fourth Interim award of fees and expenses as shown below:

<u>For the Fourth Interim Period Ended July 31, 2003</u>	<u>Amount</u>
Professional Fees	\$ 280,317
Out-of-Pocket Expenses	\$ 26,438
Fourth Interim Fees and Expenses	\$306,755

Dated: October 8, 2003

Respectfully submitted,



Larry Lattig  
KPMG LLP