

UNITED STATES BANKRUPTCY COURT Northern DISTRICT OF Illinois

PROOF OF CLAIM

Name of Debtor

Kmart Corporations, et al

Case Number:

02R-02474

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (The person or other entity to whom the debtor owes money or property):

Leiner Health Products, Inc.

Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Check box if you have never received any notices from the bankruptcy court in this case.

Check box if the address differs from the address on the envelope sent to you by the court.

THIS SPACE IS FOR COURT USE ONLY

Name and address where notices should be sent:

Leiner Health Products, Inc/Legal Dept. 901 E. 233rd St. Carson, Ca 90745

Telephone number: (310) 952-1644

Account or other number by which creditor identifies debtor:

039479332

Check here replaces

if this claim amends a previously filed claim, dated:

1. Basis for Claim

- Goods sold
Services performed
Money loaned
Personal injury/wrongful death
Taxes
Other

- Retiree benefits as defined in 11 U.S.C. § 1114(a)
Wages, salaries, and compensation (fill out below)

Your SS #: _____

Unpaid compensation for services performed

from (date) to (date)

2. Date debt was incurred:

12/01/00 - 01/22/02

3. If court judgment, date obtained:

4. Total Amount of Claim at Time Case Filed:

\$ 741,671.57

If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below.

Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5. Secured Claim.

Check this box if your claim is secured by collateral (including a right of setoff).

Brief Description of Collateral:

- Real Estate
Motor Vehicle
Other

Value of Collateral: \$ _____

Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____

6. Unsecured Priority Claim.

Check this box if you have an unsecured priority claim Amount entitled to priority \$ 35,419.02

Specify the priority of the claim:

- Wages, Salaries, or commissions (up to \$4,300)* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3).
Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4).
Up to \$1,950* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6).
Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7).
Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
Other Specify applicable paragraph of 11 U.S.C. § 507(a)(2).

*Amounts are subject to adjustment on 4/1/01 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

7. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If documents are not available, explain. If the documents are voluminous, attach a summary.

9. Date-Stamped Copy: To receive an acknowledgement of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

THIS SPACE IS FOR COURT USE ONLY

Date

2/27/02

Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any):

Ron Craddock

Ron Craddock-Director-Credit & Collections

RECEIVED
FEB 28 2002
BANKRUPTCY

3/5/02 396

**K-Mart
Pre-petition Summary of Account**

April 2001 - March 2002 All Event Fund As of 01/31/02	(41,071.79)
April 2001 - March 2002 Volume Rebate As of 01/31/02	39,897.89
Sub Total	<u>(1,173.90)</u>

Total Chargebacks (Schedule 1) As of 1/22/02	(373,353.96)
Total Open Invoices (Schedule 2) As of 1/22/02	(367,143.71)
Sub Total	<u>(740,497.67)</u>

Total Due LHP **(\$741,671.57)**

K-Mart
Pre-petition Chargeback Balance
As of January 22, 2002

Invalid Shortage deductions

197008	9/4/01	161.76
201992	1/29/02	612.78
197010	9/4/01	953.28
200195	12/6/01	987.53
200194	12/6/01	5,443.20
198928	10/25/01	7,508.16
Shortage Total		\$15,666.71

Invalid Return deductions

198083	9/27/01	786.97
201101	12/31/01	1,025.95
197091	9/4/01	177,912.30
Return Total		\$ 179,725.22

Invalid Service Charge deductions

197237	9/4/01	150.00
197313	9/4/01	150.00
197314	9/4/01	150.00
197240	9/4/01	500.00
197244	9/4/01	500.00
197245	9/4/01	500.00
199874	11/23/01	150.00
199983	11/26/01	150.00
Service Charge Total		\$2,250.00

Miscellaneous deductions

197273	9/4/01	6.05
197551	9/10/01	346.10
197254	9/4/01	840.12
200287	12/10/01	991.46
197552	9/10/01	1,300.18
197272	9/4/01	1,659.62
197263	9/4/01	2,861.76
197275	9/4/01	33,661.49
188743	2/8/01	639.32
197252	9/4/01	17,697.32
Miscellaneous Total		\$60,003.42

Unknown deductions

197317	9/4/01	25.00
197315	9/4/01	150.00
197316	9/4/01	150.00
197306	9/4/01	212.32
197308	9/4/01	306.52
197307	9/4/01	307.22
200193	12/6/01	401.00
197309	9/4/01	470.05
197550	9/10/01	685.44
197311	9/4/01	702.35
200572	12/17/01	1,552.32
198082	9/27/01	3,427.20
201100	12/31/01	6,386.23
197304	9/4/01	19,217.46
Unknown Total		\$33,993.11

K-Mart
Pre-petition Chargeback Balance
As of January 22, 2002

Invalid Damage deductions

199873	11/23/01	503.69
201269	1/7/02	510.33
199872	11/23/01	521.75
200292	12/10/01	525.89
199417	11/8/01	526.52
199984	11/26/01	550.50
200291	12/10/01	555.70
201103	12/31/01	560.93
198931	10/25/01	564.87
198937	10/25/01	567.96
189770	2/28/01	588.00
199870	11/23/01	614.12
198085	9/27/01	617.58
198933	10/25/01	643.89
198930	10/25/01	671.69
200290	12/10/01	736.29
198932	10/25/01	741.15
198938	10/25/01	764.80
201104	12/31/01	884.96
198936	10/25/01	1,320.19
200288	12/10/01	1,536.75
198934	10/25/01	1,689.19
200196	12/6/01	2,755.30
199170	11/1/01	2,824.73
198084	9/27/01	3,391.75
199416	11/8/01	3,977.70
199985	11/26/01	4,074.33
200573	12/17/01	5,444.81
200289	12/10/01	5,597.27
201268	1/7/02	6,426.65
199871	11/23/01	7,697.39
201105	12/31/01	9,433.32
198935	10/25/01	11,519.50
Damage Total		\$79,339.50

Invalid Pricing deduction

201993	1/29/02	2,376.00
Pricing Total		\$2,376.00

Grand Total of deductions

\$ 373,353.96

K-Mart
Pre-petition Invoice Balance
As of January 22, 2002

8298283997	985529	6,247.87	1/4/01	3/5/01
8290258617	16999	1,233.14	4/23/01	6/23/01
8287244624	981498	564.54	12/13/00	7/30/01
	28	102.98	10/18/01	11/18/01
8273670117	56146	42,468.62	11/27/01	12/28/01
8273672064	56556	20,357.57	11/29/01	12/30/01
8273675583	56714	25,258.25	11/30/01	12/31/01
8273676953	58380	48,306.46	12/12/01	1/12/02
8273679346	58454	160,332.66	12/13/01	1/13/02
8273679910	59630	27,870.48	12/20/01	1/20/02
8273682569	60218	1,097.71	12/26/01	1/26/02
8273688642	61797	15,674.47	1/9/02	2/9/02
8272404108	61798	1,810.51	1/9/02	2/9/02
8273688642	61799	1,950.22	1/9/02	2/9/02
8275477537	61800	1,613.78	1/9/02	2/9/02
8289427263	61801	2,115.59	1/9/02	2/9/02
8290374768	61802	1,670.80	1/9/02	2/9/02
8298447030	61804	2,395.01	1/9/02	2/9/02
8299373969	61805	2,452.03	1/9/02	2/9/02
8303422310	61806	1,810.51	1/9/02	2/9/02
8305445065	61807	1,810.51	1/9/02	2/9/02
Invoice Total		\$367,143.71		



901 E. 233rd Street
Carson, California
90745-6204
310/835-8400
Fax 310/835-6615

January 22, 2002

Mr. Charles F. Conaway, CEO
Kmart Corporation
3100 West Big Beaver Road
Troy, MI 48084

VIA FAX to (248) 643-3010
and CERTIFIED MAIL

RE: DEMAND FOR RECLAMATION

Dear Mr. Conaway:

Demand is hereby made under United States Code Title 11, Section 546(c)(1) and California Commercial Code Section 2702 and any such similar laws of Illinois or other states as may be applicable for RECLAMATION of all goods received by Kmart Corporation from Leiner Health Products Inc. on or after ten (10) days prior to January 22, 2002. This demand applies to any goods with respect to which Leiner Health Products Inc. is entitled to reclamation, including, but not limited to the following:

<u>LHP Invoice #</u>	<u>Kmart PO #</u>	<u>Order Value</u>
61797/61799	08273688642	\$17,624.69
61798	08272404108	1,810.51
61800	08275477537	1,613.78
61801	08289427263	2,115.59
61802	08290374768	1,670.80
61803	08292416482	2,115.59
61804	08298447030	2,395.01
61805	08299373969	2,452.03
61806	08303422310	1,810.51
61807	08305445065	<u>1,810.51</u>
		\$35,419.02

Sincerely,

Ron Craddock
Director of Credit and Collection

cc: Gale K. Bensussen
Ivette Santiago
Rob Simmons, Esq.
Margaret Howell Benson, Esq.
David Levine, Esq.