

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

In re:	)	Chapter 11
	)	
Quality Stores, Inc., <u>et al.</u> , <sup>1</sup>	)	Case No. GG-01-10662
	)	(Jointly Administered)
Debtors.	)	
	)	Hon. James D. Gregg

**NOTICE OF HEARING**

**PLEASE TAKE NOTICE** that a hearing to consider the Order Authorizing the Debtors to (I) Sell Designation Rights to Hilco Real Estate LLC; (II) Sell their Remaining Real Property or in the Alternative Abandon Such Property and (III) Conduct an Auction for the Remaining Owned Real Property(the "Motion") will be held at the United States Bankruptcy Court, 792 Federal Building, 110 Michigan, N.W., Grand Rapids, Michigan on **March 19, 2002 at 1:30 p.m.(Eastern Standard Time).**

**PLEASE TAKE FURTHER NOTICE** that the deadline to object to the Motion is **March 12, 2002 at 4:30 p.m. (Eastern Standard Time).**

**PLEASE TAKE FURTHER NOTICE** that the Court may, in its discretion, orally continue or adjourn the above hearing on the record in open court. If this occurs, parties in interest will not be given further written notice of the continued or adjourned hearing. If an entity is not present at the originally scheduled hearing information regarding the time, date and place of an orally continued or adjourned hearing may be obtained at the clerk's office from the court files or docket.

*If you want the court to consider your views on this matter, attend the hearing on the date stated above.*

*Your rights may be affected. You should read the documents carefully and discuss them with your attorney. (If you do not have an attorney, you may wish to consult one).*

*You or your attorney may wish to file a written response to the motion explaining your position. Any response shall be mailed to the Clerk of the U.S. Bankruptcy Court, P.O. Box 3310,*

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<sup>1</sup> The Debtors are the following entities: QSI Holdings, Inc. (f/k/a CT Holdings, Inc.); Quality Stores, Inc. (f/k/a Central Tractor Farm & Country, Inc.); Country General, Inc.; F and C Holding, Inc.; FarmandCountry.com, LLC.; QSI Newco, Inc.; QSI Transportation, Inc.; Quality Farm & Fleet, Inc.; Quality Investments, Inc.; Quality Stores Services, Inc; and Vision Transportation, Inc.

*Grand Rapids, MI 49501. A copy of your response should also be mailed upon the party filing the motion and his/her attorney.*

If you or your attorney do not take these steps, the court may decide to grant the relief sought in the motion or petition, and may enter an order granting the relief requested.

Grand Rapids, Michigan

Respectfully submitted,

Dated: February 27, 2002

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Co-Counsel for the Debtors and Debtors in Possession

**IN THE UNITED STATES BANKRUPTCY COURT  
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In re:	)	Case No. GG-01-10662
	)	
Quality Stores, Inc., <u>et al.</u> , <sup>1</sup>	)	Chapter 11
	)	
Debtors.	)	(Hon. James D. Gregg)
	)	

**MOTION FOR ORDER AUTHORIZING THE DEBTORS TO (I) SELL DESIGNATION RIGHTS TO HILCO REAL ESTATE, LLC; (II) SELL THEIR REMAINING REAL PROPERTY OR IN THE ALTERNATIVE ABANDON SUCH PROPERTY AND (III) CONDUCT AN AUCTION FOR THE REMAINING OWNED REAL PROPERTY**

The above-captioned debtors and debtors in possession by and through their undersigned counsel, respectfully submit this motion (the "Motion") for entry of an Order authorizing the Debtors to (I) sell designation rights (the "Designation Rights") to Hilco Real Estate, LLC ("Hilco") for the remaining parcels of owned real property listed on Exhibit A attached hereto (the "Owned Real Property") under the Designation Rights Agreement between Hilco and the Debtors dated as of February 18, 2002 (the "Designation Rights Agreement," attached hereto as Exhibit B, as may be modified from time to time); (II) sell the Owned Real Property or in the alternative abandon such property and (III) Conduct an Auction for the Owned Real Property. In support of this Motion, Quality Stores, Inc. f/k/a Central Tractor Farm & Country ("QSI"), its parent, QSI Holdings, Inc. f/k/a CT Holdings, Inc. ("Holdings") and their subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), respectfully represent:

**Introduction**

1. When the Debtors entered into the Designation Rights Agreement, the Debtors had twenty-two pieces of owned real property left to sell, which the Debtors had been marketing since the fall of 2001. The Debtors had located stalking horse buyers for five of these properties (the "Five Properties") and pursuant to the Second Omnibus Motion for Orders (A) Authorizing the Debtors to Sell Certain Real Property to Certain Buyers Free and Clear of All (I) Liens, Claims and Encumbrances Pursuant to Sections 363(b) and 363(f) of the Bankruptcy Code and (II) Transfer Taxes Pursuant to Section 1146 of the Bankruptcy Code and (B) Approving the Payment of the Real Estate Broker's Commission filed on January 24, 2002 (the "Second Omnibus Sale Motion"), the Debtors were going to conduct an auction for the Five Properties (the "First Auction"). Before the Debtors held the First Auction, Hilco approached the Debtors with an offer to enter into a designation rights agreement for the Debtors' remaining twenty-two properties, including the Five Properties, which the Debtors accepted. Accordingly, the Debtors

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<sup>1</sup> The Debtors are: QSI Holdings, Inc. (f/k/a CT Holdings, Inc.); Quality Stores, Inc. (f/k/a Central Tractor Farm & Country, Inc.); Country General, Inc.; F and C Holding, Inc.; Farm and Country, LLC.; QSI Newco, Inc.; QSI Transportation, Inc.; Quality Farm & Fleet, Inc.; Quality Investments, Inc.; Quality Stores Services, Inc; and Vision Transportation, Inc.

delayed the First Auction from February 15, 2002, to February 18, 2002, to finalize and enter into the Designation Rights Agreement.

2. Under the Designation Rights Agreement, Hilco guaranteed the Debtors a price of \$4.1 million for all 22 parcels of owned real property plus a split of the upside as provided in the Designation Rights Agreement. Under the Designation Rights Agreement, each property is assigned a value, the sum of which totals \$4.1 million. If the proceeds from the sale of a parcel of real property exceeds 1.3 times the assigned value for such property, then the Debtors and Hilco will share in the excess proceeds as follows: (i) the Debtors are entitled to the first \$200,000 in excess net proceeds and (ii) after the \$200,000 threshold is reached, the Debtors and Hilco will share in the excess proceeds equally. At the First Auction for the Five Properties, the Debtors sold the Five Properties for more than 1.3 times the assigned value of each property, and \$87,000 in excess net proceeds was allocated to the Debtors as part of the sharing contemplated by the Designation Rights Agreement. The results of the First Auction were approved by the Court on February 19, 2002.

3. After evaluating the terms of the Designation Rights Agreement, the Debtors, in consultation with the Creditors Committee and the Prepetition Lenders believe that the highest, guaranteed value would be achieved by allowing the Debtors to sell the Designation Rights to Hilco under the Designation Rights Agreement.

#### **Jurisdiction**

4. This Court has jurisdiction over this Motion under 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A) and (O).

5. The statutory bases for the relief requested herein are sections 105, 363, and 554 of chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”) and Rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure.

#### **Background**

6. On October 20, 2001 (the “Involuntary Date”), an involuntary petition (the “Involuntary Petition”) was filed against QSI by Century Funding Ltd., Century Funding Corp., Triton CBO III Limited, Triton CBO IV Limited and Pacholder High Yield Fund, Inc. (collectively, the “Petitioning Creditors”).

7. On November 1, 2001 (the “Commencement Date”), (i) QSI answered the Involuntary Petition and consented to the entry of an order for relief and (ii) the remaining Debtors commenced voluntary chapter 11 cases before this Court. Contemporaneously herewith, the Debtors filed a motion seeking to procedurally consolidate their chapter 11 cases for administrative purposes only.

8. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

9. The U.S. Trustee has appointed an Official Committee of Unsecured Creditors (the “Creditors Committee”). No trustee or examiner has been appointed in any of these cases.

10. On February 7, 2002, the Debtors filed with this Court (a) a Joint Plan of Reorganization pursuant to Chapter 11 of the United States Bankruptcy Code (the “Plan”) and (b) a Disclosure Statement for the Liquidating Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code (the “Disclosure Statement”). Pursuant to the Order dated February 5, 2002, the Court shortened the time for parties-in-interest to object to the Disclosure Statement. The deadline to object to the Disclosure Statement is February 28, 2002, at 4:30 p.m.

(Prevailing Eastern Time). The hearing to approve the Disclosure Statement is scheduled for March 5, 2002, at 10:00 a.m. (Prevailing Eastern Time).

**Circumstances Leading to Proposed Sale of the Remaining Real Property**

11. The Debtors experienced a liquidity crisis in the fall of 2000 resulting from a series of mergers and acquisitions. As a result of these mergers and acquisitions, the Debtors' long-term debt obligations significantly increased. In addition, the operating synergies and administrative expense reductions expected from the various acquisitions did not come to fruition.

12. Beginning in the spring of 2001, the Debtors began a comprehensive review of the financial conditions of their business operations. The Debtors engaged JA&A Services LLC ("JAS") to assist them in their restructuring efforts and to provide general crisis management services. On August 8, 2001, in connection therewith, the Debtors hired Peter Fitzsimmons of JAS as their Chief Executive Officer. At the conclusion of the review, the Debtors determined, among other things, that performance and profitability would be improved by closing or divesting their sub-performing stores and attempting to focus on a core group of stores with strong operations.

13. By Court Order, dated December 20, 2001, the Debtors obtained approval to sell 152 stores located in the eastern part of the country to Hartwick Quality II LLC, subject to higher and better offers obtained at an auction held on December 27, 2001. At the auction, a joint venture comprised of Tractor Supply Company, Great American Group, Gordon Brothers Retail Partners, LLC and DJM Asset Management LLC (collectively, the "Joint Venture") was declared the winning buyer and the sale to the Joint Venture was approved by this Court on December 31, 2001. The closing of the sale to the Joint Venture also took place on December 31, 2001. The Joint Venture will not operate the purchased stores as a going concern and are conducting store closing sales at the purchased stores. In addition, the Debtors granted designation rights of the fee and leasehold interests to the Joint Venture.

14. By Court order dated November 9, 2001, the Debtors retained Hilco Merchant Resources, LLC to conduct store closing sales at an additional 106 locations located in the western part of the country (the "Closed Stores"). The store closing sales at the Closed Stores are complete and by various Court orders, the Debtors have sold substantially all of the leasehold interests, real property and equipment at the Closed Stores. The remaining Owned Real Property represents the remaining assets at the Closed Stores.

15. On December 14, 2001, the Debtors engaged a joint venture comprised of Atlas Partners, LLC, CB Richard Ellis Martin and Keen Realty (collectively, the "Real Estate Broker") to market the Debtors' remaining real property interests for the Closed Stores. Before retaining the Real Estate Broker, the Debtors marketed the Owned Real Property and were able to sell approximately 60 of the real property and leasehold interests for the Closed Stores. On January 7, 2002, the Court entered an order approving the retention of the Real Estate Broker. The Real Estate Broker launched a substantial marketing campaign to identify potential buyers of the Debtors' real property interests for the Closed Stores. Through various court-approved sales, the Debtors have now sold all but seventeen of the Debtors' owned real property in the Closed Stores, including the sale of five stores covered by the Designation Rights Agreement as part of the First Auction.

## **Need for Immediate Sale of the Designation Rights and the Owned Real Property**

16. As described above, substantially all of the Debtors' operating assets have been sold. The immediate sale of the Designation Rights and the Owned Real Property is necessary because otherwise the Owned Real Property is a wasting asset and provides no value to the Debtors' estates.

### **Relief Requested**

17. The Debtors request authority to (i) sell the Designation Rights to Hilco under the Designation Rights Agreement; (ii) sell the Owned Real Property or in the alternative abandon such property, and (iii) conduct an auction for the Owned Real Property, where appropriate, in accordance with the procedures described below.

### **Designation Rights Agreement**

18. After negotiations between the Debtors and Hilco, the Debtors entered into the Designation Rights Agreement. The following summarizes the material terms of the Designation Rights Agreement.<sup>2</sup>

**Purchase Price.** The minimum guaranteed purchase price, subject to reduction based on Hilco's environmental due diligence, for the Owned Real Property is \$4,100,000. In addition to the purchase price, Hilco is required to reimburse the Debtors for the carrying costs with respect to the Owned Real Property incurred after entry of the order approving the Designation Rights Agreement.

**Designation Period.** The Designation Period ends on or before December 31, 2002. At any time prior to the expiration of this period, Hilco has the right to designate a transferee for a particular parcel of real property. During the Designation Period, Hilco will be marketing the Owned Real Property with the goal of maximizing profits to be divided between Hilco and the Debtors as set forth below.

**Profit Sharing.** The Debtors have an opportunity to share in the proceeds from the sale of any parcel of real property, provided the net proceeds of any such sale equals or exceeds 1.3 times the value allocated to such parcel. As previously stated, as a result of the auction for the Five Properties, \$87,000 of the profit was allocated to the Debtors. A second auction for the remaining 17 parcels of Owned Real Property will be held sometime after April 30, 2002 (the "Second Auction"). If the net proceeds from any sale of Owned Real Property sold on or before or in connection with the Second Auction exceeds 1.3 times the value allocated to such parcel, the Debtors will receive the first \$113,000 (\$200,000 cap less the \$87,000 previously allocated to the Debtors) and then split evenly with Hilco any additional net proceeds. The profit sharing does not apply to any property sold other than at the Second Auction.

**Environmental Due Diligence.** Hilco has the right to remove one or more parcels of real property from the Designation Rights Agreement if Hilco is not satisfied with the results of its environmental due diligence. If a property is excluded, the purchase price shall be reduced by the value allocated to such parcel as set forth on Exhibit D to the Designation Rights Agreement.

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<sup>2</sup> If the summary of the Designation Rights Agreement differ from the terms of the Designation Rights Agreement, the terms of the Designation Rights Agreement shall control.

The environmental due diligence period expires 60 days after the Stipulation (as defined below) is signed by all relevant parties.

Exclusion After Environmental Due Diligence. Hilco has the right to exclude on or more parcels or real property any time on or before December 1, 2002, by giving written notice to the Debtors. This right is separate and distinct from the right to exclude real property based on upon Hilco's environmental due diligence. The major difference between this right and the environmental due diligence exclusion right is that an exclusion pursuant to this right has no effect on the purchase price.

19. The Designation Rights Agreement is subject to higher and better offers. The Debtors, however, will not conduct an auction for the sale of the Designation Rights. Instead, the Debtors will contact entities that the Debtors believe may be interested in purchasing the Designation Rights to solicit higher and better offers.

20. If the Debtors terminate the Designation Rights Agreement, then the Debtors must pay Hilco its actual out-of-pocket expenses for conducting environmental due diligence and a \$200,000 break-up fee (the "Break-Up Fee"). The Debtors will shortly file and serve a Stipulation and Order Among the Debtors as Seller, Hilco Real Estate, LLC as Purchaser, Fleet National Bank as Administrative Agent for the Prepetition Lenders, and the Official Committee Of Unsecured Creditors Regarding Approval of Designation Rights Agreement (the "Stipulation"). To induce Hilco to incur and pay the environmental diligence costs prior to Court approval of the Designation Rights Agreement so that the necessary environmental due diligence can be completed at the earliest possible date, the Designation Rights Agreement and the Stipulation provide that the Debtors shall pay for one-half of the environmental diligence costs, including under section 506(c) of the Bankruptcy Code, if an order approving the Designation Rights Agreement in its entirety is not entered by the Court. The Designation Rights Agreement and the Stipulation further provide that in the event that the Debtors accept a higher and better offer for the Designation Rights, the Debtors shall pay to Hilco the Break-Up and reimbursement in full of the environmental diligence costs upon the closing of the sale of the Designation Rights to another entity. The parties to the Stipulation, including the Debtors, believe that the Stipulation is in the best interests of these bankruptcy estates.

#### **Sale or Abandonment of the Owned Real Property**

21. As described above, the Debtors seek authority to sell the Owned Real Property to designees to be identified by Hilco in accordance with the Designation Rights Agreement.

22. Under the Designation Rights Agreement, Hilco has the option to exclude a property from its Designation Rights. The purchase price will be reduced if Hilco excludes a property because it is not satisfied with the results of its environmental due diligence. If Hilco excludes a property for any other reason, then the purchase price will not be reduced. Hilco must notify the Debtors of the excluded properties no later than December 1, 2002.

23. The Debtors request authority to abandon the properties excluded by Hilco. Section 554 of the Bankruptcy Code permits a debtor to abandon property that is burdensome or provides no value to a debtor's estate. Under the Plan, the Debtors' assets will be transferred into a liquidating trust. If the Debtors cannot locate a buyer for a piece of real property, the Debtors will have no use for such property and the ownership of the property will be burdensome to the liquidating trust. The Debtors will file a notice of abandonment with the Court, substantially in the form attached hereto as Exhibit C (the "Abandonment Notice"). The Debtors

will serve the Abandonment Notice upon (i) counsel to the Official Committee of Unsecured Creditors; (ii) counsel to the Administrative Agent for the Prepetition Lenders; (iii) the United States Trustee; (iv) counsel to Hilco; and (v) applicable government authorities, including the applicable environmental authority. Pursuant to Rule 6007(a) of the Bankruptcy Rules, a party in interest may file and serve an objection within fifteen (15) days of the mailing of the Abandonment Notice. If a timely objection is made, the Debtors will request that the Court set a hearing on notice to the parties listed in this paragraph and on the objecting party.

#### **Approval of Bidding Procedures and Notice Procedures**

24. As described above, under the Designation Rights Agreement, the Debtors and Hilco will be marketing the Owned Real Property. If the Debtors and Hilco locate a stalking horse for a piece of the Owned Real Property, then the Debtors or Hilco may conduct future auctions for the property and will seek Court approval of such sale. To reduce the costs of filing and serving numerous sale procedures motions, the Debtors propose that if a stalking horse is located for a parcel of Owned Real Property and it is determined that an auction process will generate the highest and best value for such property (including in the case of the Second Auction), then the Debtors will serve a notice of auction and sale (the "Auction Notice," substantially in the form attached hereto as Exhibit D). The Notice of Auction will set forth (i) bid deadline; (ii) time, date and location of the auction; (iii) deadline to object to the proposed sale and (iv) date of the sale hearing. The Debtors will conduct each auction in accordance with the bidding procedures substantially in the form attached hereto as Exhibit E (the "Bidding Procedures"). The Debtors will attach the following documents to the Auction Notice: (a) the Bidding Procedures; (b) the order approving this Motion; (c) the stalking horse agreement and (d) the proposed sale order. For the avoidance of doubt, the Designation Rights Agreement does not require that Hilco subject a particular proposed sale to competitive bidding. For auctions that Hilco conducts following the Second Auction, Hilco may use alternative bidding procedures, if appropriate. The Debtors will attach the alternative bidding procedures to the Notice of Auction.

25. The Debtors will serve the Auction Notice at least 20 days before the date of the proposed auction (unless the Court shortens such time period for cause) by regular mail upon: (i) counsel to the Official Committee; (ii) counsel to the Administrative Agent for Prepetition Lenders; (iii) the United States Trustee; (iv) all entities (or counsel therefor) known to have asserted any lien, charge, claim or encumbrance on the Owned Real Property; (v) all federal, state and local regulatory or taxing authorities which are reasonably ascertainable by the Debtors to have a known interest in the Owned Real Property; (vi) all parties who have expressed an interest in acquiring the Owned Real Property; and (vii) those parties who have requested notice pursuant to Fed. R. Bankr. P. 2002.

26. The Debtors submit that the foregoing notice procedures will provide timely and adequate notice to the Debtors' creditors and other parties in interest, and also to all those who have expressed interest in bidding on the Owned Real Property. Accordingly, the Debtors submit that such notice constitutes good and sufficient notice under the circumstances. The Debtors further submit that no further notice need be given.

#### **Legal Basis for Relief**

27. Section 363(b) of the Bankruptcy Code provides in relevant part that "the trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." As this Court has stated, courts have discretion to determine whether a



sale of assets should be approved. See In re Embrace Systems Corp., 178 B.R. 112, 123 (Bankr. W.D. Mich. 1995).

28. In determining whether a sale of assets outside the ordinary course of business should be approved pursuant to section 363(b) of the Bankruptcy Code, a debtor has the burden of establishing that a valid business purpose exists. See In re Lionel Corp., 722 F.2d 1063, 1070-71 (2d Cir. 1983); see also In re Stephens Industry, Inc. v. McClung, 789 F.2d 386 (6th Cir. 1986). Once the debtor has articulated a valid business purpose, however, a presumption arises that the debtor's decision to sell the assets was made on an informed basis, in good faith and in the honest belief the action was in the best interest of the estate. See In re Integrated Resources, Inc., 147 B.R. at 656 (S.D.N.Y. 1992).

29. As noted above, substantially, all of the Debtors' operating assets have been sold. Accordingly, the Owned Real Property is no longer necessary to the Debtors and will be burdensome to the estates. On the other hand, the sale of the Designation Rights and Owned Real Property will generate cash for the Debtors' estates and alleviate the expenses attendant to the maintenance of the Owned Real Property. Under the Designation Rights Agreement, the Debtors will receive a guaranteed minimum price of \$4.1 million for the Owned Real Property, thereby reducing the risk regarding the recovery for the sale of these properties. Thus, the Debtors have a valid business purpose to sell the Designation Rights to Hilco under the Designation Rights Agreement and to sell the Owned Real Property.

**The Sale Should be Free and Clear of Liens, Claims and Encumbrances**

30. The Debtors request approval to sell the Designation Rights and the Owned Real Property free and clear of any and all liens, claims and encumbrances pursuant to section 363(f) of the Bankruptcy Code. A debtor may sell property under sections 363(b) and 363(f) of the Bankruptcy Code "free and clear of any interest in such property of an entity other than the estate," if one of the following conditions are met:

- (i) applicable nonbankruptcy law permits sale of such property free and clear of such interest
- (ii) such entity consents;
- (iii) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
- (iv) such interest is in bona fide dispute; or
- (v) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

31. The Debtors anticipate that they will be able to satisfy one or more of the foregoing requirements. The Debtors propose that any liens, claims and encumbrances asserted against the assets be transferred to and attached to the sale proceeds, subject to the rights, claims, defenses and objections, if any, to all interested parties with respect thereto.

### **Request for Relief from Transfer Taxes**

32. Section 1146(c) of the Bankruptcy Code provides that “[t]he issuance, transfer, or exchange of a security, or the making or delivery of an instrument of transfer under a plan confirmed under section 1129 of [the Bankruptcy Code], may not be taxed under any law imposing a stamp or similar tax.” 11 U.S.C. § 1146(c). It is well settled that a transfer which is “necessary to consummation of a plan” is a transfer made under a plan within the meaning of section 1146(c) of the Bankruptcy Code. See, e.g., City of New York v. Jacoby-Bender, Inc. (In re Jacoby-Bender, Inc.), 758 F.2d 840, 842 (2d Cir. 1985) (the tax exemption applied since the plan’s consummation depended almost entirely upon the sale); City of New York v. Smoss Enters. Corp. (In re Smoss Enters. Corp.), 54 B.R. 950, 951 (E.D.N.Y. 1985) (Preconfirmation transfer “under a plan” was within meaning of § 1146(c) because plan depended entirely on the sale of the property.).

33. It is equally well settled that a pre-confirmation sale of a Debtors’ assets to the extent, if the sale is essential to confirmation of the plan, is “under the plan” for purpose of section 1146(c) of the Bankruptcy Code. See In re Smoss Enters. Corp., 54 B.R. at 951 (sale taking place three months before confirmation was under plan, and therefore tax exempt, when transfer of property was essential to confirmation of plan). See also In re CCA Partnership, 70 B.R. 696 (Bankr. D. Del.), *aff’d*, 72 B.R. 765 (D. Del.), *aff’d* without op., 833 F.2d 303 (3d Cir. 1987) (allowing the section 1146(c) tax exemption to transfer occurring prior to confirmation of the plan). Cf. In re Jacoby-Bender, Inc., 755 F.2d at 841 (despite absence of specific language in plain regarding transfer of property, court concluded transfer was necessary to consummation of plan, noting that “Congress’ apparent purpose in enacting section 1146 was to facilitate reorganizations through giving tax relief”).

34. The Debtors submit that the proposed sale of the Designation Rights and the Owned Real Property fall “under a plan” within the meaning of section 1146(c) of the Bankruptcy Code. Consummation of the sale of the Designation Rights and Owned Real Property is clearly essential to preparation and consummation of a chapter 11 plan for the Debtors. The consideration to be paid upon consummation of the sales will be required to fund administrative and other claims under a plan. Given these circumstances, the sales are made “under a plan” pursuant to section 1146(c) of the Bankruptcy Code, and therefore should be exempt from the imposition of any stamp or similar tax. See In re Permar Provisions, Inc., 79 B.R. 530 (Bankr. E.D.N.Y. 1987) (exempting sale of assets exempt from local transfer tax where post-petition, pre-confirmation sale generated approximately 75% of funds distributed under plan and enabled debtor to pay administrative claims in full and to make 10% payment to general unsecured creditors).

35. The Debtors respectfully request a ruling of this Court that section 1146(c) of the Bankruptcy Code applies to the proposed sales.

### **No Prior Request**

36. No prior Motion for the relief requested herein has been made to this or any other Court.

### **Notice**

37. The Debtors propose to send notice of this Motion via regular mail, upon (i) counsel to the Official Committee of Unsecured Creditors; (ii) counsel to the Administrative Agent for the Prepetition Lenders; (iii) the United States Trustee; (iv) counsel to Hilco; (v) all

parties who have expressed an interest in acquiring the Owned Real Property; (vi) those parties who have requested notice pursuant to Fed. R. Bank. P. 2002; (vii) all entities (or counsel therefor) known to have asserted any lien, claim, charge or encumbrance on the Owned Real Property; and (viii) all federal, state and local regulatory or taxing authorities which are reasonably ascertainable by the Debtors to have a known interest in the Owned Real Property.

38. The Debtors submit that no further notice is necessary.

WHEREFORE, the Debtors respectfully requests that the Court enter the order, substantially in the form attached hereto, (i) granting the relief requested herein and (ii) granting the Debtors such other relief as is just.

Grand Rapids, Michigan

Respectfully submitted,

Dated: February 27, 2002

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and

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP  
/s/

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Co-Counsel for the Debtors and Debtors in Possession

## **EXHIBIT A**

**Exhibit A**

**Owned Real Property**

Yuma	CO
Alliance	NE
Ogallala	NE
Scottsbluff	NE
Sidney	NE
Burlington	CO
Ft. Morgan	CO
Limon	CO
Sterling	CO
Belleville	KS
Norton	KS
Ainsworth	NE
Central City	NE
Fairbury	NE
Gordon	NE
Grand Island	NE
Holdrege	NE
Plattsmouth	NE
Superior	NE
Valentine	NE
Torrington	WY
Wheatland	WY

## **EXHIBIT B**

DESIGNATION RIGHTS AGREEMENT  
FOR  
THE PURCHASE OF  
CERTAIN DESIGNATION RIGHTS RELATING TO CERTAIN PROPERTY OF  
QUALITY STORES, INC  
BY  
HILCO REAL ESTATE, LLC

Dated as of February 18, 2002

## DESIGNATION RIGHTS AGREEMENT

THIS DESIGNATION RIGHTS AGREEMENT (this "Agreement"), dated as of February 18, 2002, between QUALITY STORES, INC., a Delaware corporation on behalf of the subsidiary debtors identified on Schedule 1 ("Seller") and HILCO REAL ESTATE, LLC, a Delaware limited liability company ("Purchaser").

### RECITALS

Seller filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (as defined below) on November 1, 2001. Since that time Seller has remained in possession of its property and has continued to operate its business pursuant to Sections 1107 and 1108 of the Bankruptcy Code. Seller's Chapter 11 cases are currently pending before the United States Bankruptcy Court for the Western District of Michigan (the "Bankruptcy Court") and have been jointly administered as Case. No GG01-10662 (the "Bankruptcy Case").

Purchaser desires to purchase, and Seller desires to sell, the Designation Rights (as hereinafter defined) upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and in reliance upon the representations and warranties contained herein, the parties hereto covenant and agree as follows:

### ARTICLE I

#### CERTAIN DEFINITIONS

As used in this Agreement, the following terms shall have the following designated meanings:

"Agreement" means this Designation Rights Agreement, including the exhibits and the schedules attached hereto.

"Authorized Officer" of any Person means the chief executive officer, the president, any vice president or any secretary of such Person.

"Bankruptcy Case" has the meaning set forth in the recitals hereof.

"Bankruptcy Code" means Title 11 and applicable portions of Titles 18 and 28 of the United States Code, as amended from time to time.



“Bankruptcy Court” has the meaning set forth in the recitals hereof.

“Break-Up Fee” has the meaning set forth in Section 11.2 hereof.

“Carrying Costs” has the meaning set forth in Section 2.6 hereof.

“Designation Order” means the Final Order to be entered by the Bankruptcy Court in form and substance reasonably acceptable to Purchaser and Seller.

“Designation Period” has the meaning set forth in Section 2.2(a) hereof.

“Designation Rights” has the meaning set forth in Section 2.2(a) hereof.

“Designation Rights Closing” has the meaning set forth in Section 3.1 hereof.

“Designation Rights Closing Date” means the first business day following the satisfaction or waiver (by the party entitled to waive the conditions) of all conditions to closing set forth in Section 3.1.

“Designation Rights Value” has the meaning set forth in Section 2.5 hereof.

“Designee” has the meaning set forth in Section 2.2(a) hereof.

“Due Diligence Period” has the meaning set forth in Section 4.1 hereof.

“Earnest Money” has the meaning set forth in Section 2.5(f) hereof.

“Election” has the meaning set forth in Section 6.4 hereof.

“Excluded Property” has the meaning set forth in Section 2.4 hereof.

“First Auction” has the meaning set forth in Section 2.2(b) hereof.

“Final Order” shall mean an order of the Bankruptcy Court (a) which has not been reversed, vacated or stayed, and the time to file an appeal or a motion to reconsider has expired and/or has not been extended, or (b) with respect to which any appeal has been finally decided and no further appeal or petition for certiorari can be taken or granted.

“FF&E” shall mean any furniture, fixtures and equipment owned by Seller and located at any of the Properties on the date of this Agreement.

“Form Contract” has the meaning set forth in Section 2.2(c) hereof.

“Liens” has the meaning set forth in Section 7.4 hereof.

“Monthly Expenses” has the meaning set forth in Section 2.6 hereof.

“Net Proceeds” means the all proceeds from the sales of the Properties less applicable brokerage fees and actual, necessary and reasonable closing costs for any Properties sold.

“Person” means any natural person, corporation, general partnership, limited partnership, limited liability partnership, limited liability company, trust, union, association, court agency, government, tribunal, instrumentality, or other entity or authority.

“Plan” has the meaning set forth in Section 2.3(b) hereof.

“Properties” means, the properties listed on Exhibit A attached hereto and as defined in Section 2.1(b) hereof.

“Property Closing Date” means with respect to a given Property, the date set forth in the Form Contract for such Property.

“Purchase Price” has the meaning set forth in Section 2.5 hereof.

“Purchaser Affiliate” means a Person controlling, controlled by, under common control or is affiliated with Purchaser; “control” as so used, shall mean the ability to control the voting rights or management rights of such Person.

“Purchaser’s Sharing Amount” has the meaning set forth in Section 2.5(b) hereof.

“Put” has the meaning set forth in Section 2.5(c) hereof.

“Second Auction” has the meaning set forth in Section 2.2(c) hereof.

“Seller Accounts” has the meaning set forth in Section 2.5(d) hereof.

“Seller’s Sharing Amount” has the meaning set forth in Section 2.5(b) hereof.

“Stipulation” shall mean that stipulated agreement and order filed in the Bankruptcy Case by and among the official committee of creditors, authorized representatives of the secured lenders, the Seller and the Purchaser regarding approval of this Agreement, the reimbursement of expenses for environmental due diligence as contemplated in Section 4.1 of this Agreement and the payment of the Break-Up Fee in accordance with Section 11.1 of this Agreement.

## ARTICLE II

### THE TRANSACTION

#### 2.1 Purchase and Sale of Designation Rights and Properties.

(a) On the terms and subject to the conditions contained in this Agreement and the Designation Order, on the Designation Rights Closing Date, Purchaser shall purchase from Seller, and Seller shall sell, convey, assign, transfer and deliver to Purchaser, pursuant to Sections 105, 363 and 1146(c) of the Bankruptcy Code, the Designation Rights for all of the Properties free and clear of all Liens of any kind whatsoever to the fullest extent permissible pursuant to the Bankruptcy Code.

(b) During the Designation Period, and on the terms and subject to the conditions contained in this Agreement, the Designation Order and the Form Contract, on each Property Closing Date, Seller shall sell, convey, assign, transfer and deliver to the Designees all of Seller's right, title and interest in, to and under the applicable Property being sold, including the land, building improvements thereon, all plumbing, electrical, mechanical, heating and air conditioning equipment and systems owned by Seller that are permanently attached to the real estate (or the improvements situated thereon), the FF&E and all easements, licenses, rights-of-way, permits and other appurtenances thereto (including Seller's rights in and to public streets, whether or not vacated and existing third-party warranties relating thereto, if any, and to the extent assignable), whether held by Seller directly or through a nominee, and excluding tax credits, deposits and other amounts do to Seller for periods prior to the applicable Property Closing Date (collectively, the "Properties").

#### 2.2 Designation Properties.

(a) Subject to the terms and conditions contained in this Agreement, Purchaser shall have (i) the sole, exclusive, and continuing right to select, identify and designate a Person or Persons (on one or more occasions) (each, a "Designee") to whom Properties shall be conveyed, and (ii) subject to the right of Seller to receive Seller's Sharing Amount, if any, the right to receive all Net Proceeds from the sale of the Properties under the terms of this Agreement (such rights, the "Designation Rights"). Purchaser's Designation Rights shall expire (unless extended by further order of the Bankruptcy Court) on December 31, 2002 (such time period from the Designation Rights Closing Date to December 31, 2002, the "Designation Period").

(b) Purchaser acknowledges that Seller has conducted an auction on or about February 18, 2002 ("First Auction") for the Properties listed on Exhibit B attached hereto and made a part hereof. Purchaser acknowledges and agrees that it consents to, and that it will not raise any objections to, the actions of Seller in conducting the First Auction or in closing on the sale of one or more of such Properties pursuant to the results of the First Auction.

(c) Seller shall conduct an auction for all of the Properties other than the Properties that may have been sold pursuant to the First Auction or otherwise by Purchaser promptly following the entry of the Designation Order and the expiration of the Due Diligence Period (the “Second Auction”). Seller shall require as a minimum bid for each Property subject to the Second Auction equal to at least the product of 1.3 times the Designation Rights Value for such Property and shall otherwise conduct the Second Auction in accordance with commercially acceptable standards and in an effort to maximize the Net Proceeds derived from sales of Properties. Seller and Purchaser shall use the contract in substantially the same form as attached hereto as Exhibit C as the form of contract for sale of the Properties (“Form Contract”) as such Form Contract shall be reasonably modified on commercially reasonable terms. During the Designation Period, Purchaser and Seller shall notify each other of any potential sales leads with respect to any of the Properties regardless of whether or not such leads arose during the Designation Period. The parties shall provide each other with copies of any written correspondence from potential purchasers as well as a summary of any relevant business terms of actual or potential offers. Within five (5) days of written notice from Purchaser as to a proposed sale, Seller shall take whatever actions are necessary in order to obtain approval from the Bankruptcy Court of the sale pursuant to the terms of the Form Contract.

### 2.3 Designation Rights.

(a) To the extent any of the Designees fail to close on any Property, Purchaser shall have the right to direct the Seller to convey such Property directly to an alternate Designee and Purchaser shall retain all of its respective Designation Rights subject to the terms of this Agreement.

(b) Nothing herein shall preclude Seller from confirming a plan or plans of liquidation (collectively, the “Plan”) during the Designation Period for the Properties, and Seller shall be permitted to take such steps as are necessary to effectuate the Plan; provided that the Plan shall contain provisions for the disposition of the Properties, which shall be consistent with (and shall not reduce, limit or otherwise affect in any material way) Purchaser’s Designation Rights and Purchaser’s rights in this transaction and with the terms of this Agreement, including, but not limited to, Purchaser’s right to seek Bankruptcy Court approval of any proposed sale. The Plan shall provide that the Bankruptcy Court shall retain jurisdiction to approve such sales and related matters.

(c) From and after the date of the Second Auction, Purchaser shall have the right to direct the Seller to transfer title to any Property to a limited liability company affiliated with Purchaser pursuant to section 363 of the Bankruptcy Code (the “Purchaser LLC”) subject to the procedures set forth above as if the Purchaser LLC were a Designee.

2.4 Exclusion of Property. Purchaser shall have the right to exclude any Property from the Designation Rights upon written notice delivered to Seller on or

before the expiration of the Due Diligence Period, solely in the event that Purchaser is not satisfied with the results of its environmental due diligence conducted pursuant to Section 4.1 (each such Property, an "Excluded Property"). The Purchase Price shall be reduced by the Designation Rights Value allocated to each Excluded Property. Purchaser's Carrying Cost obligations relating to an Excluded Property shall cease in accordance with the procedure set forth under Section 2.6. After a Property has been excluded as provided herein, all Designation Rights shall immediately revert to Seller, and Seller shall be entitled to retain all proceeds received from the disposition of such Excluded Property.

2.5 Purchase Price. The purchase price for the Designation Rights shall be the amount of \$4,100,000.00 less the product of 1.3 times the Designation Rights Values of the Properties sold pursuant to the First Auction (the "Purchase Price"). The \$4,100,000.00 is allocated among the Properties in accordance with the Exhibit D attached hereto and made a part hereof (each a "Designation Rights Value").

(a) At any time on or before one business day after the Second Auction, Seller shall have the option to remove one or more of the Properties from the Designation Rights by written notification to Purchaser ("Call Notice"). Upon Purchaser's receipt of a Call Notice, all Designation Rights, other than Purchaser's right to Purchaser's Sharing Amount, shall immediately revert to Seller, and Seller shall be entitled to retain all proceeds received from the disposition of such Property subject to the payment to Purchaser, of out of such sales proceeds, in an amount equal to 1.3 times the Designation Rights Value allocated to the Properties subject to the Call Notice.

(b) If the Net Proceeds for any Property sold on, before or at the Second Auction exceeds 1.3 times the Designation Rights Value allocated to such Property (on a Property by Property basis), then (a) Seller shall be entitled to the aggregate excess up to \$200,000.00, and (b) any amounts over \$200,000.00 shall be divided equally between Seller and Purchaser (with the amount being paid to the Seller being, the "Seller Sharing Amount" and the amount being paid to the Purchaser, the "Purchaser Sharing Amount").

(c) On or before December 31, 2002, title to all Properties, other than Excluded Properties, that have not been sold to a Designee, shall have been transferred to Purchaser or a Purchaser LLC (the "Remaining Properties"), unless on or before December 1, 2002, Purchaser has provided written notice to Seller of its intention not to take title to the Remaining Properties.

(d) All payments made by Designees and any other income received or payments made with respect to the Properties sold on, before or at the Second Auction shall be deposited by Seller into accounts established by Seller (the "Seller Accounts"). Seller shall exercise sole signatory authority and control with respect to the Seller Accounts. Purchaser's Sharing Amount, if any, shall be paid to Purchaser within thirty (30) days of the final disposition transaction as to any of such Properties. All payments made by Designees and any other income received or payments made with respect to Properties sold after the Second Auction shall belong to the Purchaser.

(e) Within one (1) business day after the entry of the Designation Order, Purchaser shall deliver to the Seller a letter of credit in the amount of the Purchase Price less the Earnest Money in form and substance reasonably satisfactory to Seller.

(f) On or before February 20, 2002, Purchaser shall deposit with the Chicago Title and Trust Company \$200,000.00 as an earnest money deposit, to be held according to the standard form of strict joint order escrow ("Earnest Money").

## 2.6 Additional Consideration.

(a) As additional consideration, and regardless of Net Proceeds actually received, Purchaser shall be responsible for, and shall pay in accordance with Section 2.6(b) and (c) below, all post-Designation Rights Closing Date liabilities, expenses and obligations that are specifically attributed to the Properties, which obligations shall include, maintenance, utilities, real estate taxes, insurance, security and other actual out-of-pocket costs and expenses incurred by Seller, excluding, without limitation, any environmental liabilities (collectively, the "Carrying Costs") for each of the Properties, as limited by the amounts for such items set in Exhibit E, for the period commencing on the Designation Rights Closing Date and, with respect to each Property, ending on the earliest to occur of the following: (i) the date Purchaser receives a Call Notice for such Property, (ii) the date such Property is conveyed from the Seller to a Designee or to Purchaser, at which time all Carrying Costs for such Property shall become the responsibility of such Designee or Purchaser, or (iii) the date such Property becomes an Excluded Property. During the period that Purchaser is paying Carrying Costs, Purchaser shall be entitled to receive and retain all lease rentals, all sublease rentals, and all other income generated from the Properties. Nothing herein shall constitute an assignment or sale of any claims or rights of Seller under any agreement relating to the Properties including, without limitation, rent credits, security deposits, refunds or other rebates. Carrying Costs shall not include debt service (i.e., payments on account of loan principal, interest, fees or penalties) on any indebtedness secured by any of the Properties or any tax obligations incurred prior to the Designation Rights Closing Date (regardless of when the bill for payment may be received for such taxes). In connection with the payment of Monthly Expenses, Purchaser shall deposit into an escrow at Chicago Title Insurance Company all real estate taxes constituting Carrying Costs (or a reasonable estimate thereof if the actual amount is not yet known) paid or to be paid by the Purchaser for all Properties after the Designation Rights Closing Date. On each Property Closing Date, Seller and Purchaser shall cause all funds deposited by Purchaser into the real estate escrow for all real estate taxes for all Properties after the Designation Rights Closing Date to be either paid to the Designee or if a credit is granted for such costs, to the Purchaser, provided such Property is not an Excluded Property.

(b) On or about ten (10) days prior to the end of each month, Seller shall advise Purchaser in writing of the aggregate amount of the Carrying Costs (broken down by category and containing information in sufficiently reasonable detail) that will be due and owing for the Properties in the following month (the "Monthly Expenses").

Purchaser shall pay the Monthly Expenses to Seller on or before the fifth day of each month without offset or deduction of any kind and notwithstanding any objection that Purchaser may interpose to such amounts; provided that Purchaser may object to (a) the Carrying Costs within five (5) days after such notification. If Purchaser makes a timely objection, the parties shall first attempt to resolve the dispute consensually and, absent resolution, such dispute shall be submitted to the Bankruptcy Court. On the Designation Rights Closing Date, Purchaser shall deliver to Seller with a \$100,000.00 letter of credit in form and substance reasonably satisfactory to Seller as security for Purchaser's obligation to pay Carrying Costs.

(c) In addition to the Carrying Costs outlined in this Section or otherwise described in this Agreement, Purchaser shall pay or otherwise be responsible for the following expenses incurred in conducting each Property sale to a Designee, directed by Purchaser to any other Person as herein provided or in connection with the conveyance of Properties pursuant to Section 2.3(c) or Section 2.5(c) ("Sale Expenses"): (i) all personal and real property taxes and transfer taxes payable by Seller, (ii) title insurance premiums, (iii) costs of diligence materials commissioned from third parties (including, without limitation, surveys, environmental reports, engineering reports and pest control reports) and (iv) other customary closing costs agreed to by Seller and Purchaser. In no event shall Sale Expenses include any amounts for (x) attorneys' fees and costs and other expenses of Seller in connection with preparing or obtaining any agreements, motions or Bankruptcy Court orders to effectuate any sale or assignment of any Properties, and (y) any and all amounts due under any mortgage on any of the Properties or to release any liens on the Properties, all of which shall be the sole responsibility of Seller and shall be paid by Seller when due.

2.7 Accounting. Within thirty (30) days after the Second Auction (or earlier if all Properties have been sold or assigned prior thereto), Seller, and Purchaser shall complete a final reconciliation of the distribution of proceeds hereunder separately with respect to all Properties, the written results of which shall be certified by representative of each of Seller and Purchaser as a final settlement of accounts. Within thirty (30) days after the end of the Designation Period (or earlier if all Properties have been sold or assigned prior thereto), Seller, and Purchaser shall complete a final reconciliation of the distribution of proceeds hereunder separately with respect to all Properties, the written results of which shall be certified by representative of each of Seller and Purchaser as a final settlement of accounts. All disputes relating to any final accounting shall be resolved consensually among Seller and Purchaser, or if no consent is obtained, by the Bankruptcy Court.

### ARTICLE III

#### CLOSINGS

3.1 Time and Place of Designation Rights Closing. The consummation of the sale and transfer of the Designation Rights provided for in this Agreement (the "Designation Rights Closing") shall occur on the Designation Rights

Closing Date, subject to satisfaction of all the conditions to Designation Rights Closing set forth in Article V and Article VI.

3.2 Time and Place of Property Closings. The consummation of the sale of each Property (each a "Property Closing") shall be conducted in accordance with the terms and conditions as set forth in the Form Contract. Each Property Closing shall occur at the office of Seller's counsel or such other location as Seller and Purchaser shall agree.

3.3 Deliveries by Seller. At each Property Closing, Seller shall deliver to such Designee the deliveries as set forth in the Form Contract.

3.4 Possession. On the Designation Rights Closing Date, Seller shall deliver possession of the Properties to Purchaser vacant, other than the FF&E and in broom-clean condition. Seller shall "deliver possession" of a Property to Purchaser by delivering a written notice stating that Purchaser is entitled to possession of such Property and that the keys and security code, if any, for such Property will be made available to Purchaser within five (5) days (and Seller's delivery of possession shall be deemed effective upon receipt of such notice by Purchaser). Seller's failure to deliver possession of any Property on the Designation Rights Closing Date shall constitute an event of default pursuant to Section 13.4 and Purchaser may exercise all of its rights and remedies under Section 13.4. On the Property Closing Date, Purchaser shall "deliver possession" of a Property to the applicable Designee in accordance with the terms and conditions as set forth in the applicable Form Contract. On or before February 20, 2002, to the extent in Seller's possession, Seller shall deliver to Purchaser (i) all lists of the FF&E, if any, at each of the Properties, and (ii) pictures of the FF&E at each of the Properties. On or before February 20, 2002, Seller shall provide the Purchaser with names and addresses of the Persons that perform maintenance on the Properties.

3.5 Closing Costs. At Purchaser's direction, Seller shall prepare the bills of sale, assignments and Deeds in connection with each Property Closing. In connection with each Property Closing, the Designee shall pay for title insurance premiums and examination fees of the Properties, if required by Purchaser or the Designee, and other instruments for the due transfer of the Properties. Other costs associated with the Property Closing and transactions contemplated under the Agreement shall be allocated as provided elsewhere in the Form Contract.

## ARTICLE IV

### DUE DILIGENCE

4.1 Environmental Due Diligence. On or prior to February 22, 2002, Seller shall have delivered to Purchaser any and all reports in Seller's possession regarding compliance or noncompliance with environmental laws at the Properties and the existence of hazardous materials at the Properties. In addition, from and after the date



that the Stipulation is executed by all of the Purchaser, Seller, the official committee of unsecured creditors and authorized representatives of the secured creditors through the date sixty (days) thereafter (such period, the "Due Diligence Period"), Purchaser shall have access to the Properties for the purpose of determining whether the Properties are in compliance with environmental laws and the existence of hazardous materials at the Properties. In the first instance, Purchaser shall pay all costs and expenses of such investigation and testing ("Diligence Costs"). Subject to the terms of the provisions of Section 11.1 hereof, Seller shall pay for one-half of the Diligence Costs in the event that the Designation Order shall not be entered by the Bankruptcy Court. Purchaser shall repair and restore any damage to the Properties caused by or occurring during such investigation and testing. Purchaser shall not disclose the results of its environmental due diligence conducted pursuant to this Section 4.1 to Seller or any governmental agency, unless required by applicable law or regulation to do so or unless directed by Seller in writing.

## ARTICLE V

### CONDITIONS TO SELLER'S OBLIGATIONS

Seller's obligations to consummate to transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Designation Rights Closing Date of the following conditions:

5.1 Representations and Warranties. All representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects at and as of the Designation Rights Closing Date, as if such representations and warranties were made at and as of the Designation Rights Closing Date and Purchaser shall have performed all agreements and covenants required by this Agreement to be performed by it prior to or at the Designation Rights Closing Date in all material respects. On the Designation Rights Closing Date, there shall be delivered to Seller a certificate (dated as of such date and signed by an Authorized Officer of Purchaser) as to the matters set forth in this Section 5.1.

5.2 No Injunction. No injunction, stay or restraining order shall be in effect prohibiting the consummation of the transactions contemplated by this Agreement.

5.3 Designation Order. The Bankruptcy Court shall have entered the Designation Order on or before March 30, 2002, and no right to terminate this Agreement pursuant to the terms hereof has been made by Purchaser.

5.4 Waiver. Each of the preceding conditions shall be satisfied in all material respects or may be waived by Seller, but only if such waiver is set forth in a writing executed by Seller or Seller closes the transaction with respect to the purchase of the Designation Rights. Without limiting any of Seller's other rights and remedies under this Agreement, if any of the preceding conditions shall not be satisfied and are not

waived by Seller, so long as Seller is not in default hereunder, Seller may if such condition affects all (or substantially all) of the Properties, terminate this Agreement and neither party shall have any further liability to the other, except as provided herein.

## ARTICLE VI

### CONDITIONS TO PURCHASER'S OBLIGATIONS

Purchaser's obligation to consummate the transactions contemplated by this Agreement is subject, in the discretion of Purchaser, to the satisfaction at or prior to the Designation Rights Closing Date of each of the following conditions:

6.1 Representations and Warranties. All representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects at and as of the Designation Rights Closing Date as if such representations and warranties were made at and as of the Designation Rights Closing Date and Seller shall have performed all agreements and covenants required by this Agreement to be performed by it prior to or at such date in all material respects.

6.2 No Injunction. No injunction, stay or restraining order shall be in effect prohibiting the consummation of the transactions contemplated by this Agreement on the Designation Rights Closing Date.

6.3 Designation Order. The Bankruptcy Court shall have entered the Designation Order on or before March 30, 2002.

6.4 Waiver. Each of the preceding conditions shall be satisfied in all material respects or may be waived by Purchaser, but only if such waiver is set forth in a writing executed by Purchaser or Purchaser closes the transaction with respect to the purchase of the Designation Rights. Without limiting any of Purchaser's other rights and remedies under this Agreement, if any of the preceding conditions shall not be satisfied and are not waived by Purchaser, so long as Purchaser is not in default hereunder, Purchaser may if such condition affects all (or substantially all) of the Properties, terminate this Agreement and neither party shall have any further liability to the other.

## ARTICLE VII

### REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents, warrants and covenants to Purchaser as follows:

7.1 Due Incorporation, Etc. Subject to any required approval of the Bankruptcy Court, Seller has the corporate power and authority and all necessary governmental approvals to enter into the transactions covered by this Agreement. To the Seller's knowledge, each Seller is duly qualified as a foreign corporation to do business

in each jurisdiction where the Properties are owned except where the failure to be so qualified would not individually or in the aggregate have a material adverse effect on the transactions contemplated by this Agreement.

7.2 Authorization, No Conflicts, Etc. Subject to the entry and effectiveness of the Designation Order, this Agreement has been duly and validly executed and delivered by Seller and (assuming this Agreement constitutes a valid and binding obligation of Purchaser and upon receipt of any required approval of the Bankruptcy Court) constitutes a valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditor's rights generally from time to time in effect and to general equitable principles. To Seller's knowledge subject to any required approval of the Bankruptcy Court, neither the execution and delivery of this Agreement and all documents contemplated hereunder to be executed by Seller, nor the performance of the obligations of Seller hereunder or thereunder will result in the violation of any law or any provision of the organization documents of Seller or will conflict with any order or decree of any court or governmental instrumentality of any nature by which Seller is bound.

7.3 Consents and Approvals. To Seller's knowledge, no consent, approval or authorization of, or declaration, filing, or registration with, any United States federal or state governmental or regulatory authority is required to be made or obtained by Seller in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, except (a) for consents, approvals, or authorizations of, or declarations or filings with, the Bankruptcy Court, and (b) for consents, approvals, authorizations, declarations, filings or registrations, which, if not obtained, would not, individually or in the aggregate, have a material adverse effect on the transactions contemplated by this Agreement.

7.4 Properties.

(a) Subject to entry of the Designation Order by the Bankruptcy Court, to Seller's knowledge, Seller has, with respect to the Properties, fee simple title to such properties, free and clear of all liens, claims, mechanics liens, and encumbrances, to the extent permitted by the Bankruptcy Code (but excluding liens and encumbrances that will be released the Property Closing Date pursuant to the Designation Order) (collectively "Liens"), other than the Permitted Encumbrances (as defined in the Form Contract).

(b) The Properties have not undergone any material changes and remain in substantially the same condition as they were on the date Purchaser's due diligence was completed.

(c) To the knowledge of Seller, the Properties comply with all environmental laws in all material respects.

7.5 Maintenance. Prior to the Designation Rights Closing Date, Seller shall maintain all Properties in a manner as is required for normal maintenance and upkeep. During the Designation Period, Purchaser shall maintain all of the Properties, other than Excluded Properties, in a manner as is required for normal maintenance and upkeep other than compliance with environmental laws.

7.6 Insurance. To Seller's knowledge, all premiums for such insurance have been or shall be paid in full when due unless payable in installments, in which case the installments have been or shall be paid in full when due.

7.7 Survival. Except as expressly set forth in this Agreement, no representations, covenants or warranties made by the Seller herein shall survive the Designation Rights Closing Date. Seller shall not be liable for any breach of any representations, covenants or warranties contained in this Agreement. The sole purpose of Seller's representations, covenants and warranties contained in this Agreement is for a breach thereof discovered prior to the Designation Rights Closing Date to constitute a closing condition.

7.8 No Indemnities. Notwithstanding anything contained in this Agreement to the contrary, Seller shall not be required to indemnify Purchaser for breach of any covenants, representations or warranties made in this Agreement.

## ARTICLE VIII

### REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

8.1 Due Incorporation, Etc. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation.

8.2 Authorization, No Conflicts, Etc. Purchaser has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery and performance of this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated thereby have been duly authorized by all requisite corporate action. This Agreement has been duly and validly executed and delivered by Purchaser; and, subject to the entry and effectiveness of the Designation Order, this Agreement constitutes the valid and binding agreement on Purchaser, enforceable against Purchaser in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditor's rights generally from time to time in effect and to general equitable principles. Neither the execution and delivery of this Agreement and all documents contemplated hereunder to be executed by Purchaser, nor the performance of the obligations of Purchaser hereunder or thereunder will result in the violation of any law or any provision

of the organizational documents of Purchaser or will conflict with any order to decree of any court or governmental instrumentality of any nature by which Purchaser is bound.

8.3 Consents and Approvals. To Purchaser's knowledge, no consent, approval or authorization of, or declaration, filing, or registration with, any United States federal or state governmental or regulatory authority is required to be made or obtained by Purchaser in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, except (a) for consents, approvals, authorizations, declarations or filings with, the Bankruptcy Court, and (b) for consents, approvals, authorizations, declarations, filings or registrations, which, if not obtained, would not, individually or in the aggregate, have a material adverse effect on the transactions contemplated by this Agreement. This Section 8.3 shall survive the Designation Rights Closing or earlier termination of this Agreement.

8.4 Litigation. There is no action, suit, inquiry, proceeding or investigation by or before any court or governmental or other regulatory or administrative agency or commission pending, or, to the best knowledge of the Purchaser, threatened against Purchaser which questions or challenges the validity of this Agreement or in connection with the transactions contemplated thereby; nor, to the best knowledge of Purchaser, is there any basis for any such action, proceeding or investigation. To the best of Purchaser's knowledge there are no circumstances or facts that would prevent Purchaser from engaging in the transaction contemplated in this Agreement.

8.5 Survival. Except as expressly set forth in this Agreement, no representations, covenants or warranties made by the Purchaser herein shall survive the Designation Rights Closing.

8.6 WHERE-IS/AS-IS. Except as otherwise expressly stated in this Agreement, Purchaser and its designees agree to accept the Properties in a "WHERE-IS, AS-IS" condition as of the Property Closing Date. Without limitation of the foregoing Purchaser acknowledges, represents and warrants to Seller that Purchaser has not been induced to execute this Agreement by any act, statement or representation of Seller or its agents, employees or other representative not expressly set forth in this Agreement. Purchaser also acknowledges and agrees that it is accepting delivery of the Properties subject to any and all existing environmental and physical conditions, subject to Purchaser's right to exclude Properties pursuant to Section 2.4. The provisions of this Section shall survive the Designation Rights Closing Date with respect to each Property.

## ARTICLE IX

### COVENANTS PRIOR TO CLOSING

9.1 Affirmative and Negative Covenants. Except as expressly set forth below, during the period from the date hereof to the Property Closing Date,

(a) Seller covenants and agrees that it shall, unless otherwise agreed with Purchaser:

(i) Affirmative Covenants Pending Property Closing.

(A) Maintenance. Prior to the Designation Rights Closing Date with respect to a particular Property, maintain such Property in the same condition as it is today, subject only to ordinary wear and tear, casualty and condemnation.

(B) Court Orders and Stipulation. Seller shall use reasonable best efforts to obtain approval of the Stipulation and entry of the Designation Order and other necessary of desirable orders of the Bankruptcy Court approving the sale of the Designation Rights and the Break-Up Fee.

(ii) Negative Covenants Pending Closing. Except as expressly permitted herein (including Section 9.1(a)), Seller shall not, without the consent of Purchaser (whose consent shall not be unreasonable withheld or delayed):

(A) Encumbrances. Encumber, sublease or otherwise grant any rights with respect to the Properties; or

(B) Contracts. Enter into any contracts or agreements affecting the Properties or which will be binding on Purchaser (or its designees), in any case, from and after the execution of this Agreement.

(C) FF&E. Dispose, encumber or permit the removal of any FF&E from any of the Properties.

(b) Purchaser covenants and agrees that it shall, unless otherwise agreed with Seller: Maintain or arrange for funds to be available to satisfy all of Purchaser's obligations under this Agreement at the time and in the manner set forth herein, including without limitation to payment of the Purchase Price and the payment of Carrying Cost obligations.

9.2 Consents and Further Actions. Subject to the terms and conditions herein provided, Seller and Purchaser covenant and agree to use their good faith efforts to take, or cause to be taken, all action, or do, or cause to be done, all things, necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including all closing conditions to be satisfied. This Section 9.3 shall survive the closing of the transactions contemplated by this Agreement.

## ARTICLE X

## COVENANTS AFTER CLOSING

10.1 Further Transfers and Assurance. Seller and Purchaser will execute and deliver such further instruments of conveyance and transfer and take such additional action as Purchaser may reasonably request to effect, consummate, confirm or evidence the transfer to Purchaser's designees of the Properties. This Section 10.1 shall survive for twelve months following each respective Property Closing contemplated by this Agreement.

10.2 Taxes. All pre-Designation Rights Closing Date taxes or special assessments (based upon the most recent ascertainable taxes if current tax information is not available) relating to the Properties and all other costs of operation, maintenance, or repair which are customarily apportioned on the transfer of similar types of property (including without limitation, common area maintenance costs, insurance premiums payable to landlords and the like) relating to the Properties which are not Carrying Costs or Sale Expenses and which are due and payable before the Property Closing (which relate to periods prior to the Property Closing Date) shall be the responsibility of Seller and prorated at the Property Closing. All such items which are Carrying Costs or Sales Expenses shall be the responsibility of Purchaser. All transfers of the Property from the Seller shall be exempt from transfer taxes pursuant to 11 U.S.C. Section 1146(c). If the disposition of any Property is found not to be exempt under 11 U.S.C. Section 1146(c), then all transfer, documentary, sales, use, stamp, registration, conveyance, income, gains, value added or other taxes and fees arising out of the sale of the Properties and all charges for or in connection with the recording of any document or instrument contemplated hereby shall be payable by Seller. Seller will file all necessary tax returns and other documentation in connection with the taxes and fees encompassed in this Section relating to the recording of deeds.

10.3 Insurance. Without the prior written consent of Purchaser, Seller will not cancel any insurance policy relating to the Properties. Seller shall deliver to Purchaser copies of all insurance policies on or before February 22, 2002.

10.4 Omissions. Seller and Purchaser agree to adjust between themselves after the Designation Rights Closing any errors or omissions in the prorations or adjustment set forth in the closing statements and any other prorations or adjustment made pursuant to the Agreement. Notwithstanding anything contained herein to the contrary, such apportionments shall be deemed final and not subject to further post-Closing adjustments.

## ARTICLE XI

### BID PROCESS

11.1 Court Approval. On or before February 27, 2002, Seller shall file a motion with the Bankruptcy Court requesting entry of the Designation Order. Prior to

subjecting this Agreement to higher and better offers, the Seller shall have obtained the Stipulation. Seller may solicit and obtain bids for any of the Designation Rights, on an individual basis, or as a package, in each case, to one or more Persons; provided, however, that no sale of any of the Designation Rights thereto shall be accepted by Seller unless the Seller would receive an amount which is greater than the initial bid made herein by Purchaser plus the Break-Up Fee. Purchaser acknowledges that this Agreement may be subject to acceptance by Seller of higher and better offers, in which case this Agreement shall be terminated and Seller shall pay to Purchaser the Break-Up Fee and Purchaser's actual, out-of-pocket third party costs incurred by Purchaser in conducting its environmental due diligence pursuant to Section 4.1, upon the closing of the sale of the Designation Rights to the other Person.

11.2 Break-Up Fee. A "Break-Up Fee" in the amount of \$200,000.00 shall be payable to Purchaser in the event that the Bankruptcy Court authorizes the sale of the Designation Rights or any portion thereof to any person other than Purchaser. Purchaser shall also be entitled to the prompt return of the Earnest Money deposited with the Seller. The remedies set forth in this Section 11.2 shall be the sole and exclusive remedies of Purchaser in the event that this Agreement is terminated by Seller due to the acceptance of a higher and better offer for the Designation Rights.

11.3 Additional Auctions. After the closing, Purchaser shall have the right, in its sole discretion, to conduct one or more auctions for any of the Properties and/or to direct Seller to obtain one or more orders of the Bankruptcy Court approving any subsequent transfer or assignment of a Property to Purchaser's designees, provided, however, that Seller shall be responsible for all costs and expenses of reviewing, responding, litigating and settling any objections or responses which may be received in response to Purchaser's request for approval of the Sale Orders (including reimbursement to Seller of Seller's reasonable attorneys' fees and expenses in responding to any such objections), Seller shall also be responsible for all costs of any appeal which may be taken from the Sale of Orders.

## ARTICLE XIII

### MISCELLANEOUS

#### 13.1 Termination.

(a) This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time, but not later than the Designation Rights Closing Date:

- (i) by the mutual consent of Purchaser and Seller;
- (ii) by Seller, if the Designation Rights Closing Date does not occur on or prior to the date fifteen (15) days after the entry of the



Designation Order, provided, that Seller will not be entitled to terminate this Agreement pursuant to this subsection (ii) if Seller is in material breach of this Agreement and such breach continues for five (5) days following written notice from Purchaser to seller or has failed to satisfy any condition to Closing in Article VI hereof that Seller or its affiliates was required to satisfy and such breach continues for ten days following written notice from Purchaser to Seller;

(iii) by Purchaser, if Seller is in material breach of this Agreement and such breach continues for five (5) days following written notice from Purchaser to seller, or in the alternative, by Seller, if Purchaser is in material breach of this Agreement and such breach continues for five (5) days following written notice from Seller to Purchaser; or

(iv) by Purchaser if Seller conducts the Second Auction prior to the Designation Rights Closing Date or the Designation Order is not entered before March 30, 2002.

(b) Upon the termination of this Agreement pursuant to section 13.1(a) and neither Seller nor Purchaser shall have any further liability to the other hereunder, except as otherwise specifically provided in this Agreement. This Section 13.1(b) shall survive the termination of this Agreement.

13.2 Recordation of Agreement. Purchaser shall not record, or attempt to record, this Agreement or a memorandum hereof.

13.3 Successors and Assigns. This Agreement is made solely and specifically by and for the benefit of the parties hereto, and their respective successors and assigns, including, without limitation, each of Purchaser's designees as to any Properties transferred to such designee(s). Purchaser shall be entitled to assign its rights but not its obligations hereunder to a Purchaser Affiliate.

#### 13.4 Default and Remedies.

(a) In the event of a material breach of, or material default under, this Agreement by Seller, Purchaser shall be entitled to (i) specific performance of this Agreement or (ii) to terminate this Agreement and thereupon obtain reimbursement from the Seller for all reasonable and actual out-of-pocket third party costs incurred by Purchaser pursuant to this Agreement.

(b) In the event of a material breach of, or material default under, this Agreement by Purchaser prior to the Designation Rights Closing Date, Seller shall, provided that Seller is not in material default hereunder, be entitled to (i) terminate this Agreement, (ii) specific performance, and/or (iii) retain the Earnest Money. In the event of a material breach of, or material default under, this Agreement by Purchaser after the Designation Rights Closing Date, Seller shall, provided that Seller is not in material default hereunder, be entitled to (i) terminate this Agreement, (ii) draw on the

\$100,000.00 letter of credit, and/or (iii) and recover from Purchaser all of Seller's actual out-of-pocket third party costs incurred by Seller pursuant to this Agreement.

(c) Except as otherwise provided in this Section 13.4, no remedy herein or otherwise conferred upon the parties shall be considered exclusive of any other remedy, but the same shall be cumulative and shall be in addition to every other remedy given hereunder existing at law, in equity or by statute.

13.5 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if and when delivered personally or mailed, by certified or registered mail, return receipt requested, first class postage prepaid, or by Federal Express or some other reputable overnight carrier (or when delivery is rejected or refunded), to the parties at the following address:

If to Seller, addressed to:

Hilco Real Estate, LLC  
5 Revere Drive, Suite 320  
Northbrook, Illinois 60062  
Tel. (847) 504-2450  
Fax (847) 714-1289  
Attn: Mitchell P. Kahn

If to Purchaser, addressed to:

Quality Stores, Inc.  
455 East Ellis Road  
Muskegon, Michigan 49443  
Attn: Don Featherstone

With copies (which shall not constitute notice hereunder) to:

Kirkland & Ellis  
200 East Randolph Drive  
Chicago, Illinois 60601  
Tel: (312) 861-2000  
Fax: (312) 861-2200  
Attention: Bradley Ritter

or to such other place and with such other copies as any party may designate by written notice to this other party.

13.6 Expenses. Each party shall bear its own legal, appraisal and title costs with respect to the drafting of the agreements in these transactions and the closing of such transactions (other than in the event of the payment of a Break-Up Fee). The provisions of this Section 13.6 shall survive the Designation Rights Closing or earlier termination of this Agreement.

13.7 Brokerage Commissions and Fees. Purchaser warrants and represents that no brokerage commissions or fees are due any real estate broker(s) as a result of Purchaser's actions or omissions in connection with the transactions contemplated by this Agreement; and Purchaser agrees that should any claim be made for commissions or fees by any broker(s) against Seller, Purchaser will indemnify and hold Seller free and harmless from and against any and all such claims in connection therewith. Seller warrants and represents that no brokerage commissions are due to any real estate broker(s) other than Atlas Partners and Keen Consultants, which shall be paid by Seller. Seller agrees that, should any claim be made for commissions or fees by any broker against Purchaser, Seller shall indemnify and hold Purchaser free and harmless from and against any and all such claims in connection therewith. Notwithstanding anything contained herein to the contrary, the provisions of this Section 13.7 shall survive the Closing or any earlier termination of this Agreement.

13.8 Casualty and Condemnation. If any one of the Properties is materially destroyed or materially damaged, or if condemnation proceedings are commenced against all or substantially all of such Properties, all proceeds of insurance or condemnation awards up to the Designation Rights Value shall be paid to, and retained by Purchaser (other than with respect to Excluded Properties). Purchaser shall have a claim against the Seller in the event that the proceeds of insurance are less than the Designation Rights Value and shall be subrogated to the rights of Seller in the event the proceeds of any condemnation are less than the Designation Rights Value. In the event of non-material damage or non-material condemnation to any Properties, which damage Seller is unwilling to repair prior to the applicable Property Closing, the Property Closing shall be unaffected thereby and any proceeds of insurance or condemnation awards shall be used to repair the Property to the same condition that the Property was in immediately prior to such casualty or condemnation. This Section 13.8 shall contain Purchaser's sole remedies in the event of any casualty or condemnation of Properties.

13.9 Entire Agreement. This Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter hereof and this Agreement, including the schedules and exhibits hereto, and other documents to be delivered in connection herewith (together with such confidentiality letter), contains the sole and entire agreement between the parties hereto with respect to the subject matter hereof.

13.10 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof. To be effective, each such waiver shall be in writing, shall specifically refer to this Agreement and the term or

condition being waived, and shall be executed by an Authorized Officer of such party. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach on a future occasion. A waiver hereunder shall be effective without an order of the Bankruptcy Court, or notice to the Bankruptcy Court or any third party, in relation to such waiver.

13.11 Amendment. This Agreement may be modified or amended only in a writing duly executed by or on behalf of each of the parties hereto.

13.12 Counterparts; Facsimile Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile.

13.13 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future law, rule, or regulation, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof. The remaining provisions of this Agreement shall remain in full force and effect, and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as part of this Agreement a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible.

13.14 Headings, Gender, Etc. The headings used in this Agreement have been inserted for convenience and do not constitute matter to be construed or interpreted in connection with this Agreement. Unless the context of this Agreement otherwise requires, (a) words of any gender shall be deemed to include each other Gender, (b) words using the singular or plural number shall also include the plural or singular number, respectively, (c) references to "hereof," "herein," "hereby" and similar terms shall refer to this entire Agreement, (d) the words "include" and "including" shall be construed as incorporating "but not limited to" or "without limitation", and (e) each reference to Seller shall be a reference to any of its subsidiaries and predecessors and each representation, warrant, covenant and other agreement made herein with respect to seller shall be deemed made with respect to all such subsidiaries and predecessors. The language used in this Agreement shall be deemed to the language chosen by the parties hereto to express their mutual intent and no rule of strict construction shall be applied against any Person.

13.15 Continuing Jurisdiction. The parties agree that the Bankruptcy Court shall retain jurisdiction over the enforcement of this Agreement, including, but not limited to, the performance of the obligations and transactions contemplated hereunder.

13.16 Choice of Law. This Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of Illinois

without regard to conflicts of laws principles thereof, except with respect to matters of law concerning the internal corporate affairs of any corporation or limited liability company which is a party to or the subject of this Agreement, and as to those matters the law of the jurisdiction of incorporation or organization of such entity shall govern.

13.17 Obligations Joint and Several. Notwithstanding anything to the contrary set forth in this Agreement, the obligations of the Seller and its affiliates; and the purchaser and its affiliates, shall be joint and several, except as otherwise provided in this Agreement.

13.18 No Partnership or Joint Venture. Nothing contained in this Paragraph or elsewhere in this Agreement shall be deemed to create a partnership, joint venture, or any other relationship other than that of seller and purchaser between the parties hereto.

13.19 No Third Party Beneficiaries. Nothing herein expressed or implied is intended or shall be construed to confer upon or given any person, firm or corporation, other than the parties hereto, their affiliates and their respective permitted successors and assigns and Purchaser's designees, any rights or remedies under or by reason of this Agreement.

13.20 Employees. Purchaser and it designees shall not be deemed an employer with Seller or any of its affiliates or subsidiaries and Purchaser and it designees shall have no obligation to pay wages or benefits (or to fund any pension plan) or to employ any employee of Seller or any affiliates or subsidiaries. All WARN Act or similar obligation shall be Seller's sole obligation.

13.21 Cooperation. Seller shall reasonably cooperate with Purchaser with marketing the Properties and in implementing closings related thereto. If Purchaser so requests, Seller shall use commercially reasonable efforts to obtain further extensions or any time periods set forth herein or in the Designation Order (but failure to obtain such extension shall not constitute a default hereunder). Purchaser shall provide status reports, from time to time, to Seller relating to marketing efforts and Carrying Costs, etc., as reasonably requested by Seller.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, Seller and Purchaser have executed and delivered this Agreement as of the date first above written.

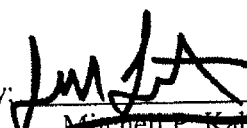
QUALITY STORES, INC., a Delaware corporation,

HILCO REAL ESTATE, LLC., a Delaware limited liability company,

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

By:  \_\_\_\_\_

~~Michael P. Kain~~  
~~Series V of Linton~~  
Title: ~~President~~ and General Counsel,  
Date: 2/18/02 ~~Member~~

IN WITNESS WHEREOF, Seller and Purchaser have executed and delivered this Agreement as of the date first above written.

**QUALITY STORES, INC.**, a Delaware corporation,

**HILCO REAL ESTATE, LLC.**, a Delaware limited liability company,

By: P. D. Flynn

By: \_\_\_\_\_

Title: Chief Executive Officer

Mitchell P. Kahn

Title: President

Date: February 18, 2002

Date: \_\_\_\_\_

## **Schedule 1**

Quality Stores, Inc.

QSI Holdings, Inc.

Country General, Inc.

F and C Holding, Inc.

Farm and Country, LLC

QSI Newco, Inc.

QSI Transportation, Inc.

Quality Farm & Fleet, Inc.

QSI Investments, Inc.

Quality Stores Services, Inc.

Vision Transportation, Inc.



## Exhibit A

### Properties

Yuma	CO
Alliance	NE
Ogallala	NE
Scottsbluff	NE
Sidney	NE
Burlington	CO
Ft. Morgan	CO
Limon	CO
Sterling	CO
Belleville	KS
Norton	KS
Ainsworth	NE
Central City	NE
Fairbury	NE
Gordon	NE
Grand Island	NE
Holdrege	NE
Plattsmouth	NE
Superior	NE
Valentine	NE
Torrington	WY
Wheatland	WY

**Exhibit B**

**First Auction Properties**

Yuma	CO
Alliance	NE
Ogallala	NE
Scottsbluff	NE
Sidney	NE

**Exhibit C**

**Form Contract**

**REAL ESTATE PURCHASE AND SALE AGREEMENT**

THIS AGREEMENT (the "Agreement") is made and entered into as of \_\_\_\_\_, 2002, by and between \_\_\_\_\_, a \_\_\_\_\_ (the "Seller"), and \_\_\_\_\_, a \_\_\_\_\_ (the "Buyer").

**W I T N E S S E T H:**

WHEREAS, the Seller filed a voluntary petition (the "Petition") for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101 et seq., as amended (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Western District of Michigan (the "Bankruptcy Court") on November 1, 2001 (the "Filing Date") and has operated its business as a debtor-in-possession (as defined in Section 1101 of Bankruptcy Code) as authorized by Sections 1107 and 1108 of the Bankruptcy Code since the Filing Date; and

WHEREAS, the Seller owns certain Property (as herein defined), the Buyer desires to become the owner of the Property, and the Seller desires to transfer the Property to the Buyer on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the recitals hereinabove set forth, and for other good and valuable consideration, the receipt and sufficiency thereof being hereby acknowledged, and intending to be legally bound, the Seller and the Buyer hereby agree as follows:

**ARTICLE I**

**CERTAIN DEFINITIONS**

1.1 The recitals set forth above are true and correct and are hereby incorporated herein by this reference.

1.2 The following terms used in this Agreement shall have the meanings set forth below:

- (A) "Assumed Obligations" shall have the meaning given in Section 2.4.
- (B) "Auction" shall have the meaning given in Section 6.5.
- (C) "Bid" shall have the meaning given in Section 6.5.
- (D) "Business Day" shall mean any day other than Saturday, Sunday or a day banks are authorized or required to be closed in Chicago, Illinois.
- (E) "Buyer's Deposits" shall have the meaning set forth in Section 3.3.
- (F) "Closing" shall mean the consummation of all transactions contemplated by this Agreement, which shall occur on the Closing Date.
- (G) "Closing Date" shall mean the date of the Closing which shall occur on any Business Day within seven (7) Business Days after the satisfaction of all conditions to Closing set forth in Article VII.
- (H) "Closing Statement" shall have the meaning set forth in Section 3.4.
- (I) "Deed" shall have the meaning ascribed to it in Section 3.2.
- (J) "Earnest Money" shall have the meaning ascribed to it in Section 2.7.
- (K) "Environmental Laws" shall mean all federal, state, local and foreign statutes, regulations, and ordinances concerning pollution or protection of the environment, as enacted or in effect on or prior to the Closing Date.
- (L) "Escrow" shall have the meaning given in Section 2.7.
- (M) "Excluded Obligations" shall have the meaning given in Section 2.5.
- (N) "Excluded Property" shall have the meaning ascribed to it in Section 2.2.

(O) "Governmental Entity" shall mean any federal, state, municipal or local court, legislature, governmental agency, commission or regulatory authority or instrumentality.

(P) "Hazardous Substances" shall mean any chemical, hazardous substance, pollutant, contaminant, or petroleum product regulated under any Environmental Law.

(Q) "Joint Escrow Instructions" shall have the meaning set forth in Section 3.4.

(R) "Liabilities" shall mean, as to any Person, all debts, adverse claims, liabilities, commitments, responsibilities, and obligations of any kind or nature whatsoever, direct, indirect, absolute or contingent, of such Person, whether accrued, vested or otherwise, whether known or unknown and whether or not actually reflected, or required to be reflected, in such Person's balance sheets or other books and records.

(S) "Non-Appealable" shall mean, with respect to any order or judgment of the Bankruptcy Court or any other court, an order or judgment as entered on the docket that has not been reversed, stayed, modified or amended and as to which the time to appeal, petition for certiorari, or seek reargument or rehearing has expired and no timely appeal, petition for certiorari, or request for reargument or rehearing is pending or as to which any right to appeal, reargue, petition for certiorari, or seek rehearing has been waived in writing in a manner reasonably satisfactory to the Buyer or, if an appeal, reargument, petition for certiorari, or rehearing thereof has been denied, the time to take any further appeal or to seek certiorari or further reargument or rehearing has expired.

(T) "Permitted Encumbrances" shall mean: collectively: (a) all applicable zoning and building laws, restrictions and ordinances, provided they do not materially impair the use of the Property for its existing use and purpose or materially and adversely affect the value of the Property; (b) encroachments, if any, on ant street or highway; (c) the state of facts that would be shown on an accurate survey or from a personal inspection of the Property provided such facts would not materially impair the use of the Property for its existing use and purpose nor materially and adversely affecting the value of the Property; (d) real estate taxes, and water and sewer charges and other similar charges which are not yet due and payable prior to the date of the Closing (subject to apportionments as provided for in this Agreement); (e) easements, non-monetary liens and encumbrances and rights of public utilities, which do not prevent in any material way, prohibit or materially impair or interfere with the use of the Property for its existing use and purpose and not materially and adversely affecting the value of the Property; (f) covenants, conditions and restrictions of record which do not prevent in any material way, prohibit or materially impair the use of the Property for its existing use and purpose nor materially and adversely affecting the value of a Property; (g) monetary liens for which the provision for payment in the form of an escrow has been made to the satisfaction of a title insurer and Buyer; and (h) with respect to the Property, all matters set forth on the title commitments prepared by the title insurer, unless objected to by Buyer as herein provided, other than those matters described in clauses (a) though (h) of this definition.

(U) "Person" shall mean any individual, group, corporation, partnership, limited liability company or other organization or entity.

(V) "Property" shall have the meaning ascribed to it in Section 2.1.

(W) "Purchase Price" shall have the meaning ascribed to it in Section 2.3.

(X) "Sale Order" shall mean the Non-Appealable order of the Bankruptcy Court pursuant to the Bankruptcy Code approving the sale and transfer of the Property free and clear of all liens, security interests, claims, assignments, pledges, encumbrances and charges pursuant to Section 363 of the Bankruptcy Code.

(Y) "Seller's Deposits" shall have the meaning set forth in Section 3.3.

(Z) "Title Commitment" shall have the meaning set forth in Section 6.2.

(AA) "Title Company" shall refer to Chicago Title Insurance Company, a Missouri corporation, located at 171 N. Clark Street, Chicago, Illinois 60601.

(BB) "Title Cure Period" shall have the meaning given in Section 6.3 hereof.

(CC) "Title Notice" shall have the meaning set forth in Section 6.3 hereof.

(DD) "Title Policy" shall have the meaning set forth in Section 6.2.

(EE) "Unpermitted Exceptions" shall have the meaning set forth in Section 6.3 hereto.

## ARTICLE II

### SALE AND PURCHASE OF REAL PROPERTY

2.1 Property. The Seller agrees to sell to the Buyer and the Buyer agrees to buy from the Seller the real property which is more particularly described on Exhibit A attached hereto, and the building(s) located thereon, commonly known as \_\_\_\_\_, together with all easements, rights of way, servitudes, tenements, hereditaments, appurtenances, privileges and other rights with respect thereto owned by the Seller (the "Property").

2.2 Excluded Property. The Property shall not include any of Seller's right, title or interest in or to any assets or properties of the Seller that are not expressly enumerated in Section 2.1, including, without limitation, any of Seller's right, title or interest in or to any of Seller's inventory or machinery (the "Excluded Property"), which shall be removed from the Property by the Seller prior to the Closing Date.

2.3 Purchase Price. The total purchase price for the Property shall be \_\_\_\_\_ and no/100s dollars (\$\_\_\_\_\_.00) as adjusted for prorations pursuant to Section 2.6 hereof (the "Purchase Price").

2.4 Assumed Obligations. The Buyer shall assume (i) all Liabilities of the Seller under the Property arising as of and after the Closing Date, (ii) all Liabilities arising under Environmental Laws related to the Property, including but not limited to those arising out of the storage, handling or release of Hazardous Substances (including, without limitation, petroleum products or constituents thereof) at the Property after the Closing Date, and (iii) all state, county, and municipal transfer Taxes due as a result of the transactions contemplated by this Agreement (the "Assumed Obligations"). The foregoing are the only Liabilities of the Seller to be assumed by the Buyer in connection with the transactions contemplated by this Agreement or otherwise. Under no circumstance shall this Agreement be construed as obligating the Buyer to assume, perform, discharge, satisfy, or otherwise take responsibility for the performance of the Excluded Obligations.

2.5 Excluded Obligations. Notwithstanding anything in this Agreement to the contrary, the Buyer shall not assume, and shall be deemed not to have assumed, any Liabilities of the Seller except for the Assumed Obligations, and the Seller shall be solely and exclusively liable with respect to all Liabilities of the Seller other than the Assumed Obligations (collectively, the "Excluded Obligations").

2.6 Purchase Price Adjustments. Real estate taxes and assessments shall be prorated as of the Closing Date and shall be applied as an adjustment to the Purchase Price to be paid by the Buyer for the Property. Prorations shall be made based upon actual amounts due for the current period, to the extent available on the Closing Date, or, if such actual amounts are not then available, upon the actual amounts paid for the most recent prior period for which actual amounts are available.

2.7 Earnest Money. Upon the execution of this Agreement, Buyer shall deposit \_\_\_\_\_ and no/100s dollars (\$\_\_\_\_\_) with the Title Company as an earnest money deposit (the "Earnest Money"). The Earnest Money shall be held by the Title Company in an interest bearing strict joint order escrow account (the "Escrow") for the mutual benefit of the parties. Buyer shall pay all charges and expenses in connection with the investment of the Earnest Money and the cost of the Escrow shall be paid equally by the Seller and the Buyer.

2.8 Condition of the Property. Notwithstanding anything else in this Agreement to the contrary:

(A) The Buyer acknowledges and agrees that the Buyer is purchasing the Property "AS-IS", "WHERE-IS", and "WITH ALL FAULTS", without any warranties, representations or guarantees, either express or implied, of any kind, nature, or type whatsoever from, or on behalf of, Seller. Without limiting the generality of the foregoing, Buyer acknowledges and agrees that Seller hereby expressly disclaims any and all implied warranties concerning the condition of the Property including, but not limited to, the implied warranties of merchantability and fitness for a particular purpose.

(B) Buyer acknowledges and agrees that Buyer has not relied, and will not rely, upon any representations or warranties (oral or written) made by or purportedly made on behalf of Seller. Buyer further acknowledges and agrees that Buyer has not relied, and will not rely, upon any documents or other

information (oral or written) provided by, or purportedly provided on behalf of, Seller, other than the documents actually delivered by Seller under this agreement.

(C) Buyer acknowledges and agrees that no representations by or on behalf of Seller have been made to Buyer as to the condition of the Property, the applicability of or compliance with any governmental requirements, including, but not limited to, the suitability of the Property for any purpose whatsoever. Buyer acknowledges that Buyer is not relying on any representation, or the lack of same, with respect to the condition of the Property. Buyer unconditionally waives and hereby releases Seller from and against any and all liability of Buyer, whether known or unknown, present or future, arising out of or relating to the condition of the Property, or of the fitness of the Property for any particular purpose.

### ARTICLE III

#### CLOSING

3.1 Closing. The Closing shall occur on the Closing Date at the offices of Kirkland & Ellis, 200 E. Randolph Drive, Suite 5400, Chicago, Illinois, unless otherwise mutually agreed in writing by the Parties. The Closing shall occur through a deed and money escrow to be held by the Title Company (the "Closing Escrow"). Upon the creation of the Closing Escrow, anything herein contained to the contrary notwithstanding, payment of the Purchase Price and delivery of the Deed shall be made through the Closing Escrow and this Agreement shall be deposited into the Closing Escrow.

3.2 Seller's Obligations at Closing. On the Closing Date, the Seller shall deliver or cause to be delivered to the Title Company the following (the "Seller's Deposits"):

(A) A special warranty deed (the "Deed") for the Property from the Seller to Buyer in recordable form;

(B) A duly executed counterpart of the Closing Escrow in the form of Exhibit B attached hereto;

(C) A certified copy of the Sale Order;

(D) All affidavits, undertakings and similar documents reasonably required by the Title Company to issue the Title Policy;

(E) A letter of direction to the Title Company directing the deposit of the Earnest Money into the Closing Escrow; and

(F) Such other documents reasonably requested by the Buyer.

3.3 Buyer's Obligations at Closing. On the Closing Date, the Buyer shall deliver or cause to be delivered to the Title Company the following (the "Buyer's Deposits"):

(A) A duly executed counterpart of the Closing Escrow in the form of Exhibit B attached hereto;

(B) Via wire transfer to the Title Company, in immediately available funds, the Purchase Price, adjusted for prorations and delivery of the Earnest Money;

(C) A letter of direction to the Title Company directing the deposit of the Earnest Money into the Closing Escrow; and

(D) Such other documents as may be reasonably requested by the Title Company or the Seller.

3.4 Closing Obligations. On the Closing Date, the Seller and the Buyer shall jointly make the following deliveries and determinations:

(A) The Seller and the Buyer shall jointly execute all required state, county and municipal transfer tax declarations;

(B) The Seller and the Buyer shall execute a closing statement reflecting the Purchase Price as adjusted pursuant to Section 2.6 (the "Closing Statement");

(C) The Seller shall deliver to the Buyer the keys, combinations to safes, and passwords, if any, to the Property; and

(D) The Seller and the Buyer shall jointly execute and deliver to the Title Company a joint direction to the Title Company directing the disbursement of the Purchase Price to Hilco Real Estate,

LLC and delivery of Seller's Deposits and Buyer's Deposits from the Closing Escrow (the "Joint Escrow Instructions").

3.5 Costs and Expenses. The cost of the Closing Escrow and the "New York" style closing fee shall be paid by Buyer. Buyer shall pay all of the costs and expenses of the recording of the Deed and the Sale Order and all recording fees for all mortgages and UCC-1's necessary to secure funds advanced to purchase the Property, and Seller shall be responsible for the payment of all recording fees for all releases of mortgages, UCC-3's and other documents recorded against the Property necessary to convey title to the Property subject only to Permitted Encumbrances. The Buyer shall be solely responsible for the payment of all sales, transfer, recording, stamp or similar taxes, if any, incurred in connection with the transfer of the Property.

#### ARTICLE IV

##### SELLER REPRESENTATIONS AND WARRANTIES

4.1 The Seller represents and warrants that:

(A) The Seller is a corporation duly organized and validly existing under the laws of the State of Delaware. The Seller has all requisite power and authority to carry on and conduct its business as it is now being conducted and to own its properties and assets, and is duly qualified to do business as a foreign corporation in \_\_\_\_\_.

(B) Subject to entry of the Sale Order, the Seller has full and requisite corporate power and authority to execute and deliver this Agreement and the Seller's Deposits and to perform its obligations hereunder and thereunder.

(C) Subject to entry of the Sale Order, this Agreement has been duly and validly executed and delivered by the Seller and constitutes, and each of the other agreements to be executed and delivered by the Seller pursuant hereto upon their execution and delivery will constitute, a valid and legally binding obligation of the Seller, enforceable against the Seller in accordance with their respective terms.

(D) The Seller is the owner of the Property and, subject to entry of the Sale Order, has, or will have on the Closing Date, marketable title to the Property, subject only to Permitted Encumbrances.

(E) There are no pending or, to Seller's knowledge, threatened condemnation, zoning, expropriation, eminent domain or similar proceedings affecting the Property, and the Seller has not received any written notice of any of such proceeding.

4.2 Survival. The representations and warranties of the Seller set forth in this Article IV shall not survive the Closing and delivery of the Deed.

#### ARTICLE V

##### BUYER'S REPRESENTATIONS AND WARRANTIES

5.1 The Buyer represents and warrants that:

(A) It is a \_\_\_\_\_ duly organized and validly existing under the laws of the \_\_\_\_\_, and it is duly qualified to do business in \_\_\_\_\_.

(B) It has full and requisite corporate power and authority to execute and deliver this Agreement and the Buyer's Deposits and to perform its obligations hereunder and thereunder.

(C) This Agreement has been duly and validly executed and delivered by Buyer and constitutes, and each of the other agreements to be executed and delivered by the Buyer pursuant hereto upon their execution and delivery will constitute, a valid and legally binding obligation of the Buyer, enforceable against Buyer in accordance with their respective terms.

(D) Buyer has access to sufficient financial resources to consummate the transactions contemplated herein.

5.2 Survival. The representations and warranties of the Seller set forth in this Article IV shall not survive the Closing and delivery of the Deed.

ARTICLE VI  
COVENANTS

6.1 Condition of Property. From and after the date hereof until the Closing Date, the Seller hereby covenants to maintain the Property in substantially the same condition as existed as of the date of this Agreement, except for normal wear and tear and damage caused by casualty and condemnation;

6.2 Title Insurance. The Seller shall obtain promptly after the date of this Agreement and shall deliver a copy to Buyer prior to Closing, a commitment for an ALTA Owner's Policy of Title Insurance for the Property (the "Title Commitment"), issued by the Title Company in the amount of the Purchase Price, insuring Buyer's interest in the Property as of the Closing Date, subject only to the Permitted Encumbrances. The Seller shall cause the Title Company to issue to the Buyer a title insurance policy based upon the Title Commitment (the "Title Policy"), on the Closing Date. The Seller will deliver to the Title Company all affidavits, undertakings, and other title clearance documents reasonably necessary to cause the Title Company to issue the Title Policy. Each such Title Policy will be dated as of the Closing Date and insure title to the Property subject only to the Permitted Encumbrances. The Buyer shall pay all costs and expenses of the Title Commitment, Title Policy, and all related work charges.

6.3 Title Defects. If the Title Commitment shall disclose exceptions other than the Permitted Encumbrances (the "Unpermitted Exceptions"), then Buyer shall have three (3) Business Days from the date of delivery of the Title Commitment to deliver a written notice (the "Title Notice") to the Seller requesting removal of, or title insurance over, such Unpermitted Exceptions, whereupon the Seller shall have thirty (30) days thereafter (such period, the "Title Cure Period") in which to have the Unpermitted Exceptions removed from the Title Commitment or to have the Title Company commit to insure against loss or damage that may be occasioned by the Unpermitted Exceptions. If the Seller fails to have the Unpermitted Exceptions removed, or, in the alternative, to obtain title insurance over the Unpermitted Exceptions, within the specified time, then Buyer, as its sole and exclusive remedy therefore, may (i) terminate this Agreement upon notice to the Seller within five (5) Business Days after expiration of the thirty (30) day period, and such failure to have such Unpermitted Exceptions removed from title shall not be deemed a breach of this Agreement by Seller, or (ii) elect to take title as it then exists. If Buyer elects to take title to the Property, all Unpermitted Exceptions not removed or corrected by the Seller shall be deemed additional Permitted Encumbrances. If Buyer elects to terminate the Agreement as provided in this Section, Buyer shall receive a full refund of the Earnest Money and any interest earned thereon, but the exercise of such right shall not be deemed to be a breach of this Agreement by Seller.

6.4 Sale Order. As promptly as practicable after the date hereof, the Seller shall submit to the Bankruptcy Court a motion seeking the entry of the Sale Order. The Buyer shall cooperate with the Seller in obtaining Bankruptcy Court approval of the Sale Order, and the Seller shall use its best efforts to obtain approval of the Sale Order and shall deliver to the Buyer copies of pleadings, motions, notices, statements, schedules, applications, reports and other papers to be filed with the Bankruptcy Court relating to the Sale Order.

6.5 Auction. The Seller shall notify the Buyer if any written bids for the Property (each, a "Bid") are received by the Seller, and shall promptly deliver to the Buyer a copy of any Bids. All Bids shall be: (i) delivered to Seller c/o Kirkland & Ellis, 200 E. Randolph Street, Suite 5400, Chicago, Illinois 60601, Attn: Bradley V. Ritter, and to Buyer's counsel, [\_\_\_\_], (ii) in the form of a written offer to purchase the Property on terms and conditions equivalent to this Agreement; and (iii) accompanied by a good faith deposit in the amount of ten percent (10%) of the amount of the purchase price set forth in the Bid. The Buyer shall have the right to participate in the auction of the Property (the "Auction"). The Auction shall take place at the offices of Kirkland & Ellis, 200 E. Randolph Street, Suite 5400, Chicago, Illinois, at 10:00 a.m. Chicago time on [\_\_\_\_], or at such other time as Seller shall designate.

6.6 Administrative Expense. In the event that the Buyer is not the successful bidder for the Property, the Seller shall use its good faith to gain the approval of the Bankruptcy Court to treat as an administrative expense claim payable at the closing of the Property to the successful bidder, Buyer's actual,



demonstrated and verified out-of-pocket expenses, including, without limitation, attorney's and consultant's fees, reasonably incurred in connection with the Buyer's negotiation and revision of the terms hereof, and participation in the bidding and auction process.

## ARTICLE VII

### CONDITIONS TO BUYER'S AND SELLER'S OBLIGATIONS TO CLOSE

7.1 Conditions to Each Party's Obligations. Each party's respective obligations to effect the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of the following conditions:

(A) There shall not be in effect any statute, regulation, order, appeal, stay, decree or judgment of any Governmental Entity which makes illegal or enjoins or prevents the consummation of the transactions contemplated by this Agreement.

(B) The Court shall have entered the Sale Order.

(C) The Title Company, the Seller and the Buyer, shall have executed the Closing Escrow.

7.2 Conditions to Obligations of the Buyer. The Buyer's obligation to effect the transactions contemplated by this Agreement shall be further subject to the satisfaction at or prior to the Closing of the following conditions:

(A) The representations and warranties of the Seller set forth in Article IV shall be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing Date.

(B) The Seller shall have deposited into the Closing Escrow the Seller's Deposits.

(C) The Title Company shall have issued to the Buyer the Title Policy.

7.3 Conditions to the Seller's Obligations. The Seller's obligations to effect the transactions contemplated by this Agreement shall be further subject to the satisfaction at or prior to the Closing of the following conditions:

(A) The representations and warranties of the Buyer set forth in Article V shall be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing Date.

(B) The Buyer shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing.

(C) The Buyer shall have deposited into the Closing Escrow the Buyer's Deposits.

(D) The Title Cure Period shall have expired.

## ARTICLE VIII

### EVENTS OF DEFAULT

8.1 Defaults by the Seller. In the event of Seller's breach of any provision of this Agreement prior to the Closing Date, and the failure of Seller to cure such default within ten (10) days after being given written notice thereof, the Buyer will have the right to terminate this Agreement and recover from the Seller as administrative expense claims pursuant to Section 503 of the Bankruptcy Code its actual out-of-pocket expenses incurred in connection with this Agreement up to a maximum of Ten Thousand and 00/100 Dollars (\$10,000.00). The remedy provided in this Section 8.1 shall be the only remedy available to the Buyer under this Agreement for Seller's breach of this Agreement.

8.2 Defaults by the Buyer. The Seller and Buyer agree and acknowledge that as a result of the passage of time, fluctuating market conditions and other reasons, damages as a result of a breach of this Agreement by Buyer would be difficult, if not impossible, to calculate. Therefore, if Buyer should fail to consummate the sale contemplated herein and proceed to Closing for any reason after all of the conditions to Closing set forth in Section 7.1 and 7.2 of this Agreement have been waived or satisfied, then the Seller may, upon three (3) Business Days' written notice to Buyer, if such breach or failure is not cured within such three (3) Business Day period, terminate this Agreement, in which event the Earnest Money shall be forfeited and paid to the Seller as liquidated damages in lieu of all other remedies available to the Seller for such failure to proceed to Closing.

ARTICLE IX  
MISCELLANEOUS

9.1 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given when personally delivered or mailed by certified or express mail, or by Federal Express or similar overnight courier service, with acknowledgment of receipt, postage or fees prepaid. Notices, demands and communications to the Seller and the Buyer will, unless another address is specified in writing, be sent to the addresses indicated below:

Notice to the Buyer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
FAX: \_\_\_\_\_

Notice to Seller:

Quality Stores, Inc.  
455 E. Ellis Road  
Muskegon, MI 49443-3315  
Attention: Michael Feder

9.2 Further Assurances. Each party to this Agreement agrees to use its best efforts to cause the conditions of its obligations hereunder to be satisfied on or prior to the Closing Date. Each party agrees to execute and deliver and provide access to any and all further agreements, documents and instruments reasonably necessary to effectuate this Agreement or the transactions referred to herein or which may reasonably be requested by the other party or parties to perfect or evidence its or their rights hereunder.

9.3 Expenses. Each of the parties hereto will bear its respective expenses incurred by and in connection with this Agreement and the transactions contemplated hereby, including, without limitation, attorney's and accountant's fees.

9.4 Counterparts. This Agreement may be executed in separate counterparts. It shall be fully executed when each party whose signature is required has signed at least one counterpart even though no one counterpart contains the signatures of all the parties.

9.5 Brokers. Other than the Seller's engagement of [\_\_\_\_\_] , the payment of fees to whom is solely the Seller's responsibility, and Buyer's engagement of [\_\_\_\_\_] , the payment of fees to whom is solely in Buyer's responsibility, the Seller and the Buyer each to the other warrants and represents that it has not incurred and will not incur any liability for brokerage fees or agent's commissions in connection with this transaction, and agrees that it will hold harmless and indemnify the other party against and in respect of any claim of brokerage or other commissions relative to this Agreement and to the transactions contemplated hereby based on any Agreement or commitment made or alleged to have been made by or on behalf of the indemnifying party.

9.6 Successors and Assigns. Neither party hereto shall assign or transfer any rights or liabilities hereunder. Notwithstanding the prior sentence, the Buyer may assign all or any portion of its right, title and interest hereunder to a third party which is an Affiliate of the Buyer, so long as the Buyer remains obligated to the Seller for all of its duties, obligations and liabilities hereunder.

9.7 Entire Agreement; Governing Law and Jurisdiction. This Agreement sets forth the entire agreement of the Seller and the Buyer, and this Agreement shall not be changed or terminated orally; shall be binding on or inure to the benefit of the successors or assigns of the Seller and the Buyer; and shall be governed by the laws of the State of Delaware. All disputes relating to this Agreement shall be brought before the Bankruptcy Court.

9.8 Disclosure. Any information set forth in any Schedule attached to this Agreement or incorporated in any Section of this Agreement shall be considered to have been set forth in each other Schedule to this Agreement. The information contained in the Schedules hereto is disclosed solely for the

purposes of this Agreement, and no information contained therein shall be deemed to be an admission by any party hereto to any third party of any matter whatsoever, including of any violation of law or breach of any agreement.

IN WITNESS WHEREOF, the Seller and Buyer have executed this Agreement as of the day and year first above written.

**SELLER**

\_\_\_\_\_, a \_\_\_\_\_,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**BUYER**

\_\_\_\_\_, a \_\_\_\_\_,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**Legal Description**

**Exhibit D**

**Designation Rights Values**

<b>Quality Store No.</b>	<b>City</b>	<b>State</b>	<b>Designation Rights Value</b>
610	Yuma	CO	\$120,000
638	Alliance	NE	\$171,600
668	Ogallala	NE	\$138,300
674	Scottsbluff	NE	\$559,500
676	Sidney	NE	\$170,600
	Subtotal		\$1,160,00
597	Burlington	CO	\$80,825
600	Ft. Morgan	CO	\$286,625
605	Limon	CO	\$176,375
609	Sterling	CO	\$169,025
627	Belleville	KS	\$51,425
632	Norton	KS	\$47,750
636	Ainsworth	NE	\$128,600
643	Central City	NE	\$110,225
648	Fairbury	NE	\$73,475
651	Gordon	NE	\$128,600
653	Grand Island	NE	\$1,000,00
656	Holdrege	NE	\$88,175
671	Plattsmouth	NE	\$124,925
677	Superior	NE	\$77,150
680	Valentine	NE	\$80,825
701	Torrington	WY	\$176,375
702	Wheatland	WY	\$139,625
	Subtotal		\$2,940,00

## Exhibit E

### Carrying Costs

			2001 Property Taxes			
Store No.	City	State	First Installment	Second Installment	Total	
597	Burlington	CO	1,438.40	1,438.40	2,876.80	
600	Ft. Morgan	CO	4,997.05	4,997.05	9,994.10	
605	Limon	CO	5,961.45	5,961.45	11,922.90	
609	Sterling	CO	3,795.12	3,795.12	7,590.24	
610	Yuma	CO	1,680.91	1,680.91	3,361.82	
627	Belleville	KS	489.83	489.83	979.66	
632	Norton	KS	1,500.34	1,500.34	3,000.68	
636	Ainsworth	NE	2,276.98	2,276.98	4,553.96	
638	Alliance	NE	3,496.89	3,496.89	6,993.78	
643	Central City	NE	2,411.58	2,411.58	4,823.16	
648	Fairbury	NE	1,657.39	1,657.39	3,314.78	
651	Gordon	NE	2,210.29	2,210.29	4,420.58	
653	Grand Island	NE	3,440.32	3,440.32	6,880.64	
656	Holdrege	NE	1,941.27	1,941.27	3,882.54	
668	Ogallala	NE	1,029.53	1,029.53	2,059.06	
671	Plattsmouth	NE	3,674.35	3,674.35	7,348.70	
674	Scottsbluff	NE	778.02	778.02	1,556.04	
676	Sidney	NE	2,766.98	2,766.98	5,533.96	
677	Superior	NE	1,506.48	1,506.48	3,012.96	
680	Valentine	NE	1,046.08	1,046.08	2,092.16	
701	Torrington	WY	2,507.01		2,507.01	
702	Wheatland	WY	2,179.46		2,179.46	

**Exhibit E (continued)****Carrying Costs**

Store No.	City	State	Mo. Utilities (Feb,Mar,Apr '01) / 3	Annual Ins Exp (Prop&Liab)	Annual Security Monitoring Exp
597	Burlington	CO	1,796.10	2,520.35	300.00
600	Ft. Morgan	CO	1,616.25	2,564.45	556.20
605	Limon	CO	1,402.62	2,520.35	300.00
609	Sterling	CO	1,439.83	2,520.35	300.00
610	Yuma	CO	1,608.94	2,520.35	300.00
627	Belleville	KS	876.44	2,520.35	556.20
632	Norton	KS	1,820.86	2,520.35	n/a
636	Ainsworth	NE	1,466.71	2,608.55	n/a
638	Alliance	NE	2,063.03	2,608.55	556.20
643	Central City	NE	747.61	2,520.35	556.20
648	Fairbury	NE	1,343.40	2,608.55	556.20
651	Gordon	NE	1,474.51	2,608.55	556.20
653	Grand Island	NE	9,300.27	3,828.65	1,399.76
656	Holdrege	NE	1,240.18	2,520.35	556.20
668	Ogallala	NE	1,908.52	2,520.35	556.20
671	Plattsmouth	NE	2,321.82	2,520.35	556.20
674	Scottsbluff	NE	3,440.57	3,034.85	540.00
676	Sidney	NE	1,425.90	2,520.35	300.00
677	Superior	NE	1,658.99	2,520.35	556.20
680	Valentine	NE	1,191.84	2,520.35	n/a
701	Torrington	WY	1,856.01	2,520.35	556.20
702	Wheatland	WY	978.80	2,520.35	556.20

## **EXHIBIT C**



**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

<b>In re:</b>	)	<b>Case No. GG-01-10662</b>
	)	
<b>Quality Stores, Inc., et al.,<sup>1</sup></b>	)	<b>Chapter 11</b>
	)	
<b>Debtors.</b>	)	<b>(Hon. James D. Gregg)</b>
	)	

**NOTICE OF ABANDONMENT**

PLEASE TAKE NOTICE that on March 19, 2002, the Court entered the enclosed Order Authorizing the Debtors to (I) Sell Designation Rights to Hilco Real Estate LLC; (II) Sell their Remaining Real Property or in the Alternative Abandon Such Property and (III) Conduct an Auction for the Remaining Owned Real Property (the "Order")

PLEASE TAKE FURTHER NOTICE that pursuant to the Order, unless you object to the Debtors' undersigned counsel on or before \_\_\_\_\_, 2002 at 4:30 p.m. (Prevailing Eastern Time), then the Debtors will be deemed to have abandoned the Owned Real Property located at [insert address] pursuant to section 554 of the Bankruptcy Code, "as is, where is" effective on the sixteenth (16<sup>th</sup>) day after the date of this Notice..

PLEASE TAKE FURTHER NOTICE that if an objection is received, the Bankruptcy Court will set a hearing on notice.

Grand Rapids, Michigan

Respectfully submitted,

Dated: \_\_\_\_\_, 2002

KIRKLAND & ELLIS

James H.M. Sprayregen (IL 6190206)  
Stephanie D. Simon (IL 6257197)  
200 East Randolph Drive  
Chicago, Illinois 60601  
(312) 861-2000

Matthew Cantor (NY 2350742)  
Jonathan S. Henes (NY 2822203)  
Citigroup Center

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<sup>1</sup> The Debtors are: QSI Holdings, Inc. (f/k/a CT Holdings, Inc.); Quality Stores, Inc. (f/k/a Central Tractor Farm & Country, Inc.); Country General, Inc.; F and C Holding, Inc.; Farm and Country, LLC.; QSI Newco, Inc.; QSI Transportation, Inc.; Quality Farm & Fleet, Inc.; Quality Investments, Inc.; Quality Stores Services, Inc; and Vision Transportation, Inc.

153 East 53rd Street  
New York, New York 10022  
(212) 446-4800

and

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP  
Timothy J. Curtin (P-12410)  
Michael W. Donovan (P-32533)  
Bridgewater Place  
P.O. Box 352  
Grand Rapids, Michigan 49501-0352  
Telephone: 616-336-6000  
Facsimile: 616-336-7000

Co-Counsel for the Debtors and Debtors in Possession

## **EXHIBIT D**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>Quality Stores, Inc., et al.,<sup>1</sup></b>	)	<b>Case No. GG-01-10662</b>
	)	<b>(Jointly Administered)</b>
<b>Debtors.</b>	)	
	)	<b>Hon. James D. Gregg</b>

**NOTICE OF (i) AUCTION; (ii) BIDDING PROCEDURES AND (iii) SALE HEARING**

PLEASE TAKE NOTICE that on March \_\_, 2002, the Bankruptcy Court for the Western District of Michigan, Southern Division, entered the enclosed Order Authorizing the Debtors to (I) Sell Designation Rights to Hilco Real Estate LLC; (II) Sell their Remaining Real Property or in the Alternative Abandon Such Property and (III) Conduct an Auction for the Remaining Owned Real Property.

PLEASE TAKE NOTICE that the Debtors have entered into purchase agreements to sell the owned real property listed below (the "Owned Real Property"). The following summarizes the material terms of each purchase agreement:

Buyer	Purchase Price	Address of Owned Real Property	Additional Terms and Conditions	Exhibit

Excluded Assets: The Debtors will not sell, among other things, leased equipment, deposits, benefit plans and intellectual property.

Closing Conditions: The closing of the transaction will require the execution of certain customary documents and the entry of a sale order.

Auction: The Purchase Agreements provide that the Buyer's offer is subject to higher and better offers through an auction process.

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<sup>1</sup> The Debtors are the following entities: QSI Holdings, Inc. (f/k/a CT Holdings, Inc.); Quality Stores, Inc. (f/k/a Central Tractor Farm & Country, Inc.); Country General, Inc.; F and C Holding, Inc.; FarmandCountry.com, LLC.; QSI Newco, Inc.; QSI Transportation, Inc.; Quality Farm & Fleet, Inc.; Quality Investments, Inc.; Quality Stores Services, Inc; and Vision Transportation, Inc.

Expense Claim: The Debtors agree to support the Buyer's claim for reimbursement of its reasonable expenses in the event that the Buyer is not the successful bidder at auction.

Miscellaneous: The Purchase Agreements contain other provisions customary to agreements of this nature, including, without limitation, providing title insurance, surveys and requirements for the maintenance of the property prior to closing and remedies upon default.

PLEASE TAKE FURTHER NOTICE that on \_\_\_\_\_, **2002 at 9:00 a.m. (Eastern Standard Time)**, the Debtors shall conduct an auction of the Owned Real Property at the offices of Kirkland & Ellis, 200 E. Randolph, Chicago, IL 60601 in accordance with the Bidding Procedures attached as Exhibit \_\_\_\_.

PLEASE TAKE FURTHER NOTICE that ***all interested bidders should carefully read the Bidding Procedures.*** To the extent there are any inconsistencies between the Bidding Procedures and the summary description of its terms and conditions contained in this Notice, the terms of the Bidding Procedures shall control.

PLEASE TAKE FURTHER NOTICE that any bidder (a "Bidder") may submit an offer to acquire all or substantially all of the . To be considered, the offer must: (a) be submitted in a writing signed by the Bidder and contain (i) a representation that such Bidder will agree to all terms and conditions set forth in the enclosed Purchase Agreement other than matters relating to bidding protections, and (ii) a mark-up of the Purchase Agreement indicating the specific changes to the Purchase Agreement that the Bidder requires. The offer must: (i) not contain any contingencies materially greater than what is in the Purchase Agreement, including without limitation, financing and due diligence contingencies and (ii) include a good faith deposit of **10%** in cash or in other form of immediately available U.S. funds.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Bidding Procedures, any Bidder desiring to submit a bid for all or substantially all of the Owned Real Property must deliver its offer in writing to: (a) the Debtors' co-counsel (i) Kirkland & Ellis, Citicorp Center, 153 East 53<sup>rd</sup> Street, New York, NY 10022, Attn: Brad Ritter, and (ii) Varnum, Riddering, Schmidt & Howlett LLP, Bridgewater Place , P.O. Box 352, Grand Rapids, Michigan 49501-0352 Attn: Timothy J. Curtin, Esq.; (b) counsel to the Administrative Agent for the Prepetition Lenders, (i) Shearman & Sterling, 599 Lexington Avenue, New York, NY 10022-6030, Attn: Benjamin Feder, Esq. and (ii) Dykema Gossett, 300 Ottawa, N.W., Grand Rapids, MI 49503, Attn: Scott W. Dales and (c) co-counsel to Official Committee (i) Attn: Robert S. Hertzberg, Hertz, Schram & Saretsky, P.C., 1760 South Telegraph Road, Suite 300, Bloomfield Hills, MI 48302 and (ii) Attn: John K. Cunningham, White & Case LLP, First Union Financial Center, 200 South Biscayne Boulevard, Suite 4900, Miami, FL 33131, such that the bid is actually received by each of the foregoing persons not later than **4:00 p.m. (Eastern Standard Time) on \_\_\_\_\_, 2002**. Offers received after this deadline may be rejected in the discretion of the Debtors.

PLEASE TAKE FURTHER NOTICE that a hearing to approve the results of the Auction and related relief (the "Sale Hearing"), including the assumption and assignment of the Valu-Bilt Agreements shall take place on \_\_\_\_\_, **2002 at 10:00 a.m. (Eastern Standard Time)** at the United States Bankruptcy Court, 792 Federal Building, 110 Michigan, N.W., Grand Rapids,

Michigan. The form of the proposed sale order is attached hereto as Exhibit \_\_\_\_\_. Objections relating to the Sale Hearing shall be filed and served no later than \_\_\_\_\_, **2002 at 4:00 (Eastern Standard Time)**.

PLEASE TAKE FURTHER NOTICE that, all requests for information concerning the sale of the Owned Real Property should be directed to [\_\_\_\_\_]  
Grand Rapids, Michigan                      Respectfully submitted,

Dated: \_\_\_\_\_, 2002

KIRKLAND & ELLIS

James H.M. Sprayregen (IL 6190206)  
Stephanie D. Simon (IL 6257197)  
200 East Randolph Drive  
Chicago, Illinois 60601  
(312) 861-2000

Matthew Cantor (NY 2350742)  
Jonathan S. Henes (NY 2822203)  
Citigroup Center  
153 East 53<sup>rd</sup> Street  
New York, New York 10022  
(212) 446-4800

and

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP

Timothy J. Curtin (P-12410)  
Michael W. Donovan (P-32533)  
Bridgewater Place  
P.O. Box 352  
Grand Rapids, Michigan 49501-0352  
Telephone: 616-336-6000  
Facsimile: 616-336-7000

Co-Counsel for the Debtors and Debtors in Possession

## **EXHIBIT E**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>Quality Stores, Inc., <u>et al.</u>,<sup>1</sup></b>	)	<b>Case No. GG-01-10662</b>
	)	<b>(Jointly Administered)</b>
<b>Debtors.</b>	)	
	)	<b>Hon. James D. Gregg</b>

**BIDDING PROCEDURES**

These Bidding Procedures set forth the process by which an auction (the "Auction") of certain owned real property will be conducted by Hilco Real Estate, LLC ("Hilco") on behalf of the Debtors.

1. Assets to be Sold.

The Debtors have entered into the enclosed \_\_\_\_ purchase agreements (the "Purchase Agreements") to sell \_\_\_\_ parcels of real property (the "Real Property"). Prospective bidders, if any, may qualify for and participate in the Auction, to compete to make the highest and best offer for any or all of the Real Property locations.

All inquiries concerning the Real Property should be made to [\_\_\_\_\_].

2. Bid Deadline.

Any bidder desiring to qualify for participation in the Auction must deliver its Qualified Offer (as described in Section 3) in writing to:

(a) the Debtors' co-counsel:

- (1) Kirkland & Ellis, 200 E. Randolph, Chicago, IL 60601, Attn: Bradley Ritter, Esq.; and
- (ii) Varnum, Riddering, Schmidt & Howlett, LLP, Bridgewater Place, 333 Bridgewater Street, N.W., Grand Rapids, MI 49501-0352, Attn: Timothy J. Curtin, Esq.;
- (2) counsel to the Administrative Agent for the Prepetition Lenders:
  - (1) Shearman & Sterling, 599 Lexington Avenue, New York, NY 10022-6030, Attn: Benjamin Feder, Esq.; and
  - (2) Dykema Gossett, 300 Ottawa Ave., N.W., Grand Rapids, MI 49503, Attn: Scott W. Dales
- (3) co-counsel for the Official Committee:

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<sup>1</sup> The Debtors are the following entities: QSI Holdings, Inc. (f/k/a CT Holdings, Inc.); Quality Stores, Inc. (f/k/a Central Tractor Farm & Country, Inc.); Country General, Inc.; F and C Holding, Inc.; FarmandCountry.com, LLC.; QSI Newco, Inc.; QSI Transportation, Inc.; Quality Farm & Fleet, Inc.; Quality Investments, Inc.; Quality Stores Services, Inc; and Vision Transportation, Inc.



- (1) Hertz, Schram, & Saretsky, P.C., 1760 South Telegraph Road, Suite 300, Bloomfield Hills, Michigan 48302, Attn: Robert Hertzberg; and
- (ii) White & Case LLP, First Union Financial Center, 200 South Biscayne Boulevard, Suite 4900, Miami, Florida 33131, Attn: John K. Cunningham, and
- (4) Hilco Real Estate, LLC, One Northbrook Place, 5 Revere Drive, Suite 320, Northbrook, Illinois 60062, Attn: Mitchell P. Kahn, Facsimile No. 847-509-7810;

such that the Qualified Competing Offer is actually received by each of the foregoing persons not later than **4:00 p.m. Eastern Standard Time on \_\_\_\_\_, 2002** (the "Bidding Deadline"). Offers received after this deadline may be rejected in the discretion of the Debtors.

3. Requirements for a Qualified Offer.

A Qualified Offer is an offer that complies with the Bid Procedures described herein.

Unless the Debtors determine otherwise, a Qualified Offer must consist of the following:

- (1) an executed version of the respective Purchase Agreement with marked alterations, if any;
- (2) a money deposit (the "Deposit") equal to **10%** of the total proposed purchase price (based upon the total of cash and non-cash consideration) in the form of a certified or cashier's check or wire transfer of funds<sup>2</sup>
- (3) an Offer and Bid Registration in the form attached hereto as Exhibit I; and
- (4) the information specified in the following paragraphs.

Bidders shall send the original documents and the Deposits to Hilco Real Estate, LLC, One Northbrook Place, 5 Revere Drive, Suite 320, Northbrook, Illinois 60062, Attn: Mitchell P. Kahn, Facsimile No. 847-509-7810. The Debtors and Hilco reserve the right for Hilco to hold deposits until five days after the closing on the respective parcel of Real Property.

To be considered, a Qualified Offer must (unless otherwise determined by the Debtors): (a) provide for consideration payable only in cash; (b) give sufficient indicia that the bidder or its representative is legally empowered, by power of attorney or otherwise both bid on behalf of the bidder and also to complete and sign, on behalf of the bidder, a binding and enforceable Purchase Agreement; (c) provide written evidence of the bidder's ability to consummate the transaction, such as a current financial statement or copies of the bidder's bank statement for each of the three months preceding the Auction; and (d) not contain any contingencies materially greater than what is in the Purchase Agreement, including, but not limited to due diligence and financing contingencies.

Potential bidders for the Real Property may be required to complete and execute a confidentiality agreement and provide Hilco and the Debtors with information about their financial qualifications and any other information that Hilco may reasonably request. Upon execution of a confidentiality agreement, the Debtors will provide reasonable access to the Debtors' books, records and executives to the bidders for the purpose of conducting due diligence before the Auction.

Hilco will, in its sole discretion, after consultation with the Prepetition Lenders and the Official Committee, determine whether an offer is a Qualified Offer and whether a Qualified Offer constitutes the most favorable transaction for the Debtors' estates. Hilco may determine, in its

<sup>2</sup> Please [ ] for wire transfer instructions.

sole discretion, which Qualified Offers are the highest and best offers for the Real Property and may reject, at any time before entry of an order approving a Qualified Offer, any bid that, in Hilco's sole discretion, is (A) inadequate or insufficient; (B) contrary to the best interests of the Debtors, their estates and their creditors or (C) not in conformity with the requirements of the Bidding Procedures or the Bankruptcy Code.

Bidders and all other entities shall keep Qualified Offers confidential, with access restricted to the Debtors, Hilco, the Prepetition Lenders and the Official Committee. Bids may be revealed to any other entity at the option of the Debtors. Hilco may request additional information from a bidder to evaluate the bidder's ability to consummate a transaction and to fulfill its obligations in connection therewith, and such bidder shall be obligated to provide such information.

Each bidder, as a consequence of submitting a bid for a parcel of Real Property, shall be deemed to acknowledge: (a) that it is bound by these Bidding Procedures; (b) that it had an opportunity to inspect and examine the Real Property and to review all pertinent documents and information with respect to the Real Property before making its offer and that each such bidder relied solely on that review and upon its own investigation and inspection in making its bid; (c) that bidder is not relying upon any written or oral statements, representations or warranties of the Debtors, Hilco, their agents or representatives.

4. Auction.

The Auction will be held at [\_\_\_\_\_], on \_\_\_\_\_, 2002 at 9:00 a.m. (Central Standard Time) or such later date as Hilco may determine. Hilco may continue or adjourn the Auction from time to time without further notice in their sole discretion. For a Qualified Offer to be considered, the bidder(s) must appear in person at the Auction or participate by telephone or through a duly authorized representative, unless alternative arrangements are made in advance with Hilco. Only bidders with Qualified Offers may participate in the Auction by telephone. Holders of Qualified Offers should contact [\_\_\_\_\_] for the dial-in information.

If multiple bids, satisfying all requirements that Hilco may impose, are received, each such bidder shall have the right to continue to improve its bid at the Auction. Bidding will commence with the announcement of the highest Qualified Offer, and will proceed in monetary increments to be determined by Hilco. All bids, whether oral or written and the succession of oral bids shall be irrevocable until the earlier of the closing on the particular parcel of Real Property or thirty days following the conclusion of the Auction. Formal rejection of a Qualified Offer by Hilco will not occur unless and until (a) Hilco expressly reject such Qualified Offer in writing (b) a closing occurs with respect to the parcel of Real Property that is the subject of such Qualified Offer.

At the conclusion of the Auction, the winning bid(s) will be selected by Hilco from the Qualified Offers (singular or plural, as appropriate, the "Winning Bid"); provided, however, Hilco shall have the right, in its sole discretion, to reject any and all Qualified Offers made at the Auction. Before the adjournment

5. Closing.

The closing of the sale of the Real Property will occur in accordance with the terms of the Purchase Agreement.

6. Failure to Consummate Purchase.

All bids shall remain open and irrevocable until the earlier to occur of (i) the Closing for the respective Real Property or (ii) thirty (30) days following the last date of the Auction, as adjourned. If for any reason the party making the winning bid fails to consummate a sale of the Real Property, or any part thereof, Hilco, with notice to counsel for the Debtors, counsel to the Agent for the Prepetition Lenders, and counsel to the Official Committee shall deem the offeror of the second highest and best Qualified Offer for any of the same Real Property, to have submitted the highest and best Qualified Offer. If such failure to consummate the purchase is the result of a breach by the winning bidder, such breaching party's deposit shall be forfeited to Hilco, and Hilco and the Debtors specifically reserve the right to seek all available damages from the defaulting bidder.

7. Reservation of Rights: Deadline Extensions.

Hilco reserves its rights to: (i) impose, at or before the Auction, additional terms and conditions on a sale of the Real Property; (ii) extend the deadlines set forth in the Bidding Procedures, adjourn the Auction at the Auction; (iii) withdraw from the Auction any or all of the Real Property at any time prior to or during the Auction or cancel the Auction; and (iv) reject all Qualified Offers, if in Hilco's reasonable judgment no bid is for a fair and adequate price or if in the Debtors' reasonable judgment it is not in the best interests of the Debtors' estate to accept such bid.

## **EXHIBIT I**

## OFFER & BIDDER REGISTRATION

Bidder, \_\_\_\_\_, does hereby offer to purchase on an all-cash basis the assignment of the following parcels of real property for the consideration as allocated below:

Property No.	Property Location:	Purchase Price – Real Property:	Purchase Price – Personal Property:

*(attach additional pages as necessary)*

Bidder hereby warrants and represents as follows:

- (a) This written offer is subject to the terms and conditions of the accompanying contract and the "Bidding Procedures".
- (b) This written offer along with any subsequent verbal bids are irrevocable until the earlier to occur of: (i) the closing of a transaction regarding the Real Property or (ii) thirty (30) days following the Auction.
- (c) This written offer is not contingent upon financing.
- (d) That except as detailed on an accompanying affidavit, if any, neither Bidder nor any of its officers, directors, shareholders, members, or partners is a shareholder, employee, or affiliate of the Debtors, or a relative of a shareholder, employee, or affiliate of the Debtors.
- (e) That Bidder had an opportunity to inspect and examine the real Property and to review all other pertinent documents with respect to the Property (-ies) prior to making its offer and that Bidder relied solely on that review and upon its own investigation and inspection of the Property (-ies) in making its offer; that Bidder is not relying upon any written or oral statements, representations, or warranties of the Debtors, their agents or representatives; and that Bidder has obtained a complete copy of the "Bidding Procedures" and has read and understood same and agrees to abide by and be bound by such "Bidding Procedures".

AGEED & ACCEPTED this \_\_\_\_ day of \_\_\_\_\_, 2002

By: \_\_\_\_\_, Name: \_\_\_\_\_, Title: \_\_\_\_\_

**BIDDER I.D.**

Bidder's Address: \_\_\_\_\_

Bidder's Contact: \_\_\_\_\_

Bidder's Phone & Facsimile Numbers: \_\_\_\_\_

Bidder's Tax ID Number: \_\_\_\_\_

Number of Stores Owned by Bidder Under What Trade Names: \_\_\_\_\_

**ATTORNEY I.D.**

Bidder's Attorney: \_\_\_\_\_

Bidder's Attorney's Address: \_\_\_\_\_

Bidder's Attorney's Phone & Facsimile Numbers: \_\_\_\_\_

**BANK REFERENCE**

Bank & Bank Contact: \_\_\_\_\_

Bank Address: \_\_\_\_\_

Bank Contact's Phone Number: \_\_\_\_\_

**INTENDED USE OF PREMISES and TRADE NAME TO BE USED**

\_\_\_\_\_

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

In re:	)	Case No. GG-01-10662
	)	
Quality Stores, Inc., <u>et al.</u> , <sup>1</sup>	)	Chapter 11
	)	
Debtors.	)	(Hon. James D. Gregg)
	)	

**ORDER AUTHORIZING THE DEBTORS TO (I) SELL DESIGNATION RIGHTS TO  
HILCO REAL ESTATE LLC; (II) SELL THEIR REMAINING REAL PROPERTY OR  
IN THE ALTERNATIVE ABANDON SUCH PROPERTY AND (III) CONDUCT AN  
AUCTION FOR THE REMAINING OWNED REAL PROPERTY**

Upon the motion (the "Motion")<sup>2</sup> of the debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors") seeking entry of an order authorizing the Debtors to (I) sell designation rights to Hilco Real Estate LLC pursuant to the Designation Rights Agreement attached hereto as Exhibit A; (II) sell the Owned Real Property or in the alternative abandon such property and (III) conduct an auction for the remaining owned real property; and adequate notice of the Motion having been given; and it appearing that no other notice need be given; and a hearing having been held before this Court on March 15, 2002, to consider approval of the Motion, at which time all parties in interest were afforded an opportunity to be heard; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefore;

IT IS HEREBY FOUND AND DETERMINED:

- A. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157 and 1334.
- B. Determination of the Motion is a core proceeding under 28 U.S.C. §§ 157(b)(2)(A) and (N). The statutory predicates for the relief requested herein are sections 105, 363 and 1146(c) of the Bankruptcy Code, and Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") 2002 and 6004.
- C. Proper, timely, adequate and sufficient notice of the Motion and the transactions contemplated thereby has been given, and no other or further notice of the Motion or the entry of this Order is required.
- D. A reasonable opportunity to object or be heard regarding the relief requested in the Motion has been afforded to all interested persons and entities.

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<sup>1</sup> The Debtors are: QSI Holdings, Inc. (f/k/a CT Holdings, Inc.); Quality Stores, Inc. (f/k/a Central Tractor Farm & Country, Inc.); Country General, Inc.; F and C Holding, Inc.; Farm and Country, LLC.; QSI Newco, Inc.; QSI Transportation, Inc.; Quality Farm & Fleet, Inc.; Quality Investments, Inc.; Quality Stores Services, Inc; and Vision Transportation, Inc.

<sup>2</sup> Terms note defined herein are as defined in the Motion.

E. The Debtors have full corporate power and authority to execute the Designation Rights Agreement, and all other documents contemplated thereby, and the sale of the Designation Rights and the Owned Real Property has been duly and validly authorized by all necessary corporate action of the Debtors. The Debtors have all the corporate power and authority necessary to consummate the transactions contemplated by the Designation Rights Agreement and no consents or approvals, other than those expressly provided for in the Designation Rights Agreement, are required for the Debtors to consummate such transactions.

F. The sale of the Designation Rights and the Owned Real Property under the Designation Rights Agreement reflects the exercise of the Debtors' sound business judgment and a proper exercise of the Debtors' fiduciary duties.

G. Approval of the Designation Rights Agreement, and the transactions contemplated thereby, is in the best interests of the Debtors, their creditors and estates. Good and sufficient business justification for entering into the Designation Rights Agreement and selling the Designation Rights to Hilco and the Owned Real Property in accordance with the Designation Rights Agreement pursuant to section 363(b) of the Bankruptcy Code has been established in that, among other things: (i) the Debtors have sold substantially all of their operating assets; (ii) Hilco has made a substantial offer to purchase the Designation Rights under the Designation Rights Agreement; (iii) the Debtors have received no higher and better offer for the Designation Rights and (iv) the highest, guaranteed value will be achieved by the Debtors for the Owned Real Property.

H. The terms and conditions of the Designation Rights Agreement are fair and reasonable. The Designation Rights Agreement represents the highest and best offer for the Designation Rights, and the purchase price payable thereunder (the "Purchase Price") is fair and reasonable.

I. The Designation Rights Agreement was negotiated, proposed and entered into by the parties without collusion, in good faith, and at arm's length. Hilco is a good faith purchaser of the Designation Rights in accordance with section 363(m) of the Bankruptcy Code and, as such, is entitled to the protections afforded thereby. Neither the Debtors nor Hilco have engaged in any conduct that would cause or permit the purchase of the Designation Rights to be avoided under section 363(n) of the Bankruptcy Code.

J. The transfer of title of the Designation Rights pursuant to the Designation Rights Agreement is or will be a legal, valid and effective transfer of property of the Debtors' estates to Hilco, free and clear of all liens, claims, interests, and encumbrances under Section 363(f) of the Bankruptcy Code.

K. Consummation of the Designation Rights Agreement does not and will not subject Hilco to any debts, liabilities, obligations, commitments, responsibilities or claims of any kind or nature whatsoever, whether known or unknown, contingent or otherwise, existing as of the date hereof or hereafter arising, of or against the Debtors, any affiliate of the Debtors, or any person by reason of such transfers and assignments under the laws of the United States, any state, territory or possession thereof or the District of Columbia applicable to such transactions.

L. All of the provisions of this Order and the Designation Rights Agreement are nonseverable and mutually dependent.

M. The relief requested in the Motion, including approval of the Designation Rights Agreement and the sale of Designation Rights, is in the best interests of the Debtors, their creditors and estates.

N. The sale of the Designation Rights to Hilco is a prerequisite to the Debtors' ability to confirm and consummate a plan or plans of reorganization or liquidation. The sale of the Designation Rights Agreement to Hilco is a sale in contemplation of a plan and, accordingly, a transfer pursuant to section 1146(c) of the Bankruptcy Code, which shall not be taxed under any law imposing a stamp tax or similar tax.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is in all respects granted.
2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived or settled, and all reservations of rights included therein, are overruled on the merits.
3. The terms and conditions and transactions contemplated by the the Designation Rights Agreement are hereby approved in all respects, and the sale of the Designation Rights to Hilco is hereby approved in all respects and authorized under section 363(b) of the Bankruptcy Code.
4. Pursuant to Section 363(b) of the Bankruptcy Code, the Debtors are hereby authorized to fully assume, perform under, consummate and implement the Designation Rights Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Designation Rights Agreement and the transactions contemplated thereby, and to take all further actions as may reasonably be requested for the purpose of assigning, transferring, granting, conveying and conferring to Hilco, the Designation Rights, or as may be necessary or appropriate to the performance of the Debtors' obligations as contemplated by the Designation Rights Agreement.
5. Pursuant to sections 105(a) and 363(f) of the Bankruptcy Code, upon the closing under the Designation Rights Agreement, the Designation Rights shall be transferred to Hilco and the Owned Property shall be transferred to designees identified by Hilco, except as otherwise set forth in the Designation Rights Agreement, free and clear of all mortgages, security interests, conditional sale or other title retention agreement, pledges, liens, statutory liens, judgments, demands, encumbrances, easements, memorandum of leases, reciprocal easement agreements, restrictions, constructive or resulting trusts, and charges, of any kind or nature, if any, including, but not limited to, any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership (the foregoing collectively referred to as "Liens" herein) and all debts arising in any way in connection with any acts of the Debtors, claims (as that term is defined in the Bankruptcy Code), obligations, demands, guaranties, options, rights, interests under any leases or sub-leases including rights if any of any tenant or any sub-tenant under section 365(h) of the Bankruptcy Code, contractual commitments, restrictions, interests and matters of any kind and nature, arising before the closing date or relating to acts occurring before the closing date, and whether imposed by agreement, understanding, law, equity or otherwise (the foregoing collectively referred to as "Claims" herein), with all such Liens and Claims to attach to the net proceeds of the sale of the Designation Rights, in the order of their priority, with the same validity, force and effect that they now



have as against the Designation Rights, subject to the rights, claims, defenses and objections, if any, of the Debtors and all interested parties with respect to such Liens and Claims. No Liens and Claims shall attach to the Net Proceeds (as defined in the Designation Rights Agreement) received by Hilco under the Designation Rights Agreement.

6. All persons and entities (including, without limitation, any federal, state or local governmental agency, department or instrumentality) holding Liens or Claims against the Debtors arising on or before the closing date, or out of events occurring before the closing date, of any kind and nature with respect to the Designation Rights or the Owned Real Property hereby are barred from asserting such Liens and Claims of any kind and nature against Hilco, its successors or assigns, or the Designation Rights.

7. No Liens and Claims shall attach to any insurance payments that may be due to Hilco or a designee identified by Hilco under the Designation Rights Agreement.

8. To the greatest extent allowed by applicable law, Hilco is not assuming nor shall it in any way whatsoever be liable or responsible, as successor or otherwise, for any liabilities, debts or obligations of the Debtors or any liabilities, debts or obligations in any way whatsoever relating to or arising from the Designation Rights, the Owned Real Property, or the Debtors' operations or use of the Designation Rights by virtue of the transfer or assignment of the Designation Rights.

9. No person or entity, including, without limitation, any federal, state or local governmental agency, department or instrumentality, shall assert by suit or otherwise against Hilco or its successor in interest any claim that they had, have or may have against the Debtors, or any liability, debt or obligation relating to or arising from the Designation Rights, the Owned Real Property, or the Debtors' operations or use of the Designation Rights before the consummation of the transactions contemplated by the Designation Rights Agreement by virtue of the transfer or assignment of the Designation Rights or the Owned Real Property, and all persons and entities are hereby enjoined from asserting against Hilco in any way any such claims, liabilities, debts or obligations.

10. On and after the closing date, the Debtors' creditors are directed to execute such documents and take all other actions as may be necessary to release its Liens on or Claims, if any, against the Designation Rights and the Owned Real Property, as such Liens or Claims may have been recorded or may otherwise exist provided that failure to do so will not affect the validity of paragraph 6 above.

11. This Order (a) is and shall be effective as a determination that, on the closing date, all Liens existing as to the Designation Rights and the Owned Real Property before the closing date have been unconditionally released, discharged and terminated (with such Liens to attach to the proceeds of the sale, or to continue in the Debtors' other assets that do not comprise a part of the Designation Rights, as provided for herein), and that the conveyance of the Designation Rights has been effected; and (b) is and shall be binding upon and govern the acts of all entities including without limitation all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, registrars of patents, trademarks or other intellectual property, administrative agencies, governmental departments, secretaries of federal, state and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release

any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Designation Rights.

12. If any person or entity that has filed financing statements or other documents or agreements evidencing Liens on or interests in the Designation Rights or the Owned Real Property shall not have delivered to the Debtors before the closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all Liens or other interests that the person or entity has with respect to the Designation Rights or the Owned Real Property, the Debtors are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Designation Rights.

13. This Court retains jurisdiction (a) to enforce and implement the terms and provisions of the Designation Rights Agreement, all amendments thereto, any waivers and consents thereunder, and of any agreements executed in connection therewith; (b) to compel delivery of the Designation Rights to Hilco; (c) to compel delivery of the Purchase Price under the Designation Rights Agreement; (d) to resolve any disputes, controversies or claims arising out of or relating to the Designation Rights Agreement; (e) to interpret, implement and enforce the provisions of this Order and (f) to enter future sale orders under section 363(b) of the Bankruptcy Code with respect to the sale of the Owned Real Property to designees identified by Hilco under the Designation Rights Agreement.

14. Nothing contained in any chapter 11 plan confirmed in these cases or the order of confirmation confirming any such chapter 11 plan or any other order entered in these cases shall conflict with or derogate from the provisions of the Designation Rights Agreement or the terms of this Order. No provision of this Order shall release or be construed to release Hilco from any of its obligations under the Designation Rights Agreement.

15. In the absence of a stay pending appeal, if Hilco elects or is required to close under the Designation Rights Agreement at any time after entry of this Order, then, with respect to the sale of the Designation Rights, Hilco shall be entitled to the protections of section 363(m) of the Bankruptcy Code if this Order or any authorization contained herein is reversed or modified on appeal.

16. The terms and provisions of the Designation Rights Agreement, together with the terms and provisions of this Order, shall be binding in all respects upon the Debtors, their estates and creditors, Hilco and its affiliates, successors and assigns, and any affected third parties, including, all persons asserting a Claim against or interest in the Debtors' estates or the Designation Rights to be sold to Hilco pursuant to the Designation Rights Agreement. The Designation Rights Agreement and the transactions contemplated thereby shall be specifically performable and enforceable against and binding upon, and not subject to rejection or avoidance by, the Debtors or any chapter 7 or chapter 11 trustee of the Debtors, their respective estates or other estate representative.

17. The failure specifically to include any particular provisions of the Designation Rights Agreement in this Order shall not diminish or impair the efficacy of such provisions, it being the intent of the Court that the Designation Rights Agreement be approved in its entirety.

18. The Designation Rights Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto in

accordance with the terms thereof without further order of the Court, provided that any such modification, amendment or supplement is not material.

19. The transfer of the Designation Rights to Hilco under the Designation Rights Agreement is not subject to taxation under any state or local law imposing a stamp, transfer or similar tax in accordance with sections 1146(c) and 105(a) of the Bankruptcy Code.

20. As provided by Bankruptcy Rule 6004, this Order shall not be stayed and shall be effective and enforceable immediately upon entry.

21. This Order is approved without prejudice to the allocation of proceeds received by the Debtors under the Designation Rights Agreement.

22. The proceeds received from the Debtors under the Designation Rights Agreement shall be held by the Debtors in escrow until such proceeds are allocated pursuant to the Court Order.

23. If the Debtors and Hilco locate a stalking horse for a piece of the Owned Real Property, the Debtors and Hilco are authorized but not required to conduct future auctions, except for the Second Auction, for the respective Owned Real Property in accordance with the following procedures. The Debtors shall serve a notice of auction and sale (the "Auction Notice," substantially in the form attached to the Motion as Exhibit D). The Notice of Auction, the form of which is hereby approved, shall set forth (i) bid deadline; (ii) time, date and location of the auction; (iii) deadline to object to the proposed sale and (iv) date of the sale hearing. The Debtors shall conduct each auction in accordance with the bidding procedures substantially in the form attached to the Motion as Exhibit E (the "Bidding Procedures"), the form of which is hereby approved. The Debtors shall attach the following documents to the Auction Notice: (a) the Bidding Procedures; (b) the order approving this Motion; (c) the stalking horse agreement and (d) the proposed sale order. For the avoidance of doubt, the Designation Rights Agreement does not require that Hilco subject a particular proposed sale to competitive bidding. For auctions that Hilco conducts following the Second Auction, Hilco is authorized to use alternative bidding procedures, as appropriate. Such bidding procedures shall be attached to the Notice of Auction.

24. The Debtors shall serve the Auction Notice at least 20 days before the date of the proposed auction (unless shortened by the Court for cause) by regular mail upon: (i) counsel to the Official Committee; (ii) counsel to the Administrative Agent for Prepetition Lenders; (iii) the United States Trustee; (iv) all entities (or counsel therefor) known to have asserted any lien, charge, claim or encumbrance on the Owned Real Property; (v) all federal, state and local regulatory or taxing authorities which are reasonably ascertainable by the Debtors to have a known interest in the Owned Real Property; (vi) all parties who have expressed an interest in acquiring the Owned Real Property; and (vii) those parties who have requested notice pursuant to Fed. R. Bankr. P. 2002 .

25. If Hilco excludes a parcel of Owned Real Property from the Designation Rights, then the Debtors are authorized to abandon the respective parcel of Owned Real Property; provided that the Debtors file and serve a notice of abandonment with the Court, substantially in the form attached to the Motion as Exhibit C (the "Abandonment Notice"), the form of which is hereby approved. The Debtors shall serve the Abandonment Notice upon (i) counsel to the Official Committee of Unsecured Creditors;

(ii) counsel to the Administrative Agent for the Prepetition Lenders; (iii) the United States Trustee; (iv) counsel to Hilco; and (v) applicable government authorities, include the applicable environmental authority. Pursuant to Rule 6007(a) of the Bankruptcy Rules, a party in interest may file and serve an objection within fifteen (15) days of the mailing of the notice. If a timely objection is made, a hearing will be set on notice to the parties listed in this paragraph and the objecting party.

Grand Rapids, Michigan

Dated: March \_\_, 2002

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The Honorable James D. Gregg

United States Bankruptcy Judge