

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

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

**DISCLOSURE STATEMENT FOR THE JOINT PLAN OF REORGANIZATION PURSUANT TO  
CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE**

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**IMPORTANT DATES**

- Date by which Ballots must be received: March \_\_, 2002
- Date by which Objections to Confirmation of the Plan must be filed and served: \_\_\_\_, 2002
- Hearing on Confirmation of the Plan: April \_\_, 2002

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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.; FarmandCountry.com, LLC.; QSI Newco, Inc.; QSI Transportation, Inc.; Quality Farm & Fleet, Inc.; Quality Investments, Inc.; Quality Stores Services, Inc; and Vision Transportation, Inc.

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## INTRODUCTION

This Disclosure Statement is being furnished by Quality Stores, Inc. ("QSI") and its affiliates (the "Debtors") in these jointly administered Chapter 11 Cases in connection with the Debtors' solicitation of votes to confirm the Joint Consolidated Liquidating Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan"). A copy of the Plan is attached hereto as Exhibit A.

The purpose of this Disclosure Statement is to set forth information: (1) regarding the history of the Debtors,<sup>2</sup> their businesses and these Chapter 11 Cases, (2) concerning the Plan and alternatives to the Plan, (3) advising the holders of Claims and Interests of their rights under the Plan, (4) assisting the holders of Claims entitled to vote in making an informed judgment regarding whether they should vote to accept or reject the Plan, and (5) assisting the Bankruptcy Court in determining whether the Plan complies with the provisions of chapter 11 of the Bankruptcy Code.

By Court order, dated \_\_\_\_\_, 2002 (the "Disclosure Order," a copy of which is attached hereto as Exhibit B), the Bankruptcy Court approved this Disclosure Statement, in accordance with Bankruptcy Code section 1125, as containing "adequate information" to enable a hypothetical, reasonable investor typical of holders of Claims against, or Interests in, the Debtors to make an informed judgment as to whether to accept or reject the Plan, and authorized its use in connection with the solicitation of votes with respect to the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN. No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, holders of Claims entitled to vote should not rely on any information relating to the Debtors and their businesses, other than that contained in this Disclosure Statement, the Plan and all exhibits hereto and thereto.

THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN BY EACH HOLDER OF A CLAIM OR INTEREST. THE DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT THAT REVIEW. THE DESCRIPTION OF THE PLAN IS A SUMMARY ONLY. HOLDERS OF CLAIMS AND INTERESTS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE PLAN AND ANY RELATED ATTACHMENTS FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN.

### A. Holders of Claims and Interests Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or interests which are (i) "impaired" by a plan of reorganization and (ii) entitled to receive a distribution under such a plan are entitled to vote on the plan. In these cases, only Holders of Claims in Class 1, Class 2 and Class 4 are impaired by the Plan and entitled to vote to accept or reject the Plan. Claims in Class 3 are unimpaired by the Plan, and the holders thereof are conclusively presumed to have accepted the Plan. Class 5 claimants will receive no distribution under the Plan and are therefore deemed to have rejected the Plan.

### B. Voting Procedures

If you are entitled to vote to accept or reject the Plan, enclosed is a ballot (the "Ballot") for the acceptance or rejection of the Plan and a pre-addressed envelope for the return of the Ballot. BALLOTS FOR ACCEPTANCE OR REJECTION OF THE PLAN ARE BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASS 1, CLASS 2 AND CLASS 4 BECAUSE THEY ARE THE ONLY HOLDERS OF CLAIMS THAT MAY VOTE TO ACCEPT OR REJECT THE PLAN. If you are the holder of a Claim in one of these Classes and did not receive a Ballot, received a damaged or illegible Ballot, or lost your Ballot, or if you are a party in interest and have any questions concerning the Disclosure Statement, any of the Exhibits hereto, the Plan or the voting procedures in respect thereof, please contact:

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<sup>2</sup> Capitalized terms that are not defined in the Disclosure Statement are defined in the Plan.

Balloting Agent  
BANKRUPTCY MANAGEMENT CORPORATION  
P.O. Box 1042  
El Segundo, CA 90245-1042  
(888) 909-0100

THE DEBTORS RECOMMEND THAT THE HOLDERS OF CLAIMS IN ALL SOLICITED CLASSES VOTE TO ACCEPT THE PLAN.

After carefully reviewing this Disclosure Statement and the Exhibits attached hereto, please indicate your vote with respect to the Plan on the enclosed Ballot and return it either by facsimile, overnight courier or regular mail in the envelope provided. Voting procedures and requirements are explained in greater detail elsewhere in this Disclosure Statement. PLEASE VOTE AND RETURN YOUR BALLOT TO:

Balloting Agent  
BANKRUPTCY MANAGEMENT CORPORATION  
P.O. Box 1042  
El Segundo, CA 90245-1042

IN ORDER TO BE COUNTED, BALLOTS MUST BE RECEIVED BY 5:00 P.M. (EASTERN TIME) ON MARCH \_\_, 2002. ANY EXECUTED BALLOTS WHICH ARE TIMELY RECEIVED BUT WHICH DO NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE DEEMED TO CONSTITUTE AN ACCEPTANCE OF THE PLAN.

The Debtors believe that prompt confirmation and implementation of the Plan is in the best interests of the Debtors, all holders of Claims and the Debtors' chapter 11 estates.

### **C. Confirmation Hearing**

In accordance with the Disclosure Order and section 1128 of the Bankruptcy Code, the confirmation hearing will be held on April \_\_, 2002, at \_\_\_\_\_ (Eastern Time), in the United States Bankruptcy Court for the Western District of Michigan, 110 Michigan St., N.W., Grand Rapids, MI as the date, time and place of the hearing to consider confirmation of the Plan. Objections, if any, to confirmation of the Plan must be served and filed so that they are received on or before April \_\_, 2002 at 5:00 p.m. in the manner set forth in the Disclosure Order. The hearing on confirmation of the Plan may be adjourned from time to time without further notice except for the announcement of the adjourned date and time at the hearing on confirmation or any adjournment thereof.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE BY THE DEBTORS AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE SUCH DATE. THIS DISCLOSURE STATEMENT HAS BEEN PREPARED BY THE DEBTORS. HOLDERS OF CLAIMS ENTITLED TO VOTE SHOULD READ IT CAREFULLY AND IN ITS ENTIRETY, AND WHERE POSSIBLE, CONSULT WITH COUNSEL OR OTHER ADVISORS PRIOR TO VOTING ON THE PLAN.

THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, WHICH SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THE TERMS AND PROVISIONS OF THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS AND PROVISIONS OF THE PLAN SHALL CONTROL. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE FORWARD LOOKING FORECASTS. BASED UPON CERTAIN ESTIMATES AND ASSUMPTIONS, THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS ENTITLED TO VOTE SHOULD READ CAREFULLY AND CONSIDER FULLY ARTICLE VI BELOW, ENTITLED CERTAIN FACTORS TO BE CONSIDERED, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

## ARTICLE II OVERVIEW OF PLAN

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms and provisions of the Plan, see Article VI below, entitled "The Plan of Reorganization."

The Plan is a plan of liquidation for the Debtors and incorporates a compromise by and among the Debtors, the Lenders and the Creditors Committee. Substantially all of the Debtors' operating assets have been sold and reduced to Cash. Under the Plan, Holders of Unsecured Allowed Claims will receive an amount of cash described as the Unsecured Set Aside. The percentage Cash recovery will depend on the Cash in the Unsecured Set Aside and the Allowed Unsecured Claims.

Under the Plan, a Trust will be established which will hold two classes of stock. One class of QSI stock will be issued to the Lenders and a second class of QSI stock will be issued to the Creditors' Committee. A Trustee will be appointed to administer the Trust. The Debtors, however, will handle the distributions under the Plan, the claims reconciliation process and all other functions relating to the administration of the Plan. In addition, a Plan Administrator will be appointed to prosecute under Chapter 5 of the Bankruptcy Code on behalf of the Holders of Unsecured Claims.

### A. Summary of Classification and Treatment of Claims and Interests under the Plan

1. The following chart summarizes the significant outstanding secured financing debt of the Debtors as of the Relief Date:

**Summary of Secured Financing Debt**

Description	Amount
Tranche A Term Advances	\$64.7 million
Tranche B Term Advances	\$113.2 million
Revolving Credit Advances	\$141 million
Swing Line Advances (plus other costs)	\$7.5 million
Letter of Credit Advances- Contingent Liabilities	\$10.9 million
<b>Total Secured</b>	<b>\$337.3 million</b>

2. The Plan classifies all Claims and Interests of the Debtors into separate Classes. The following chart summarizes the classification and status of Claims and Interests and the treatments afforded under the Plan. Because the Bar Date for Claims is not until April 2, 2002, the Debtors are not able to state the estimated or projected distributions, except to the extent as scheduled in the Debtors' Schedules. The Debtors believe that the actual amount of Claims in Classes 3 and 4 may be considerably less than the amounts listed.

<b>Class</b>	<b>Claim/Interest</b>	<b>Treatment of Claim/Interest</b>	<b>Amount of Scheduled Claims or Interests</b>
1	Secured Claims	Cash equal to its ratable share of an amount equal to the difference between the Net Distributable Proceeds and the Unsecured Set Aside on the Effective Date	\$337,300,000
2	Other Secured Claims	Cash equal to proceeds from the secured claimant's security interests or the balance of proceeds from the sale of collateral to which the security interest attaches	\$65,464
3	Priority Claims	Payment in full in Cash on the Effective Date equal to the amount of the Allowed Claim	\$1,932,187
4	General Unsecured Claims	Cash equal to the ratable share of Unsecured Set Aside	\$418,542,327
5	Equity Interests	No payment under Plan	--

THE TREATMENT AND DISTRIBUTIONS PROVIDED TO HOLDERS OF ALLOWED CLAIMS PURSUANT TO THE PLAN ARE IN FULL AND COMPLETE SATISFACTION OF THE ALLOWED CLAIMS ON ACCOUNT OF WHICH SUCH TREATMENT IS GIVEN AND DISTRIBUTIONS ARE MADE. NOTHING IN THE PLAN LIMITS THE ABILITY OF THE DEBTORS TO PAY ADMINISTRATIVE EXPENSE CLAIMS THAT ARE NOT DISPUTED PRIOR TO THE EFFECTIVE DATE.

THERE CAN BE NO ASSURANCE THAT THERE WILL BE SUFFICIENT AVAILABLE CASH TO SATISFY ALL ADMINISTRATIVE EXPENSE CLAIMS IN THE MANNER DESCRIBED IN THE PLAN. THERE MAY BE INSUFFICIENT CASH ABSENT THE ACTUAL OR DEEMED CONSENT OF THE ALLOWED ADMINISTRATIVE EXPENSE CLAIMANTS, TO PAY SUCH HOLDER, AS REQUIRED BY SECTION 1129(A)(9) OF THE BANKRUPTCY CODE, IN WHICH CASE THE DEBTORS MAY BE ADMINISTRATIVELY INSOLVENT. IF ONE OR MORE OF THE HOLDERS OF SUCH CLAIMS, WHETHER DISPUTED OR UNDISPUTED, OBJECTS TO ITS TREATMENT UNDER ARTICLE III OF THE PLAN, IT MAY BE THAT A PLAN CANNOT BE CONFIRMED PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE. IN THAT EVENT, IT MAY BE NECESSARY FOR THE DEBTORS TO EITHER CONVERT THESE CHAPTER 11 CASES TO A CHAPTER 7 LIQUIDATION OR OTHERWISE ABANDON OR DISMISS THESE CASES. IN THE EVENT THE DEBTORS ARE FORCED TO TAKE SUCH ACTION, THE DEBTORS BELIEVE THAT HOLDERS OF ALL ADMINISTRATIVE EXPENSE CLAIMS WILL RECEIVE NO DISTRIBUTION ON ACCOUNT OF THEIR ADMINISTRATIVE EXPENSE CLAIMS. SEE ARTICLE X. "ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN."

ANY PARTY WHO DOES NOT OBJECT TO THE DISCLOSURE STATEMENT IS NOT DEEMED TO WAIVE ANY RIGHTS TO OBJECT TO THE CONFIRMATION OF THE PLAN ON ANY BASIS.

## **ARTICLE III GENERAL INFORMATION**

### **A. Description And History Of Business**

#### **1. The Debtors**

The Debtors were the largest agricultural specialty retailer in the United States, operating approximately 300 stores located in 26 states. The Debtors' stores served the needs of rural customers, specifically part-time and full-time farmers, hobby gardeners, skilled trade persons and do-it-yourself customers. Since its founding in 1935, the Debtors grew to be a market leader in the agricultural specialty market, building strong brand recognition and a loyal customer base. In particular, the Debtors offered seven key product categories: (i) agricultural products, (ii) specialty hardware, (iii) lawn and garden products, (iv) work wear, (v) rural automotive, truck and tractor parts and accessories, (vi) pet supplies and (vii) general consumer products. The Debtors' products are promoted through a variety of marketing vehicles, such as weekly advertising circulars, customer loyalty programs and local media advertising. As of the Commencement Date, the Debtors had approximately 6,000 full-time and part-time employees.

For the six months ending August 4, 2001, the Debtors, on a consolidated basis, reported revenues of approximately \$403,240,000 and net losses of approximately \$40,878,000. As of the six months ending August 4, 2001, the Debtors' consolidated books and records reflected assets totaling approximately \$797,366,000 and liabilities totaling approximately \$631,043,000.

#### **2. Prior Transactions**

In November 1996, J.W. Childs Equity Partners, L.P. ("Childs") arranged a management led buyout of QSI. Specifically, Childs and QSI f/k/a Central Tractor Farm & Country, LLC entered into a merger agreement (the "Childs Merger Agreement") that provided for the acquisition of QSI by Childs in a two-stage transaction. Following the acquisition by Childs of all of QSI's shares held by affiliates of Butler Capital Corporation (collectively, "BCC"), an affiliate of Childs would merge with and into QSI (the "Childs Merger") and Childs would acquire the remaining shares of QSI held by public shareholders for \$14.25 per share. The Childs Merger closed on March 27, 1997.

Concurrent with the execution of the Childs Merger Agreement, Childs entered into agreements with BCC and with certain members of QSI's management team pursuant to which Childs agreed to purchase 100% of BCC's shares and 36.4% of the management team's shares for \$14.00 per share (the "Securities Transaction"). Childs consummated the Securities Transaction in January of 1997.

In June 1997, QSI acquired all of the outstanding capital stock of Country General, which operated a chain of 114 agricultural specialty retail stores for approximately \$138.6 million in cash. In January 1999, QSI acquired nine retail stores from H.C. Shaw, a privately-owned specialty retailer doing business as Fisco Farm and Home, for approximately \$7.1 million. On May 7, 1999, QSI acquired Quality Stores, Inc. ("Quality") for \$208 million, \$111.5 of which was in cash, in a transaction in which Quality was merged with and into QSI (the "Quality Merger"). In connection with the Quality Merger, QSI changed its name to Quality Stores, Inc.

#### **3. Summary of Capital Structure**

As of the Commencement Date, the Debtors were indebted to the Lenders in the aggregate principal amount of approximately \$337 million, consisting of (i) \$64.7 million in respect of Tranche A Term Advances, (ii) \$113.2 million in respect of Tranche B Term Advances, (iii) \$141 million in respect of the Revolving Credit Advances, (iv) \$7.5 million in respect of Swing Line Advances, and (v) \$10.9 million in respect of contingent reimbursement obligations on the Letters of Credit (collectively, the "Lenders' Secured Claim").

The Lenders' Secured Claims are secured by liens upon, and security interests in (the "Pre-Petition Liens"), substantially all of the Debtors' assets and property, including without limitation, certain accounts, equipment,



inventory, general intangibles, investment property, fee owned real estate, and the proceeds, products, rents and profits thereof (collectively, the "Pre-Petition Collateral"). The Debtors' cash and cash equivalent proceeds of the Pre-Petition Collateral constitute Pre-Petition Collateral or proceeds of Pre-Petition Collateral and, therefore, are cash collateral of the Pre-Petition Lenders within the meaning of section 363(a) of the Bankruptcy Code (the "Cash Collateral").

In March, 1997, QSI issued \$105 million of 10 5/8 % Senior Notes due 2007 (the "Senior Notes") pursuant to that certain Indenture dated March 27, 1997, between QSI, as issuer, and Marine Midland Bank n/k/a HSBC, as trustee (the "Indenture").

Under a 1997 exchange offer, Holdings issued approximately \$10,607,947 of 13% Subordinated Notes Due May 31, 2009 (the "Subordinated Notes") in exchange for certain previously issued securities.

## **ARTICLE IV THE DEBTORS' CHAPTER 11 CASES**

### **A. Events Leading to the Involuntary Filing and Restructuring Plans**

The Debtors experienced a liquidity crisis in the fall of 2000 resulting from the Quality Merger and the series of acquisitions described above. As a result of the Quality Merger and the other 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.

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 provide general crisis management services on August 8, 2001. 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.

Before the Relief Date, the Debtors closed or were in the process of closing 35 stores, primarily in the Southeast and Eastern part of the country. Additionally, the Debtors announced their intention to close an additional 133 stores, 127 of which were west of the Mississippi river, and to conduct store closing sales at these locations. The Debtors determined it was in the best interests of their estates to close these stores because they were underperforming and no potential buyer was identified.

With respect to the remaining 178 stores (the "Remaining Stores"), which are located in thirteen states primarily in the north-central and north-eastern United States, the Debtors, before the Commencement Date, engaged Peter J. Solomon & Company ("PJSC") as their investment bankers to market the remaining stores in an attempt to sell them as a going concern.

As a result of the Debtors' liquidity crisis, QSI failed to make its October 1, 2001 interest payment due under the Senior Notes.

### **B. The Chapter 11 Cases**

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"). The Petitioning Creditors are holders of Senior Notes.

On November 1, 2001 (the "Relief 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. On that same date, the Debtors' chapter 11 cases were procedurally consolidated for administrative purposes only.

The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108. No trustee or examiner has been appointed in these chapter 11 cases.

## **ARTICLE V HISTORY OF THESE BANKRUPTCY CASES**

### **A. General**

The Debtors have been engaged in: (i) administering, managing, and coordinating their Bankruptcy Cases; (ii) fulfilling their duties as debtors in possession under the Bankruptcy Code; (iii) winding down and liquidating the various Debtors' non-core businesses and Assets; (iv) preserving the core Assets of their Estates; and (v) developing a plan by which the Debtors' Assets will be liquidated and disbursed to Holders of Claims pursuant to the Bankruptcy Code.

### **B. First Day Orders**

On the Relief Date, the Debtors filed numerous customary "first day motions" which were granted after various hearings before the Bankruptcy Court that took place on and after the Relief Date. The first day orders included, among other things: (i) an order directing joint administration of the Chapter 11 cases; (ii) an order authorizing the employment and compensation of ordinary course professionals; (iii) an order (a) deeming utilities adequately assured of future performance and (b) establishing procedure for determining adequate assurances pursuant to Bankruptcy Code section 366; (iv) an order authorizing the Debtors to pay prepetition sales claims relating to shipping charges; (v) an order authorizing the Debtors to pay sales and use taxes; (vi) an order authorizing the Debtors to pay employee wages, and (vii) an order authorizing the Debtors to continue their cash management system.

### **C. Employee Retention**

In order to effectively incentivize employees to stay and assist the Debtors in conducting the GOB Sales and to keep the Remaining Stores operating, the Debtors designed the Key Employee Retention Program for employees and management (the "Retention Program"). After an objection was filed by the Creditors Committee to the Retention Program, the Debtors reformulated the Retention Program. First, the Debtors obtained approval on December 20, 2001 for a retention program for Tier III employees, which consists mostly of store-level employees. These employees will receive up to ten weeks of pay for severance upon termination depending on the length of service with the Debtors, with a total cost of no more than \$5 million. The Debtors also obtained Court approval on January 22, 2002 of a retention program for Tier I and II Employees, which consist of management-level employees. Tier I and Tier II employees will receive approximately \$1,007,500 for severance.

### **D. Post Petition Financing**

As noted above, the Debtors were saddled with too much debt – they owed the Lenders over \$330 million; and, as a result, did not have many options for obtaining new capital. The debt obligations with respect to the Lenders' Secured Claims is secured by substantially all of the Debtors' assets and business operations, which the Debtors estimate is likely to be less than \$150 million. As a result, the Debtors' only realistic source of capital was the Lenders themselves or a sub-group of the Lenders.

On the Relief Date, the Court entered an order authorizing the Debtors, on an emergency interim basis, to use the Lenders' Cash Collateral. Shortly after the Relief Date, the Debtors negotiated a postpetition financing agreement (the "DIP Financing") with the Lenders. The Lenders agreed to advance additional capital to the Debtors if the Debtors agreed to immediately try to realize the going-concern value of the remaining core business or otherwise promptly liquidate it by the end of December 2001. On November 6, 2001, the Debtors filed a motion seeking approval of the DIP Financing (the "DIP Financing Motion"). On November 8, 2001, the Creditors' Committee filed an objection to the DIP Financing Motion and the Court sustained the objection and denied the DIP Financing Motion on November 13, 2001. Thereafter, the Debtors have been operating under interim orders

authorizing the temporary use of cash collateral in these cases in accordance with a budget attached to each interim order (collectively, the "Cash Collateral Orders").

In the Cash Collateral Orders, the Debtors have admitted that the Lenders have security interests in, and liens on, substantially all of the Debtors' real and personal property.

#### **E. Reclamation**

Reclamation is the process whereby vendors who have sold goods to a debtor in the ordinary course of business can reclaim such goods upon the occurrence of certain conditions stated under Bankruptcy Code section 546(c)(1). In order to address reclamation claims asserted by vendors, the Court approved certain procedures for the payment of reclamation claims to vendors, as set forth in the "Order Under 11 U.S.C. §§ 105(a), 504(b), 546(c)(2) and 546(g), (A) Establishing Procedure for Treatment of Valid Reclamation Claims and (B) Prohibiting Third Parties From Interfering with Delivery of Debtors' Goods," which was entered on December 20, 2001 (the "Reclamation Order"). Under the Reclamation Order, the Debtor will file a motion listing those reclamation claims that they deem to be valid by March 18, 2002, or any holder of a reclamation claim may bring such a motion after March 18, 2002. Reclamation claims that are approved by the Court will be treated as Administrative Claims under the Plan.

#### **F. Professionals Retained by the Debtors**

To assist them in carrying out their duties as debtors in possession and to otherwise represent their interests in the Chapter 11 Cases, the Debtors employed, with authorization from the Bankruptcy Court, Kirkland and Ellis and Varnum, Riddering, Schmidt & Howlett, LLP as bankruptcy co-counsel.

The Bankruptcy Court also approved the Debtors' motion to employ JAS as restructuring and management advisors in these Chapter 11 Cases and the Debtors retained Peter D. Fitzsimmons, an affiliate of JAS, as its Chief Executive Officer. The Debtors compensate JAS at its hourly rates and JAS must apply for approval of an incentive fee based on the amount of distributable proceeds realized from the sale or disposition of the Debtors' assets.

The Debtors also retained Peter J. Solomon Co. ("PJSC") as their investment banker to sell certain of the Debtors' assets for a flat monthly fee and a "transaction fee" as described in the Plan and in the retention agreement attached to the order approving PJSC's retention (the "PJSC Order"). The U.S. Trustee has filed a notice of appeal regarding the PJSC Order.

#### **G. Unsecured Creditors' Committee**

On November 7, 2001, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors to represent the interests of the Debtors' unsecured creditors. Since its formation, the Debtors have consulted with the Creditors' Committee concerning the administration of these Chapter 11 Cases. The Debtors have kept the Creditors Committee informed about the Debtors' operations and have sought the concurrence of the Creditors' Committee for actions and transactions taken outside of the ordinary course of the Debtors' businesses. The Creditors' Committee has participated actively, together with the Debtors' management and professionals, in, among other things, reviewing the Debtors' business plans and operations. The Debtors and their respective professionals have met with the Creditors' Committee and its professionals on numerous occasions in connection with the negotiation of the Plan. The current members of the Creditors' Committee and their attorneys and advisors are as follows:

*Committee Members:*

HSBC Bank USA  
10 East 40th Street, 14th floor  
New York, NY 10016-0200  
Contact: Robert A. Conrad

Pacholder Associates, Inc.  
8044 Montgomery Rd. #480  
Cincinnati, OH 45236  
Contact: Bruce Ferguson

King Kutter, Inc.  
PO Box 1200  
Winsfield, AL 35594  
Contact: Chuck Dickerson  
Judy Lowrey

Murray Manufacturing  
PO Box 268  
Brentwood, TN 37027  
Contact: Al Hardee

Triton Partners, LLC  
565 Fifth Avenue  
New York, NY 10017  
Contact: Daniel Arbess

Behlen Mfg. Co.  
4035 East 23<sup>rd</sup> Street  
P.O. Box 569  
Columbus, NE 68602-0569  
Contact: A.F. "Tony" Raimondo

Coleman Powermate Compressors  
4970 Airport Road  
PO Box 6001  
Kearney, NE 68848  
Contact: Pat Severson  
Contact: Brian Horn

*Co-Counsel to the Creditors' Committee*

John K. Cunningham  
White & Case LLP  
First Union Financial Center  
200 South Biscayne Boulevard, Suite 4900  
Miami, Florida 33131

Robert Hertzberg  
Hertz, Schram & Saretsky, P.C.  
1760 South Telegraph Road, Suite 300  
Bloomfield Hills, MI 48302

*Financial Advisor to the Creditors' Committee*

Michael Buenzow  
Business Recovery Services  
PricewaterhouseCoopers LLP  
One North Wacker  
Chicago, IL 60606

**H. Claims Process and Bar Date**

**1. Schedules and Statements**

On December 7, 2001, the Debtors filed their respective schedules of assets and liabilities and statements of financial affairs with the Bankruptcy Court.

**2. Bar Date Order**

On January 30, 2002, the Bankruptcy Court entered the Order Fixing Bar Date for Filing Proofs of Claims and Approving the Form and Manner of Notice of the Bar Date (the "Bar Date Order"). Under the Bar Date Order, all Creditors (including governmental entities) are required to file proofs of claim or be barred from asserting any Claim against the Debtors, and voting upon or receiving distributions under a confirmed plan of reorganization of

the Debtors, no later than April 2, 2002 (the "Bar Date"). Proofs of claim were not required to be filed at that time by Creditors holding or asserting the following: (A) Any person or entity that has already properly filed, with the Clerk of the United States Bankruptcy Court for the Western District of Michigan, Southern Division, a proof of claim against the Debtors utilizing a claim form substantially in conformity with Official Form No. 10; (B) any person or entity (i) whose claim is listed on the Debtors' schedules; (ii) whose claim is not listed as "disputed," "contingent," or "unliquidated," and (iii) who does not dispute the amount or nature of the claim for such person or entity as set forth in the Debtors' Schedules; and (C) any person or entity that holds a claim that has been allowed by an order of this Court entered on or before the Bar Date.

Any person or entity that holds a claim that arises from the rejection of an executory contract or unexpired lease on or before January 31, 2002 must, if no earlier or other deadline is fixed in the rejection order or notice relating to such rejection, file a proof of claim based on such rejection on or before the Bar Date. Any person or entity that holds a claim that arises from the rejection of an executory contract or unexpired lease as to which the order authorizing such rejection is dated after January 31, 2002 must file a proof of claim on or before such date as the Court may fix in the applicable rejection order.

The Debtors have also filed a motion to establish a bar date by which all Administrative Claims arising before January 31, 2002 must be filed. The Debtors anticipate that such Administrative Claims bar date will also be set for April 2, 2002.

#### **I. Sale of Substantially All of the Debtors' Assets**

Before the commencement of these cases, the Debtors, with the assistance of JAS, developed a strategic plan which provided, among other things, that performance and profitability would be improved by (i) identifying and closing or divesting sub-performing stores and (ii) concentrating the Debtors' business around a core group of stores with strong operations. Accordingly, the Debtors identified 35 stores, primarily in the Southeast, and immediately commenced the process of divesting those stores. Thereafter, in October 2001, the Debtors identified 133 additional under-performing stores to be closed or liquidated. By Court order, dated November 9, 2001, the Debtors retained Hilco Merchant Resources, LLC to conduct the majority of these store closing sales located in the western part of the United States. The store closing sales at these stores have been completed. Pursuant to various motions and orders entered by this Court, the Debtors have sold certain of the fixtures, equipment and real property at these stores, totaling approximately \$14,000,000.

As a result of PJSC's marketing efforts, the Debtors began negotiating an agreement with Hartwick Quality II LLC ("Hartwick") to sell most of the Remaining Stores for \$72.5 million. Due to negotiations with the Creditors' Committee, Hartwick raised this offer from \$72.5 million to \$73.5 million. On December 14, 2001, the Debtors filed a motion seeking to sell most of the Remaining Stores to Hartwick, or any other party submitting a higher or better offer at an auction. The auction was held on December 27, 2001 in New York. At the conclusion of the auction, the highest and best offer was deemed to be a bid to liquidate the Remaining Stores submitted by Tractor Supply Company, Great American Group, Gordon Brothers Retail Partners, LLC, and DJM Asset Management (the "Joint Venture") for approximately \$104 million. The Debtors entered into an agency agreement with the Joint Venture (the "Agency Agreement") to effectuate the liquidation of the assets of the Remaining Stores. The order approving the offer by the Joint Venture was approved by the Court on December 31, 2001 (the "Agency Order").

#### **J. Global Settlement**

On or about December 20, 2001, the Debtors and the key constituencies in this case reached a global resolution. The Global Settlement sets forth the treatment of unsecured claims and the claims of the Lenders and also established a timeline for confirmation. The terms of the global resolution were read into the record at a hearing before the Bankruptcy Court on December 20, 2001, and is embodied in the Stipulation of Settlement and Agreed Order Among the Debtors, the Creditors' Committee, and the Lenders (the "Global Settlement"), which the Debtors expect will be entered by the Court in late February, 2002 or early March, 2002.

Under the Global Settlement, among other things, the Lenders agreed to provide a distribution to the General Unsecured Creditors in exchange for certain releases and waiver by the Creditors' Committee. The amount of distribution to be received by General Unsecured Creditors under the Global Settlement is reflected in the Plan as

the "Unsecured Set Aside." The Global Settlement essentially provides that the General Unsecured Creditors will receive a flat amount and a sliding percentage of Net Distributable Proceeds as follows:

- (a) First, 6.5% of Net Distributable Proceeds up to \$126 million; plus
- (b) Second, if Net Distributable Proceeds exceed \$126 million,
  - (1) 15% of Net Distributable Proceeds in excess of \$126 million and up to \$136 million;
  - (2) 10% Net Distributable Proceeds between \$136 million and \$146 million;
  - (3) 5% of Net Distributable Proceeds between \$146 million and \$156 million

Also under the Global Settlement, Unsecured Creditors will be entitled to \$1,322,600 which will be used to fund prosecution of the Rights of Action or otherwise distributed to Holders of Unsecured Claims under the Plan.

Unsecured Creditors will also be entitled to receive any cash recovery from the avoidance actions that the Plan Administrator has the right to pursue as described in the Plan.

The Global Settlement contains other provisions relating to the Plan, which are encompassed and incorporated into the Plan.

## **ARTICLE VI THE PLAN OF REORGANIZATION**

### **A. Introduction**

**The following summary and other descriptions in the Disclosure Statement are qualified in their entirety by reference to the provisions of the Plan and its exhibits, a copy of which is annexed hereto as Exhibit A. It is urged that each Holder of a Claim or Equity Interest carefully review the terms of the Plan. In the event of any inconsistency between the provisions of the Plan and the summary contained herein, the terms of the Plan shall govern. Moreover, all capitalized terms not otherwise defined in this Disclosure Statement shall have those meanings set forth in the Plan.**

In general, a Chapter 11 plan of reorganization (i) divides claims and equity interests into separate classes, (ii) specifies the property that each class is to receive under the plan and (iii) contains other provisions necessary to the reorganization of the debtor. Under the Bankruptcy Code, "claims" and "equity interests" are classified rather than "creditors" and "shareholders" because such entities may hold claims or equity interests in more than one class. For purposes of the Disclosure Statement, the term "Holder" refers to the holder of a Claim or Interest, respectively, in a particular Class under the Plan.

A Chapter 11 plan may specify that certain classes of claims or equity interests are either to be paid in full upon effectiveness of the plan or are to remain unchanged by the reorganization effectuated by the plan. Such classes are referred to as "unimpaired," and because of such favorable treatment the holders in such Classes are deemed to accept the plan. Accordingly, it is not necessary to solicit votes from the holders of claims or equity interests in such classes. A Chapter 11 plan may also specify that certain classes will not receive any distribution or property or retain any claim against a debtor. Such classes are deemed to have rejected the plan, and therefore, need not be solicited to vote to accept or reject the plan.

### **B. Rationale Underlying Plan Treatments of Claims**

The terms of the Plan are the result of discussions among the Debtors, the Creditors' Committee, the Lenders, and their constituents. Statements as to the rationale underlying the treatment of the claims under the Plan are not intended to waive, compromise or limit any rights, claims, or cause of action in the event the Plan is not

confirmed. Rather, the distributions contemplated by the Plan represent estimates of distributions accomplished through the compromise of these issues without the necessity for a final judicial determination thereof. The Debtors cannot assure that an ultimate judicial determination of the compromised issues might not result in treatment which is more or less favorable to any particular Creditor.

The Plan represents and embodies compromises and settlements of a number of inter-creditor issues which have raised in the Debtors' Chapter 11 Cases. Resolution of these issues is crucial to any reorganization of the Debtors and, if not resolved through compromise and settlement may result in a substantial delay and expense pending their judicial determination.

### **C. Substantive Consolidation**

#### **1. Substantive Consolidation for Voting and Distribution Purposes**

On the Effective Date, the Chapter 11 Cases and the Debtors and their estates shall be deemed to be substantively consolidated for voting and distribution purposes under the Plan only. The effect of this is that all of the assets and liabilities of the Debtors shall be pooled and all Claims shall be satisfied from the assets of a single consolidated estate. Any Claims against one or more of the Debtors based upon a guaranty, indemnity, co-signature, surety or otherwise, of Claims against another Debtor shall be treated as a single Claim against the consolidated estate of the Debtors and shall be entitled to Distributions under the Plan only with respect to such single Claim.

#### **2. Cancellation of Intercompany Claims**

On the Effective Date, all Intercompany Claims shall be extinguished.

### **D. Administrative Claims and Professional Fees**

#### **1. Administrative Claims**

On or before the Effective Date, the Debtors (in accordance with the Budget) shall pay in full the amount of Allowed Administrative Claims as of such date from the Debtors' Gross Proceeds. With respect to all Administrative Claims not paid on the Effective Date, after funding of the Administrative Claims Reserve Fund, the Debtors shall pay each Holder of an Allowed Administrative Claim (except for Professional Fees to the extent that their treatment, which is set forth below, differs) in full in the amount of the Allowed Administrative Claim, without interest, in Cash. The Holder of an Allowed Administrative Claim may be paid on such other date and upon such other terms as may be agreed upon by that Holder of an Allowed Administrative Claim and the respective Debtor.

Notwithstanding any provision in the Plan regarding payment of Administrative Claims to the contrary, and without waiver of any argument available that such Claim is already time-barred by prior orders of the Court, all Holders of Administrative Claims that have not been paid as of the Effective Date, must file a request for payment of Administrative Claims with the Court and serve the same on Liquidating Debtors' counsel, Creditors' Committee counsel, Lenders' counsel, and the UST such that it is received no later than forty-five (45) days after the Effective Date, or such Claim shall be forever barred and shall not be enforceable against Debtors, their successors, their assigns or their property; provided, however, that the foregoing shall not apply to the Professional Fee Claims. An objection to an Administrative Claim filed pursuant to this provision must be filed within ninety (90) days from the date such Claim is filed and properly served.

Subject to the provisions of the Plan and within the confines of the Budget, all reasonable fees for services rendered in connection with the Chapter 11 Cases and the Plan after the Effective Date, including those relating to the resolution of pending Claims, shall be paid by the Debtors after the submission of a monthly fee statement with service on the Debtors' Counsel, Creditors' Committee counsel, Lenders' counsel, and the UST, provided that no objections are received within ten (10) days of service. If no objections are received, the Debtors shall be authorized to pay such amounts requested without further Court authorization. If objections are received and such objections are not capable of being resolved between the parties in a timely manner, the Court shall reserve jurisdiction to resolve such disputes.

## 2. Statutory Fees

Without limiting the foregoing, all fees payable under 28 U.S.C. § 1930 that have not been paid, shall be paid on or before the Effective Date. Payments after the Effective Date shall be made as required by statute and shall be paid by the Debtors from the Budget.

## 3. Professional Fees

The Liquidating Debtors shall pay Professionals who are entitled to allowance of fees and reimbursement of expenses from the Debtors as of the Effective Date from the Debtors' Gross Proceeds.

The Court must rule on each Professional's Fees before the fees will be paid. For all Professional Fees, the Professional must file and serve a properly noticed fee application and the Court must rule on the application. Only the amount of fees allowed by the Court will be owed and required to be paid under the Plan; provided that nothing herein shall be deemed a waiver by the Professionals of the unpaid portions of their Allowed but unpaid Professional Fee Claims.

Except as otherwise provided in the order retaining a specific Professional, Professionals or other entities requesting compensation or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b) and 1103 of the Bankruptcy Code for services rendered prior to the Effective Date must file and serve pursuant to the notice provisions of the Interim Fee Order and the Bankruptcy Code, an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Court. Holders of Administrative Claims (including, without limitation, Professionals) requesting compensation or reimbursement of expenses that do not file such requests by the applicable bar date shall be forever barred from asserting such claims against Debtors or their successors, their assigns or their property. Any objection to Professional Fee Claims shall be filed on or before the date specified in the application for final compensation.

## 4. Success Fee/Transaction Fee

Pursuant to the respective retention agreements of JAS and PJSC, and in exchange for these professionals' best efforts in connection with the Debtors' sale efforts, the Debtors agreed to provide result-based compensation as described below.

JAS is entitled to receive a performance-based success fee and the amount of the fee is related to the net distributable proceeds realized from the sale or the disposition of the Debtors' assets as set forth below (the "Success Fee"):

Total Amount of Proceeds	JAS Success Fee
Less than \$115.0 million	\$0
\$115.0 million to \$124.99 million	\$250,000
\$125.0 million to \$129.99 million	\$500,000
\$130.0 million to \$134.99 million	\$750,000
\$135.0 million to \$139.99 million	\$1,000,000
\$140.0 million to \$144.99 million	\$1,250,000
\$145.0 million or more	\$1,500,000

PJSC is entitled to receive a 3% transaction fee (the "Transaction Fee") based on the "Aggregate Consideration" received by the Debtors for each "Transaction", as these terms are defined and set forth in the PJSC Employment Agreement.

After request for payment and approval by the Court, the Success Fee and Transaction Fee will become payable in full by the Debtors as administrative expenses of the estate.



## **E. Global Settlement and Treatment of Unsecured Creditors**

The Plan incorporates the terms of the Global Settlement. In light of the amount of the Lenders' Claims and their security interest in Debtors' Assets and their entitlement to the proceeds of the Causes of Action and Rights of Action, it is not expected that there will be sufficient proceeds available to make Distributions to Creditors holding Unsecured Claims, except to the extent that such a distribution was negotiated under the Global Settlement. Under the terms of the Global Settlement, the Creditors' Committee and UST agreed to waive and release the Lenders from claims and in exchange, the Lenders agreed to provide some of their distribution to the Unsecured Creditors in this case. The amount of distribution to Unsecured Creditors is defined as the "Unsecured Set Aside" and the "Rights of Action Recovery" in the Plan. For purposes of this Plan, the Lenders' Claims shall be deemed Allowed Claims, provided that the Lenders have agreed to waive any right to seek a Distribution on account of such Claims under any Class other than Class 1 of this Plan.

## **F. Classification and Treatment of Claims and Interests Under the Plan**

The Plan divides the Claims against, and the Interests in, the Debtors into the following classes:

<b>Class</b>	<b>Claim</b>	<b>Status</b>	<b>Voting Rights</b>
Class 1	Lenders' Claims	Impaired	Entitled to vote
Class 2	Other Secured Claims	Impaired	Entitled to vote
Class 3	Priority Claims	Unimpaired	Not entitled to vote
Class 4	Unsecured Claims	Impaired	Entitled to vote
Class 5	Equity Interests	Impaired	Not entitled to vote (deemed to have rejected)

### **1. Lenders' Claims (Class 1) – Impaired**

(a) Classification: Class 1 consists of the Lenders' Claims against the Debtors.

(b) Treatment: Unless the Holder of a Class 1 Claim agrees to a different treatment, each Holder of an Allowed Class 1 Claim shall receive on the Effective Date, and on each subsequent Distribution Date, Cash equal to its ratable share of an amount equal to the difference between the Net Distributable Proceeds then available for Distribution on each such Distribution Date and the Unsecured Set Aside as applied to such Net Distributable Proceeds.

(c) Voting: Class 1 is an Impaired Class and Holders of Class 1 Claims are entitled to vote to accept or reject the Plan.

### **2. Other Secured Claims (Class 2) – Impaired**

(a) Classification: Class 2 consists of Secured Claims against the Debtors other than those Class 1 Secured Claims.

(b) Treatment: Unless the Holder of a Class 2 Claim agrees to a different treatment, each Holder of an Allowed Class 2 Claim shall receive on the Effective Date, and on each subsequent Distribution Date (if and to the extent applicable), all proceeds from the sale, liquidation, or abandonment of any Asset on account of which the Holder has a Lien or security interest (but solely to the extent that such Lien or security interest as of the Relief Date is senior in priority to any lien or security interest of the Lenders on the same Asset), from the Debtors' Gross Proceeds, as full and complete satisfaction of all Class 2 Claims.

(c) Voting: Class 2 is an Impaired Class and Holders of Class 2 Claims are entitled to vote to accept or reject the Plan.

### **3. Priority Claims (Class 3) – Unimpaired**

(a) Classification: Class 3 consists of holders of Priority Claims specified under Bankruptcy Code section 507(a), including but not limited to priority tax Claims and priority wage Claims.

(b) Treatment: The Bankruptcy Code requires that each Holder of such an Allowed Priority Claim receive the present value of such Claim. On the Effective Date, each holder of an Allowed Priority Class 3 Claim shall be entitled to receive Cash equal to the full amount of such Allowed Priority Claim from the Debtors' Gross Proceeds.

(c) Voting: Class 3 is an Unimpaired Class and Holders of Class 3 Claims are not entitled to vote to accept or reject the Plan.

### **4. Unsecured Claims (Class 4) – Impaired**

(a) Classification: Class 4 consists of the Unsecured Claims.

(b) Treatment: Unless the Holder of a Class 4 Claim agrees to a different treatment, each Holder of an Allowed Class 4 Claim shall receive, on such Distribution Dates that the Plan Administrator with the consent of the Class B Director shall set, Cash equal to its ratable share of the Unsecured Set Aside available for Distribution on each such Distribution Date and the Rights of Action Recovery available for Distribution on each such Distribution Date

(c) Voting: Class 4 Claim Holders are expected to receive a Distribution under the Plan. Holders of Class 4 Claims are entitled to vote to accept or reject the Plan..

### **5. Equity Interests (Class 5) – Impaired**

(a) Classification: Class 5 consists of all Equity Interests in the Debtors.

(b) Treatment: The Debtors' Assets and the sale of any remaining assets will not be sufficient to pay Class 1, Class 2, and Class 4 Claim Holders in full. The Equity Interests of QSI shall be cancelled on the Effective Date of the Plan and Holders of such Equity Interests shall not receive or retain any property or Distributions under the Plan. As 100% Holder of the Equity Interests of its direct and indirect subsidiaries, QSI and/or the Debtors shall retain such Equity Interests. All other Equity Interests shall be cancelled on the Effective Date.

(c) Voting: Class 5 Equity Interests will receive no Distribution under the Plan and are, therefore, deemed to have rejected the Plan. Accordingly, Class 5 Equity Interests are not entitled to vote.

## **G. Effect of Confirmation**

### **1. Vesting of Cash and Assets in the Debtors**

Except to the extent otherwise provided in the Plan or restricted by prior order of the Court, on the Effective Date, all Cash and Assets of the Estates shall be transferred to and vest in the Debtors free of any Claims, Liens and Equity Interests, to be managed and used for the sole purposes of achieving Consummation and carrying out the Plan and effectuating the Distributions provided for in the Plan.

### **2. Authority to Effectuate Plan**

Upon the entry of the Confirmation Order by the Court, all matters provided under the Plan shall be deemed to be authorized and approved without further approval from the Court. The Debtors' charters and by-laws may be modified and amended such that the provisions of this Plan can be effectuated. The Debtors shall be authorized, without further application to or order of the Court, to take whatever action is necessary to achieve Consummation and carry out the Plan and to effectuate the Distributions provided for thereunder. Subject to the unanimous consent of the Lenders, Class A Director and Class B Director, which shall not be unreasonably withheld, the Debtors are expressly authorized to sell or dispose of any and all Remaining Assets without further order of the Court.

### **3. Dissolution of Debtors and Board**

Upon the Effective Date, the existing Board of Directors of each Debtor shall be dismissed. Upon entry of a Final Decree closing these Chapter 11 Cases, the Debtors shall be deemed dissolved without any further action required on the part of the Debtors, the shareholders of Debtors, or the Class A Director and Class B of Debtors.

## **H. Provisions Governing Plan Implementation**

### **1. Funding of Plan**

The source of funds to achieve entry of the Final Decree and to carry out the Plan shall be (i) the Gross Proceeds and (ii) the Rights of Action Recovery.

### **2. Organization of QSI**

On the Effective Date, the Equity Interests of QSI will be cancelled. Two classes of stock will be issued to the Trust: Class A Common Stock and Class B Common Stock. The Lenders will select the Class A Director and the Creditors' Committee will select the Class B Director. The Debtors will reimburse the Class A Director and the Class B Director for their reasonable costs and expenses in connection with their duties as director.

### **3. Duties of the Debtors**

The Debtors shall liquidate, diligently and for the highest value reasonably possible, or abandon the Remaining Assets. Subject to the unanimous consent of the Class A Director and the Class B Director, the Debtors may liquidate or abandon any Remaining Assets of the Debtors based on the Debtors' business judgment, without the need for further order of the Court. The Debtors will also perform all functions necessary to effectuate Consummation of the Plan and obtain a Final Decree, including those duties and tasks relating to wind-down of operations and other tasks not specifically designated for the Plan Administrator.

### **4. Rights of the Debtors**

In order to carry out their duties under the Plan, the Debtors, in addition to their other rights under the Plan, shall have the right, but not the obligation, (a) to retain and compensate professionals and other persons to assist Liquidating Debtors in the liquidation of Debtors' Assets, and (b) to employ such other procedures, not inconsistent with the Plan, necessary for the Debtors to perform their duties under the Plan.

## **5. Distribution to Creditors**

The Debtors will make Distributions to all Allowed Claim Holders in accordance with the terms of this Plan.

## **I. Provisions Governing Trust and Rights of Action**

### **1. Creation of Trust**

On Effective Date, the Trust shall be formed and constituted. A Trustee shall be selected jointly by the Proponents and the Lenders to administer the Trust.

The Trustee shall be compensated as set forth in the Trust Agreement. The Trustee shall not be required to file a fee application to receive compensation.

### **2. Plan Administrator**

In accordance with the Plan, the Plan Administrator shall be selected by the Proponents to represent each Debtor for purposes of prosecuting the Rights of Action.

Except as otherwise set forth in the Plan, the Plan Administrator may, but shall not be required to, set-off against any Claim and the Distributions to be made pursuant to the Plan in respect of such Claim, any Rights of Action the Estates may have against the holder of the Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Plan Administrator of any such Rights of Action, set-off or recoupment which the Debtors may have against such Holder.

### **3. The Rights of Action**

With the consent of the Class B Director, the Plan Administrator may pursue or decline to pursue the Rights of Action as appropriate, in the Plan Administrator's business judgment, subject to the provisions of the Plan. With the consent of the Class B Director, the Plan Administrator may settle, release, sell, assign, otherwise transfer or compromise such Rights of Action, in the Plan Administrator's business judgment, subject to the provisions of the Plan without Court approval.

The Plan Administrator shall pay its expenses, including professional fees, with respect to prosecution of the Rights of Action, first from the Rights of Action Funding, and second, to the extent that expenses surpass the amount of the Rights of Action Funding, from the proceeds of any Rights of Action that are recovered by the Plan Administrator.

The Plan Administrator shall have the right to retain the services of attorneys, accountants, and other agents in the discretion of the Plan Administrator to assist and advise the Plan Administrator in the performance of his/her duties with respect to the Rights of Action.

## **J. Procedures for Resolving Objections to General Unsecured Claims**

### **1. Prosecution of Objections to General Unsecured Claims**

Unless otherwise ordered by the Court after notice and a hearing, and except as set forth in the Plan and the Agency Order, the Debtors shall have the right to make and file objections to Unsecured Claims, Administrative Claims, Other Secured Claims, Priority Claims, and Equity Interests; provided that neither the Plan Administrator nor the Debtors will have the right to pursue the Released Claims.

Unless another time is set by order of the Court, all objections to Claims and Equity Interests shall be filed with the Court and served upon the Holders of each of the Claims and Equity Interests to which objections are made by the later of (a) ninety (90) days after the Bar Date; or (b) ninety (90) days after a Proof of Claim or request for payment with respect to such Claim or Equity Interest is Filed; provided, however, that the Plan Administrator or Debtors may seek an extension of time to object.

Except as set forth in the Plan, nothing in the Plan, Agency Order, or Global Settlement, the Disclosure Statement, the Confirmation Order or any order in aid of Confirmation, shall constitute, or be deemed to constitute, a waiver or release of any claim, cause of action, right of setoff, or other legal or equitable defense that Debtors had immediately prior to the commencement of the Chapter 11 Cases, against or with respect to any Claim or Equity Interest. Except as set forth in the Plan, the Agency Order, or Global Settlement, upon Confirmation, the Debtors shall have, retain, reserve and be entitled to assert all such claims, causes of action, rights of setoff and other legal or equitable defenses of the Debtors.

## **2. Estimation of Claims**

The Debtors may, at any time, request that the Court estimate any contingent or unliquidated Claim pursuant to Bankruptcy Code section 502(c) regardless of whether the Debtors have previously objected to such Claim or whether the Court has ruled on any such objection, and the Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim.

## **3. Allowance of Claims and Interests**

(a) Disallowance of Claims: All Claims held by Entities against whom the Debtors or the Plan Administrator have asserted a cause of action under Bankruptcy Code sections 542, 543, 522(f), 522(h), 544, 545, 547, 548, 549, or 550 shall be deemed disallowed pursuant to Bankruptcy Code section 502(d), and Holders of such Claims may not vote to accept or reject the Plan, both consequences to be in effect until such time as such causes of action against that Entity have been settled or resolved by a Final Order and all sums due the related Debtor by that Entity are turned over to the Debtors.

(b) Allowance of Claims: Except as expressly provided in the Plan or Global Settlement, no Claim or Equity Interest shall be deemed Allowed by virtue of the Plan, Confirmation, or any order of the Court in the Chapter 11 Cases, unless and until such Claim or Equity Interest is deemed Allowed under the Bankruptcy Code or the Court enters a Final Order in the Chapter 11 Cases allowing such Claim or Equity Interest.

## **K. Debtors' Causes of Action**

Except as otherwise provided in the Plan, the Global Settlement, or the Agency Order and except for the Rights of Action which shall be transferred to and vest in the Plan Administrator, the Debtors retain all rights on behalf of the Debtors to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Relief Date, in any court or other tribunal including, without limitation, in an adversary proceeding filed in one or more of the Debtors' Chapter 11 Cases.

The Debtors have reviewed available information regarding Causes of Action against other parties or entities, which investigation has not been completed and is ongoing. In addition, due to the size and scope of the Debtors' various business operations and the multitude of business transactions therein, there may be numerous other Causes of Actions which currently exist or may subsequently arise, in addition to the matters identified below. The Debtors are also continuing to investigate and assess which Causes of Action may be pursued. The Debtors do not intend, and it should not be assumed that because any existing or potential claims or Causes of Action have not yet been pursued by the Debtors or do not fall within the list below, that any such claims or Causes of Action have been waived. Under the Plan, the Debtors retain all rights to pursue any and all Causes of Action to the extent the

Debtors, as the case may be, deem appropriate (under any theory of law, including without limitation, the Bankruptcy Code and any applicable local, state, or federal law, in any court or other tribunal, including without limitation, in an adversary proceeding filed in the Chapter 11 Cases), including:

1. Objections to Claims under the Plan, except those objections to Claims expressly reserved to the Plan Administrator;
2. Any other litigation or Causes of Action, whether legal, equitable or statutory in nature, arising out of, or in connection with the Debtors businesses, assets or operations or otherwise affecting the Debtors, including, without limitation, possible claims against the following types of parties for the following types of claims:
3. Possible claims against vendors, customers or suppliers for warranty, indemnity, back charge/set-off issues, overpayment or duplicate payment issues and collections/accounts receivables matters;
4. Possible claims against utilities or other persons or parties for wrongful or improper termination of services to the Debtors;
5. Failure of any persons or parties to fully perform under contracts with the Debtors before the assumption or rejection of the subject contracts;
6. Mechanic's lien claims of the Debtors;
7. Possible claims for deposits or other amounts owed by any creditor, lessor, utility, supplier, vendor, factor or other person;
8. Possible claims for damages or other relief against any party arising out of employee, management or operational matters;
9. Possible claims for damages or other relief against any party arising out of financial reporting;
10. Possible claims for damages or other relief against any party arising out of environmental, asbestos and product liability matters;
11. Actions against insurance carriers relating to coverage, indemnity or other matters;
12. Counterclaims and defenses relating to notes or other obligations;
13. Possible claims against local, state and federal taxing authorities (including, without limitation, any claims for refunds of overpayments);
14. Possible claims against attorneys, accountants or other professionals relating to services rendered to Debtors;
15. Contract, tort, or equitable claims which may exist or subsequently arise;
16. Except as otherwise provided in the Plan or other Final Order, any intra company or intercompany claims of the Debtors;
17. Any claims of the Debtors arising under section 362 of the Bankruptcy Code;
18. Equitable subordination claims arising under section 510 of the Bankruptcy Code or other applicable law; and
19. Turnover claims arising under sections 542 or 543 of the Bankruptcy Code.

## **L. Provisions Regarding Distributions**

### **1. Claims Allowed As of the Effective Date**

Except as otherwise provided in the Plan, or as may be ordered by the Court, for those Claims that are Allowed as of the Effective Date and are entitled to receive Distributions under the Plan, distribution shall be made on the Effective Date (or as soon thereafter as is practicable) by the Liquidating Debtors. Distributions on account of Claims that become Allowed after the Effective Date shall be made pursuant to the provisions of the Plan.

### **2. Unsecured Disputed Claims Reserve**

The Debtors shall maintain, in accordance with the Debtors' powers and responsibilities under the Plan, the Unsecured Disputed Claims Reserve. The Distribution to a Disputed General Unsecured Claim as resolved by Final Order shall be made as though the Disputed Claim had been Allowed as of the Effective Date.

### **3. Time and Manner of Payments**

Any payment in Cash shall be made by check drawn on a domestic bank or by wire transfer from a domestic bank.

### **4. Delivery of Distributions**

Subject to the provisions of Bankruptcy Rule 2002(g), Distributions to Holders of Allowed Claims shall be made at the address of each such Holder as set forth on the Schedules filed with the Court unless superseded by the address set forth on proofs of claim filed by such Holders, or at the last known address of such a holder if no proof of claim is filed or if the Debtors has been notified in writing of a change of address.

### **5. Undeliverable Distributions**

(a) Holding of Undeliverable Distributions: If any Distribution to any holder is returned to the Liquidating Debtors or the Claims Trustee as undeliverable, no further Distributions shall be made to such holder unless and until the Liquidating Debtors or the Claims Trustee is notified, in writing, of such holder's then-current address. Undeliverable Distributions shall remain in the possession of the Liquidating Debtors or the Claims Trustee until such time as a Distribution becomes deliverable. All persons ultimately receiving undeliverable Cash shall not be entitled to any interest or other accruals of any kind. Nothing contained in the Plan shall require the Claims Trustee to attempt to locate any holder of an Allowed Claim.

(b) Failure to Claim Undeliverable Distributions: After the second anniversary of the Effective Date, the Debtors or the Claims Trustee shall file a list with the Court setting forth the names of those Entities for which Distributions have been made hereunder and have been returned as undeliverable as of the date thereof. Any holder of an Allowed Claim that does not assert its rights pursuant to the Plan to receive a Distribution within three (3) years from and after the Effective Date shall have its Claim for such undeliverable Distribution discharged and shall be forever barred from asserting any such Claim against the Liquidating Debtors. In such case, any consideration held for Distribution on account of such Claim shall revert to the Liquidating Debtors for Distribution to the beneficiaries in accordance with the terms of the Plan.

(c) Fractional Amounts, De Minimis Distributions: Notwithstanding anything contained herein to the contrary, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down. The Claims Trustee shall have the discretion to not make payments of less than ten dollars (\$10) on account of any Allowed General Unsecured Claim, unless a specific request is made in writing to the Claims Trustee on or before ninety days (90) after allowance of such Claim.

## **6. Compliance with Tax Requirements/Allocation**

To the extent applicable, the Debtors shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. For tax purposes, Distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest.

## **7. Time Bar to Cash Payments**

Checks issued by the Debtors on account of Allowed Claims shall be null and void if not negotiated within ninety (90) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Claims Trustee by the Holder of the Allowed Claim with respect to which such check originally was issued. Any Claim in respect of such a voided check shall be made on or before the later of (a) the second anniversary of the Effective Date or (b) ninety (90) days after the date of issuance of such check, if such check represents a final Distribution hereunder on account of such Claim. After such date, all Claims in respect of voided checks shall be discharged and forever barred and the right to moneys from the voided checks shall revert to Debtors for Distribution under the Plan.

## **8. Fractional Dollars, De Minimis Distributions**

Notwithstanding anything contained herein to the contrary, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down. The Debtors shall have the discretion to not make payments of less than ten dollars (\$10) on account of any Allowed Unsecured Claim, unless a specific request is made in writing to the Debtors on or before ninety days after allowance of such Claim.

## **9. Set-Offs**

The may, pursuant to Bankruptcy Code section 553 or applicable nonbankruptcy law, set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account thereof (before any Distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtors may hold against the Holder of such Allowed Claim. The Holders of Claims may, pursuant to Bankruptcy Code section 553 or applicable nonbankruptcy law, set off any Allowed Claims such Holder possesses against any claim, rights or causes of action of any nature that the Debtors may hold against such Holder. The failure to effect such a set-off nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or such Holders of any such claims, rights and causes of action that such parties may possess under Bankruptcy Code section 553.

## **M. Executory Contracts and Unexpired Leases**

### **1. Rejection of Executory Contracts and Unexpired Leases**

Any executory contracts or unexpired leases which have not expired by their own terms on or prior to the Effective Date, which have not been assumed and assigned or rejected with the approval of the Court, which are not the subject of (i) the Agency Agreement or Agency Order; (ii) a motion to assume the same pending as of the Effective Date, or (iii) not otherwise listed on Exhibit \_\_ to the Plan, shall be deemed rejected by the Debtors on the Confirmation Date or as otherwise agreed upon by the parties. The entry of the Confirmation Order by the Court shall constitute approval of such rejections pursuant to Bankruptcy Code sections 365(a) and 1123. Assumption or rejection of the unexpired leases that are the subject of the Agency Agreement shall be governed by the Agency Agreement.

### **2. Rejection Damage Claims**

Notwithstanding anything in the Bar Date Order to the contrary, Claims arising out of the rejection of executory contracts or unexpired leases pursuant to the Plan must be filed and served on the Debtors pursuant to the



procedures specified in the Confirmation Order or another order of the Bankruptcy Court, no later than thirty (30) days after the Effective Date. Any claim not filed within such time will be forever barred from assertion against the Debtors, their respective successors or their respective properties. Unless otherwise ordered by the Bankruptcy Court, all Claims arising from the rejection of executory contracts and unexpired leases shall be treated as an Unsecured Claim under the Plan.

#### **N. Conditions Precedent**

##### **1. Conditions Precedent to Confirmation Date of the Plan.**

The occurrence of the Confirmation Date shall be subject to satisfaction of the following conditions precedent: (i) the entry of the Confirmation Order in form and substance satisfactory to Proponents and the Lenders; and (ii) there is sufficient cash or assets to pay Administrative Claims pursuant to the Plan.

##### **2. Conditions Precedent to Effective Date of the Plan**

The occurrence of the Effective Date and the substantial Consummation of the Plan are subject to satisfaction of the following conditions precedent:

(a) Confirmation Order as Final Order: The Confirmation Order shall be in full force and effect and shall not have been amended, modified, stayed or reversed.

(b) Execution of Documents; Other Actions: All other actions and documents necessary to implement the Plan shall have been effected or executed.

(c) Ability to Meet Projected Cash Needs: The Debtors shall have sufficient Cash and Assets to permit compliance with the terms and conditions of this Plan, including the satisfaction of all the projected fees and expenses of the Plan Administrator and the projected fees, expenses and wind down costs of the Debtors.

##### **3. Waiver of Conditions Precedent**

To the extent legally permissible, each of the conditions precedent referenced above may be waived, in whole or in part, by the Proponents and the Lenders in their sole discretion. Any such waiver of a condition precedent may be effected at any time, without notice or leave or order of the Court and without any formal action, other than proceeding to act as if the condition no longer existed.

#### **O. Retention of Jurisdiction**

##### **1. Retention of Jurisdiction**

The Court shall retain and have exclusive jurisdiction over any matter arising under the Bankruptcy Code, arising in or related to the Chapter 11 Cases, the Plan, or the Trust. The Court shall also have exclusive jurisdiction:

(a) to resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any of the Debtors is a party or with respect to which the Debtors may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including those matters related to the amendment after the Effective Date of the Plan, to add any executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be rejected;

(b) to enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, transactions and other agreements or documents created in connection with the Plan;

(c) to determine any and all motions, adversary proceedings, applications and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Debtors or the Plan Administrator after the Effective Date;

(d) to ensure that Distributions to holders of Allowed Claims are accomplished as provided herein;

(e) to hear and determine any timely objections to Administrative Claims or to proofs of Claims and Interests filed, both before and after the Effective Date, including any objections to the classification of any Claim or Interest, and to allow, disallow, determine, liquidate, classify, estimate or establish the priority of or secured or unsecured ' status of any Claim, in whole or in part;

(f) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed or vacated;

(g) to issue orders in aid of execution of the Plan;

(h) to consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Court, including the Confirmation Order;

(i) to hear and determine all applications for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;

(j) to hear and determine disputes arising in connection with or relating to the Plan or the interpretation, implementation or enforcement of the Plan or the extent of any Entity's obligations incurred in connection with or released under the Plan;

(k) to issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation or enforcement of the Plan;

(l) to determine any other matters that may arise in connection with or are related to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Disclosure Statement;

(m) to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(n) to hear any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code;

(o) to hear and determine any matters that may arise in connection with the Agency Order or any order of the Court with respect thereto; and

(p) to hear and determine any matters that may arise in connection with the Purchase Agreements or any order of the Court with respect thereto.

(q) to determine matters that may arise in connection with the Trust Agreement.

(r) to determine matters that may arise between the Class A Director and the Class B Director.

#### **P. Modification of Plan**

The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. Upon entry of the Confirmation Order, the Debtors may, upon order of the Court, amend or modify the Plan, in accordance with Bankruptcy Code section 1127(b), or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. Claimants that have accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim.

#### **Q. Revocation of Withdrawal**

The Plan may be revoked or withdrawn prior to the Confirmation Date by the Debtors. If the Plan is revoked or withdrawn prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by the Debtors or any other Entity or to prejudice in any manner the rights of the Debtors or any other Entity in any further proceedings involving the Debtors.

#### **R. Injunction**

Except as otherwise expressly provided in the Plan, all Entities who have held, hold or may hold Claims or Interests are permanently enjoined, from and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Interest against the Debtors, their estates, the Plan Administrator, the Trustee, the Trust, QSI (as reorganized), the Class A Director or the Class B Director; (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtors, their estates, the Plan Administrator, the Trustee, the Trust or QSI (as reorganized), the Class A Director or the Class B Director; (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors, their estates, the Plan Administrator, the Trustee, the Trust or QSI (as reorganized,) the Class A Director or the Class B Director or against the property or interests in property of the Debtors and (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors or against the property of the Debtors, their estates, the Plan Administrator, the Trustee, the Trust or QSI (as reorganized), the Class A Director or the Class B Director, with respect to any such Claim or Interest.

#### **S. Exculpation**

The Debtors, Plan Administrator, the Creditors' Committee, the Lenders, the Trustee, the Class A Director and the Class B Director and their respective members and Persons and Entities employed pursuant to Bankruptcy Code sections 327 and 1103 (acting in such capacity) shall neither have nor incur any liability to any Person or Entity for any act taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, administration, confirmation or consummation of the Plan, the Disclosure Statement or any contra, instrument, release or other agreement or document created or entered into in connection with the Plan or any other act taken or omitted to be taken in connection with the Chapter 11 Cases. From and after the Effective Date, the Trustee, the Debtors, the Plan Administrator, the Creditors' Committee, the Class A Director and the Class B Director and their respective employees and each of their professionals and representatives shall be exculpated and held harmless by each Debtor, the Trust and by all Entities, including, without limitation, Holders of Claims and other parties in interest, from any and all claims, causes of action and other assertions of liability arising out of the discharge of the powers and duties conferred upon the Debtors by the Plan or any order of the Court entered pursuant to or in furtherance of the Plan, or applicable law, except for actions or omissions to act arising out of gross negligence, recklessness, breach of fiduciary duty, fraud, or willful misconduct.

#### **T. Cancellation of Notes, Instruments, Debentures, and Equity Securities**

On the Effective Date, except to the extent provided otherwise in the plan, all notes, instruments, certificates and other documents evidencing Claims and all Equity Interests in any of the Debtors shall be canceled and deemed terminated, without any further act or action under any applicable agreement, law, regulations, order, or rule and the obligations of the Debtors under such documents shall be discharged. On the Effective Date, except to the extent provided otherwise in the Plan, any indenture relating to any of the foregoing, shall be deemed canceled as permitted by Bankruptcy Code section 1123(a)(5)(F).

#### **U. Post-Effective Date Fees and Expenses**

From and after the Effective Date, the Debtors shall, in the ordinary course of business and without the necessity for any approval by the Court, pay the reasonable professional fees and expenses incurred by the Debtors related to implementation and consummation of the Plan.

#### **V. Section 1146 Exception**

Pursuant to Bankruptcy Code section 1146(c), the issuance, transfer or exchange of any security under the Plan, or the making or delivery of an instrument of transfer under the Plan, may not be taxed under any law imposing a stamp tax or similar tax.

#### **W. Severability**

The provisions of the Plan shall not be severable unless such severance is agreed to by the Proponents and the Lenders and such severance would constitute a permissible modification of the Plan pursuant to Bankruptcy Code section 1127.

#### **X. Governing Law**

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent that an exhibit hereto provides otherwise, the rights, duties and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the Bankruptcy Code and, to the extent not inconsistent therewith, the laws of the state of New York without giving effect to principles of conflicts of laws.

#### **Y. Notices**

All notices, requests and demands to or upon the Debtors, the Trustee, the Creditors Committee or the Plan Administrator to be effective shall be in writing, including by facsimile transmission, and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered to all of the following or, in the case of notice by facsimile transmission, when received by all of the following and telephonically confirmed, addressed as follows or to such other addresses as filed with the Court.

To:

On behalf of the Debtors:

James H.M. Sprayregen  
Kirkland & Ellis  
200 East Randolph Drive  
Chicago, Illinois 60601  
Telephone: (312) 861-2000  
Telecopier: (312) 861-2200

Quality Stores, Inc.  
Tom Reinebach  
455 E. Ellis Road  
P.O. Box 3315  
Muskegon, MI 49443-3315  
Telephone: (231) 799-4416  
Telecopier: (231) 798-0134

On behalf of the Creditors Committee:

Robert S. Hertzberg  
Hertz, Schram & Saretsky, P.C.  
1760 South Telegraph Road, Suite 300  
Bloomfield Hills, MI 48302  
Telephone: (248) 335-5000  
Telecopier: (248) 335-3346

And

John K. Cunningham  
WHITE & CASE, LLP  
First Union Financial Center  
200 South Biscayne Boulevard  
Miami, FL 33131-2352  
Telephone: (305) 371-2700  
Telecopier: (305) 356-5744

On behalf of the Lenders:

Ben Feder  
Shearman & Sterling  
599 Lexington Avenue  
New York, NY 10022  
Telephone: (212) 848-4484  
Telecopier: (212) 848-7179

## **Z. Closing of Cases**

The Debtors shall, promptly upon the full administration of the Chapter 11 Cases, file with the Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Court.

## **AA. Section Headings**

The section headings contained in this Plan are for reference purposes only and shall not affect the meaning or interpretation of the Plan.

## **BB. Closing of Cases**

The Debtors shall, promptly upon the full administration of the Chapter 11 Cases, file with the Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Court.

## **CC. Section Headings**

The section headings contained in this Plan are for reference purposes only and shall not affect the meaning or interpretation of the Plan.

### **ARTICLE VII VOTING PROCEDURES AND REQUIREMENTS**

#### **Holders of Claims or Interests**

IT IS IMPORTANT THAT HOLDERS OF CLAIMS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. All known Holders of Claims entitled to vote on the Plan have been sent a Ballot together with this Disclosure Statement. Such Holders should read the Ballot carefully and follow the instructions contained therein. Please use only the Ballot (or Ballots) that accompanies this Disclosure Statement.

FOR YOUR VOTE TO COUNT, YOUR BALLOT MUST ACTUALLY BE RECEIVED BY THE BALLOTING AGENT (AS DEFINED BELOW), NO LATER THAN 5:00 P.M. EASTERN TIME ON \_\_\_\_\_, 2002. IF YOU MUST RETURN YOUR BALLOT TO YOUR BANK OR BROKER, OR THE AGENT OF EITHER, YOU MUST RETURN YOUR BALLOT TO THEM IN SUFFICIENT TIME FOR THEM TO PROCESS IT AND RETURN IT TO THE BALLOTING AGENT BY THE VOTING DEADLINE.

ANY BALLOT WHICH IS EXECUTED AND RETURNED BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DEEMED AN ACCEPTANCE OF THE PLAN. IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES OR IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT THE BALLOTING AGENT AT THE ADDRESS SPECIFIED BELOW:

Balloting Agent  
BANKRUPTCY MANAGEMENT CORPORATION  
P.O. Box 1042  
El Segundo, CA 90245-1042

If you wish to obtain an additional copy of the Plan, the Disclosure Statement, or any exhibits to such documents, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), please submit your request to Bankruptcy Management Corporation.

#### **A. Classes Entitled to Vote**

Subject to the provisions of the Disclosure Statement Order, any Holder of a Claim against the Debtors as of the Commencement Date in Class 1, Class 2 and Class 4 which Claim has not been disallowed by order of the Bankruptcy Court and is not disputed, is entitled to vote to accept or reject the Plan if (a) such Claim is impaired under the Plan and is not of a Class that is deemed to have accepted or rejected the Plan pursuant to Bankruptcy Code sections 1126(f) and (g) and (b) either (i) such Holder's Claim has been scheduled by the Debtors (and such Claim is not scheduled as disputed, contingent or unliquidated), or (ii) such Holder has filed a proof of claim on or before the Bar Date.

Any holder of an Interest in the Debtors is not entitled to vote to accept or reject the Plan because Class 5 is deemed to have rejected the Plan pursuant to Bankruptcy Code sections 1126(g).

Unless otherwise permitted in the Plan, the holder of any Disputed Claim is not entitled to vote with respect to such Disputed Claim, unless the Bankruptcy Court, upon application by such holder, temporarily allows such Disputed Claim for the limited purpose of voting to accept or reject the Plan. Any such application must be heard and determined by the Bankruptcy Court prior to the Confirmation Hearing. A vote on the Plan may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

## **B. Vote Required for Acceptance by Classes of Claims**

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by Holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class which actually cast ballots for acceptance or rejection of the Plan. Thus, acceptance by a Class of Claims occurs only if at least two-thirds in dollar amount and a majority in number of the Holders of such Claims voting cast their Ballots in favor of acceptance. A Class of Holders of Claims shall be deemed to accept the Plan in the event that no holder of a Claim within that Class submits a Ballot by the Ballot Date.

CREDITORS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE DISCLOSURE ORDER FOR A FULL UNDERSTANDING OF VOTING REQUIREMENTS, INCLUDING, WITHOUT LIMITATION, USE OF BALLOTS AND MASTER BALLOTS.

## **ARTICLE VIII CONFIRMATION OF THE PLAN**

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan.

### **A. Confirmation Hearing**

Bankruptcy Code section 1128(a) requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, the Confirmation Hearing has been scheduled for April \_\_, 2002, in the Courtroom of Bankruptcy Judge Gregg, United States Bankruptcy Court for the Western District of Michigan, 110 Michigan St. NW, Grand Rapids, Michigan. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing or any adjournment thereof.

Bankruptcy Code section 1128(b) provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be in writing, conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, set forth the name of the objecting party, the nature and amount of the Claim or Interest held or asserted by the objecting party against the Debtors' estates or property, the basis for the objection and the specific grounds therefor. The objection, together with proof of service thereof, must then be filed with the Bankruptcy Court, with a copy to chambers, and served upon (i) Kirkland & Ellis, Attorneys for the Debtors, 200 East Randolph Drive, Chicago, Illinois 60601, Attn: James H.M. Sprayregen, Esq.; (ii) Kirkland & Ellis, Attorneys for the Debtors, 153 E. 53<sup>rd</sup> St., New York, NY 10022, Attn: Matthew A. Cantor, Esq.; (iii) Shearman & Sterling, 599 Lexington Avenue, New York, NY 10022-6030, Attn: Benjamin Feder, Esq.; (iv) White & Case LLP, First Union Financial Center, 200 South Biscayne Boulevard, Suite 4900, Miami, Florida 33131, Attn: John K. Cunningham and (v) Hertz, Schram & Saretsky, P.C., 1760 South Telegraph Road, Suite 300, Bloomfield Hills, Michigan 48302, Attn: Robert S. Hertzberg.

Objections to confirmation of the Plan are governed by Federal Rule of Bankruptcy Procedure 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY AND PROPERLY SERVED AND FILED BY APRIL \_\_ 2002, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

## **B. Requirements for Confirmation of the Plan**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of Bankruptcy Code section 1129 are met. Among the requirements for confirmation are that the Plan (a) is accepted by all impaired Classes of Claims and Interests or, if rejected by an impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (b) is feasible, and (c) is in the "best interests" of holders of Claims and Interests impaired under the Plan.

### **1. Acceptance**

Claims in Class 1, 2 and 4 are impaired and the Holders of such Claims are entitled to vote on the Plan.

While interests in Class 5 is impaired, Holders of such Claims or Interests is deemed not to have accepted the Plan because they will receive de minimus or no distributions.

Claims in Class 3 are unimpaired by the Plan, and the Holders thereof are conclusively presumed to have accepted the Plan.

### **2. Fair and Equitable Test**

The Debtors will seek to confirm the Plan notwithstanding the nonacceptance or deemed nonacceptance of the Plan by any impaired Class of Claims. To obtain such confirmation, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such dissenting impaired Class. A plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class receives more than it is entitled to for its claims or interests. The Debtors believe that the Plan satisfies this requirement.

The Bankruptcy Code establishes different "fair and equitable" tests for secured claims, unsecured claims and interests, as follows:

(a) Secured Claims: Either the plan must provide (i) the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and each holder of a claim receives deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property; (ii) for the sale of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale; or (iii) for the realization by such Holders of the indubitable equivalent of such claims.

(b) Unsecured Claims: Either (i) each Holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the Holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

(c) Interests: Either (i) each interest holder will receive or retain under the plan property of a value equal to the greater of (y) the fixed liquidation preference or redemption price, if any, of such stock or (z) the value of the stock, or (ii) the Holders of interests that are junior to the stock will not receive any property under the plan.

THE DEBTORS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE DEBTORS WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF BANKRUPTCY CODE SECTION 1129(b) AS TO ANY NON-ACCEPTING CLASS.



### C. Feasibility.

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. The Plan contemplates that all assets of the Debtors will ultimately be disposed of and all proceeds of the assets will be distributed to the Creditors pursuant to the terms of the Plan. Since no further financial reorganization of the Debtors will be possible, the Debtors believe that the Plan meets the feasibility requirement. In addition, based upon the proceeds resulting from the Sale Transactions, the Debtors believe that sufficient funds will exist at confirmation to make all payments required by the Plan.

#### 1. "Best Interests" Test

With respect to each impaired Class of Claims and Interests, confirmation of the Plan requires that each such Holder either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

This analysis requires the Bankruptcy Court to determine what the Holders of Allowed Claims and Allowed Interests in each impaired class would receive from the liquidation of the Debtors' assets and properties in the context of chapter 7 liquidation cases. The cash amount which would be available for the satisfaction of Unsecured Claims and Interests of the Debtors would consist of the proceeds resulting from the disposition of the unencumbered assets of the Debtors, augmented by the unencumbered Cash held by the Debtors at the time of the commencement of the liquidation cases. Such cash amount would be reduced by the costs and expenses of the liquidation and by such additional administrative and priority claims that may result from the termination of the Debtors' business and the use of chapter 7 for the purposes of liquidation.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those payable to attorneys, investment bankers and other professionals that such a trustee may engage, plus any unpaid expenses incurred by the Debtors during the Chapter 11 Cases, such as compensation for attorneys, financial advisors, accountants and costs and expenses of members of any official committees that are allowed in the chapter 7 cases. In addition, claims could arise by reason of the breach or rejection of obligations incurred and executory contracts entered into or assumed by the Debtors during the pendency of the Chapter 11 Cases.

The foregoing types of Claims and such other claims which may arise in the liquidation cases or result from the pending Chapter 11 Cases would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition Claims.

To determine if the Plan is in the best interests of each impaired class, the value of the distributions from the proceeds of the liquidation of the Debtors' assets and properties (after subtracting the amounts attributable to the aforesaid claims) is then compared with the value offered to such classes of Claims and Interests under the Plan.

In applying the "best interests" test, it is possible that Claims and Interests in the chapter 7 cases may not be classified according to the seniority of such Claims and Interests. In the absence of a contrary determination by the Bankruptcy Court, all pre-chapter 11 Unsecured Claims which have the same rights upon liquidation would be treated as one class for the purposes of determining the potential distribution of the liquidation proceeds resulting from the chapter 7 cases of the Debtors. The distributions from the liquidation proceeds would be calculated on a pro rata basis according to the amount of the Claim held by each Creditor. Therefore, Creditors who claim to be third-party beneficiaries of any contractual subordination provisions might have to seek to enforce such contractual subordination provisions in the Bankruptcy Court or otherwise. The Debtors believe that the most likely outcome of liquidation proceedings under chapter 7 would be the application of the rule of absolute priority of distributions. Under that rule, no junior creditor receives any distribution until all senior creditors are paid in full with interest and no stockholder receives any distribution until all Creditors are paid in full with postpetition interest. **Consequently, the Debtors believe that pursuant to chapter 7 of the Bankruptcy Code, Holders of Claims in Class 3, Class 4 and Class 5 would receive no distributions.**

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including: (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee; (b) the substantial erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail; and (c) the substantial increases in claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Cases, the Debtors believe that confirmation of the Plan will provide each holder of an Allowed Claim with more than the amount it would receive pursuant to liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

## **ARTICLE IX FINANCIAL INFORMATION**

The Debtors have filed Statements of Financial Affairs and Schedules of Assets and Liabilities with the Bankruptcy Court as required by the Bankruptcy Code. As debtors in possession, the Debtors have filed and will continue to file monthly operating reports with the United States Trustee. This financial information may be examined in the Bankruptcy Court Clerk's Office. Also, attached hereto as Exhibit C is the Debtors' most current unaudited balance sheet.

## **ARTICLE X ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

If the Plan is not confirmed and consummated, the alternatives include (a) liquidation of the Debtors under chapter 7 of the Bankruptcy Code or (b) dismissal of the Cases.

### **A. Liquidation Under Chapter 7**

If no plan can be confirmed, the Cases may be converted to cases under chapter 7 of the Bankruptcy Code, in which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution to their creditors in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that conversion of the Cases to cases under chapter 7 of the Bankruptcy Code would result in diminished distributions to all creditors due to increased costs of administration and the resultant delay in distribution on account of any such conversion and no distribution to Holders of Priority Claims or General Unsecured Claims as discussed above.

### **B. Alternative Chapter 11 Plan**

If the Plan is not confirmed, the Debtors, the Committee, or any of the parties in interest could attempt to formulate a different Plan. The Debtors believe that the Plan described herein will provide the greatest and most expeditious return to creditors.

## **ARTICLE XI CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

The confirmation and execution of the Plan may have tax consequences to holders of Claims and Interests. The Debtors do not offer an opinion as to any federal, state, local, or other tax consequences to holders of Claims and Interests as a result of the confirmation of the Plan. All holders of Claims and Interests are urged to consult their own tax advisors with respect to the federal, state, local, and foreign tax consequences of the Plan. THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS LEGAL OR TAX ADVICE TO ANY CREDITOR.

**ARTICLE XII**  
**CONCLUSION AND RECOMMENDATION**

The Debtors believe that the Plan is in the best interests of all holders of Claims and Interests and urges the holders of impaired Claims in Classes 1, 2 and 4 to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be actually received on or before 5:00 p.m., Eastern Time, on \_\_\_\_\_, 2002.

Dated: Grand Rapids, MI  
February 7, 2002

Respectfully Submitted,

QSI HOLDINGS, INC.  
(f/k/a CT HOLDINGS, INC.)

/s/

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

QUALITY STORES, INC.  
(f/k/a CENTRAL TRACTOR FARM & COUNTRY, INC.)

/s/

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

COUNTRY GENERAL, INC.

/s/

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

F AND C HOLDING, INC.

/s/

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

FARMANDCOUNTRY.COM, LLC

/s/

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

QSI NEWCO, INC.

/s/

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

QSI TRANSPORTATION, INC.

/s/

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

QUALITY FARM & FLEET, INC.

/s/

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

By: \_\_\_\_\_ /s/ \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_ /s/ \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_ /s/ \_\_\_\_\_  
Its: \_\_\_\_\_

By: /s/

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**EXHIBIT A**

**JOINT CONSOLIDATED LIQUIDATING PLAN OF REORGANIZATION**

**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)
	)	

**JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE UNITED STATES  
BANKRUPTCY CODE**

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Co-Counsel for the Debtors and Debtors in Possession

Dated: February 7, 2002

---

<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.; FarmandCountry.com, LLC.; QSI Newco, Inc.; QSI Transportation, Inc.; Quality Farm & Fleet, Inc.; Quality Investments, Inc.; Quality Stores Services, Inc; and Vision Transportation, Inc.

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The above-captioned debtors and debtors in possession debtors, together with the Official Committee of Unsecured Creditors, respectfully propose the following Joint Plan of Reorganization (the "Plan") pursuant to chapter 11, title 11 of the United States Code, 11 U.S.C. §§ 101, et seq.

**ARTICLE I**  
**DEFINED TERMS, RULES OF INTERPRETATION,**  
**COMPUTATION OF TIME AND GOVERNING LAW**

**A. Rules of Interpretation, Computation of Time and Governing Law**

1. For purposes of the Plan: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and each pronoun, whether stated in the masculine, feminine or neuter gender, shall include the masculine, feminine and the neuter gender; (b) any reference in the Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference in the Plan to an existing document or exhibit filed, or to be filed, shall mean such document or exhibit, as it may have been or may be amended, modified or supplemented; (d) captions and headings to articles and sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (e) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (f) any term used in capitalized form in the Plan that is not defined herein but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

2. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

3. Except to the extent that the Bankruptcy Code or the Bankruptcy Rules are applicable, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the state in which the Bankruptcy Court resides, without giving effect to the principles of conflict of laws thereof.

**B. Defined Terms**

As used in the Plan, the following terms have the respective meanings specified below and equally applicable to the singular and plural of terms defined:

1. Administrative Claims Reserve Fund: Such amount of Cash as Debtors shall determine to be necessary to retain on the Effective Date in respect of unpaid Allowed Administrative Claims, Professional Fees, and the Success Fee or Transaction Fee that is Disputed for the purpose of paying such Disputed amounts as they become (if at all) Allowed. Such Administrative Claims Reserve Fund shall be equal to an amount not greater than \$\_\_\_\_\_ (which amount shall not exceed the sum of (i) expenses set forth in the Budget incurred but not paid as of the Effective Date and (ii) expenses set forth in the Budget from the Effective Date to entry of the Final Decree) and shall be funded from the Debtors' Assets. A portion of the Administrative Claims Reserve Fund in an amount not less than \$\_\_\_\_\_ and not greater than \$\_\_\_\_\_ shall be used exclusively for the payment of Professional Fees, plus fees and expenses (including reasonable attorney's fees and expenses) (i) of the Lenders, (ii) in an amount not to exceed \$150,000, incurred by the Informal Noteholders Committee of holders of senior note holders from the Relief Date through November 7, 2002, pursuant to the Global Settlement.

2. Administrative Claim: Any Claim constituting a cost or expense of administration of the Chapter 11 Cases asserted under Bankruptcy Code sections 503(b) and 507(a), including, without limitation, any actual and necessary costs and expenses of preserving the estates of the Debtors, any actual and necessary costs and expenses of operating the businesses of the Debtors in Possession, any indebtedness or obligations incurred or assumed by the Debtors in Possession in connection with the administration and implementation of the Plan, any

Claims for compensation and reimbursement of expenses arising during the period from and after the Involuntary Date and to the Effective Date or otherwise in accordance with the provisions of the Plan, and any fees or charges assessed against the Debtors' estates pursuant to 28 U.S.C. § 1930. Administrative Claims shall also include any Claim Allowed under the Reclamation Order, provided that such Claim is not secured by a lien.

3. Agency Agreement: The agreement, dated December 31, 2001, between and among the Debtors and the Joint Venture relating to the disposition of the Remaining Stores, as amended from time to time.

4. Agency Order: The Order (i) Approving Agency Agreement, Dated as of December 31, 2001, Between and Among the Debtors and the Joint Venture Formed by Tractor Supply Company, Great American Group, Gordon Brothers Retail Partners, LLC and DJM Asset Management, (ii) Authorizing and Approving the Disposition of the Debtors' Assets in the Remaining Stores and the Real Estate Interests Associated Therewith in the Manner Provided by the Agency Agreement and (iii) Granting Related Relief, entered by the Court on or about December 31, 2001.

5. Allowed: The term "allowed" means, with respect to any Claim, except as otherwise provided herein: (a) a Claim that has been scheduled by the Debtors in their Schedules as other than disputed, contingent or unliquidated and as to which the Debtors or other party in interest have not filed an objection by the Effective Date; (b) a Claim that either is not a Disputed Claim or has been allowed by a Final Order; (c) a Claim that is allowed: (i) in any stipulation with the Debtors of amount and nature of Claim executed prior to the Confirmation Date and approved by the Court; (ii) in any stipulation with the Debtors of amount and nature of Claim executed on or after the Confirmation Date and, to the extent necessary, approved by the Court; or (iii) in any contract, instrument, indenture or other agreement entered into or assumed by the Debtors in connection with the Plan; (d) a Claim relating to a rejected executory contract or unexpired lease that either (i) is not a Disputed Claim or (ii) has been allowed by a Final Order, in either case only if a proof of Claim has been Filed by the Bar Date or has otherwise been deemed timely Filed under applicable law; or (e) a Claim that is allowed pursuant to the terms of this Plan.

6. Allowed Claim/Allowed Interest: Any Claim against or Interest in the Debtors, (i) proof of which was filed on or before the date designated by the Court as the last date for filing proofs of Claim against or Interests in the Debtors, (ii) if no proof of Claim or Interest has been timely filed, which has been or hereafter is listed by the Debtors in their Schedules as liquidated in amount and not disputed or contingent or (iii) any Interest registered in the stock register or partnership documents maintained by or on behalf of the Debtors as of the Record Date and, in each such case in clauses (i), (ii) and (iii) above, a Claim or Interest as to which no objection to the allowance thereof has been interposed within the applicable period of limitation fixed by the Bankruptcy Code or the Bankruptcy Rules. For purposes of determining the amount of an Allowed Claim, there shall be deducted therefrom an amount equal to the amount of any claim which the Debtors may hold against the holder thereof, to the extent such claim may be set off pursuant to Bankruptcy Code section 553.

7. Assets: Any and all real or personal property of any nature, including, without limitation, any real estate, buildings, structures, improvements, privileges, rights, easements, leases, subleases, licenses, goods, materials, supplies, furniture, fixtures, equipment, work in process, accounts, chattel paper, cash, deposit accounts, reserves, deposits, contractual rights, intellectual property rights, claims, causes of action and any other general intangibles of Debtors, as the case may be, of any nature whatsoever, including, without limitation, the property of the estate pursuant to Bankruptcy Code section 541.

8. Auction: The auction held on December 27, 2001 for the sale of substantially all of the Debtors' Assets in the Remaining Stores.

9. Bankruptcy Code: Title 11 of the United States Code, as applicable to the Chapter 11 Cases.

10. Bankruptcy Rules: The Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Chapter 11 cases, promulgated by the United States Supreme Court under 28 U.S.C. § 2075 and any Local Rules of the Court.

11. Bar Date: April 2, 2002.
12. Budget: The budget annexed to the Final Cash Collateral Order, which sets forth the expenses of the wind-down of the Debtors from and after the date of approval of the Global Settlement through the Effective Date and after the Effective Date through entry of the Final Decree, and which is incorporated in its entirety by reference in this Plan.
13. Cash: Cash and cash equivalents, including, but not limited to, bank deposits, wire transfers, checks, and readily marketable securities, instruments and obligations of the United States of America or instrumentalities thereof.
14. Causes of Action: All actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages or judgments arising under any theory of law or equity, including, without limitation, the Bankruptcy Code.
15. Chapter 11 Cases: The cases under chapter 11 of the Bankruptcy Code, commenced by Debtors in the Court.
16. Claim: Any right to payment from the Debtors, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, known or unknown; or any right to an equitable remedy for breach of performance if such breach gives rise to a right of payment from the Debtors, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.
17. Class: A category of Holders of Claims or Equity Interests as set forth in Article IV of the Plan.
18. Class A Director: The director of QSI selected by the Lenders to represent Class A Stock.
19. Class A Stock: The Class A Common Stock of QSI to be issued to the Trust on the Effective Date.
20. Class B Director: The director of QSI Selected by the Creditors' Committee to represent the Class B Stock.
21. Class B Stock: The Class B Common Stock of QSI to be issued to the Trust on the Effective Date.
22. Closed Stores: Those stores, other than the Remaining Stores, that were liquidated or were in the process of being liquidated by either Hilco Merchant Resources, LLC, Gordon Brothers Retail Partners, LLC (the Debtors' liquidators), or by the Debtors.
23. Confirmation Date: The date upon which the Confirmation Order is entered by the Court in its docket, within the meaning of Bankruptcy Rules 5003 and 9021.
24. Confirmation Order: The order of the Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.
25. Consummation: The occurrence of the Effective Date.
26. Court: The United States Bankruptcy Court for the Western District of Michigan.

27. Creditors' Committee: The Official Committee of Unsecured Creditors appointed in these cases pursuant to Bankruptcy Code section 1102 on or about November 7, 2002.

28. Debtors or Debtors in Possession: 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.

29. Disclosure Statement: The disclosure statement for the Plan, filed concurrently herewith, and approved by the Court as containing adequate information on or about March \_\_, 2002.

30. Disputed: Any Claim or Equity Interest: (a) listed on the Schedules as unliquidated, disputed or contingent; or (b) as to which Debtors or any other party in interest have interposed a timely objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules or is otherwise disputed by Debtors in accordance with applicable law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order, or (c) unless otherwise indicated in the Plan, a Claim as to which the period within which to object to such Claim has not yet expired.

31. Distribution: The Cash or Assets to be distributed to Holders of Allowed Claims or Equity Interests under the terms of the Plan.

32. Distribution Date: Any date on which the Debtors make a Distribution pursuant to this Plan. The first distribution date shall be the Effective Date, or as soon thereafter as practicable as determined by the Debtors. Any subsequent Distributions will be set by the Debtors with the unanimous consent of the Class A Director and Class B Director, provided; however, that the Debtors shall be required to make a Distribution of all remaining Net Distributable Proceeds upon completion of the duties set forth in Article VII.B of this Plan.

33. Effective Date: The date selected by the Proponents and the Lenders on which: (a) no stay of the Confirmation Order is in effect, and (b) all conditions specified in both Article XIII of the Plan have been (i) satisfied or (ii) waived pursuant to Article XIII.

34. Effective Date Distributions: Subject to the Budget, those Distributions payable on the Effective Date from the Gross Proceeds for (i) Allowed Administrative Claims, (ii) Other Secured Claims, and (iii) Priority Claims.

35. Entity: An entity as defined in Bankruptcy Code section 101(15).

36. Equity Interests: Any equity interest in Debtors, including, but not limited to, all issued, unissued, authorized or outstanding shares or stock, together with any warrants, options or contract rights to purchase or acquire such interests at any time.

37. Final Decree: The decree contemplated under Bankruptcy Rule 3022.

38. Final Cash Collateral Order: The Final Order Authorizing Use of Cash Collateral and Granting Adequate Protection Pursuant to Bankruptcy Code Sections 361, 362(d), and 363, entered by the Court on February \_\_, 2002.

39. Final Order: An order or judgment of the Bankruptcy Court, or other court of competent jurisdiction with respect to the subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

40. Gap Claim: A Claim arising pursuant to section 502(f) of the Bankruptcy Code.

41. Unsecured Claim: Any unsecured claim that is not entitled to priority under section 507(a) of the Bankruptcy Code and is not a Secured Claim.

42. Global Settlement: The Stipulation of Settlement and Agreed Order Pursuant to Sections 105 and 363 of the United States Bankruptcy Code and Rule 9019 of the Federal Rules of Bankruptcy Procedure Among the Debtors, the Creditors' Committee, and the Lenders, approved by the Court on February \_\_, 2002.

43. Gross Proceeds: Gross Proceeds shall mean: (i) the total proceeds from the sale or disposition of the Debtors' Assets in the possession of the Debtors as of the Effective Date, (ii) all Cash or cash equivalents in the possession of the Debtors as of the Effective Date, (iii) all collectible accounts receivable, (iv) all collectible deposits, rebates, tax refunds, escrow accounts, or other similar security accounts to which the debtor is reasonably entitled to a Distribution, (v) insurance proceeds, (vi) any proceeds from the disposition of the Remaining Assets after the Effective Date, and (vii) all adequate protection payments made to the Lenders under the Global Settlement; provided, however, that Gross Proceeds excludes Rights of Action Recovery.

44. Holder: An Entity holding an Equity Interest or Claim.

45. Impaired: A Claim or Class of Claims that is impaired within the meaning of Bankruptcy Code section 1124.

46. Informal Noteholders Committee: The informal committee of the holders of QSI's Senior Notes formed on or about October, 2001.

47. Interest: Any ownership in any Debtor, including, but not limited to, an interest in any issued, unissued authorized or outstanding shares or stock and other Equity Interest together with any warrants, options or contractual rights to purchase or acquire such interest at any time and all rights arising with respect thereto.

48. Intercompany Claims: Any Claim held by any of the Debtors against any other Debtor.

49. Involuntary Date: The date the Involuntary Petition was filed against QSI on October 20, 2001.

50. Involuntary Petition: The involuntary petition filed against QSI on October 20, 2001 by the Petitioning Creditors.

51. Joint Venture: The joint venture formed by Tractor Supply Company, Great American Group, Gordon Brothers Retail Partners, LLC, and DJM Asset Management in connection with the Agency Agreement.

52. Lenders: The lender and financial institution parties (and any of their successors or assigns) to the Second Amended and Restated Credit Agreement, dated as of May 7, 1999, including Fleet National Bank, as Administrative Agent, Nationsbank, N.A., as Syndication Agent, DLJ Capital Funding, Inc., as Documentation Agent, U.S. Bank National Association, First Union National Bank, and The Huntington National Bank, as Co-Agents.

53. Lien: Any charge against or interest in property to secure payment or performance of a claim, debt, or obligation.

54. Net Distributable Proceeds: The Gross Proceeds less the amounts set forth in (i) the Budget (but solely to the extent such funds are expended by Debtors or Debtors in accordance with the Budget prior to the entry of the Final Decree); and (ii) Administrative Claims accrued but unpaid as of the date of entry of the Final Cash Collateral Order and payable pursuant to paragraph 1 thereof.

55. Other Secured Claims: Those secured Claims other than the Lenders' secured Claims as of the Relief Date.

56. Petitioning Creditors: Century Funding Ltd., Century Funding Corp., Triton CBO III Limited, Triton CBO IV Limited and Pacholder High Yield Fund, Inc.

57. Plan Administrator: The person selected by the committee to prosecute Rights of Action on behalf of the Debtors for the benefit of Holders of Allowed Unsecured Claims.

58. Pre-Petition Credit Agreement: That certain Second Amended and Restated Credit Agreement, dated as of May 7, 1999 (as amended from time to time) among QSI and the Lenders.

59. Priority Claims: Those claims afforded priority under Bankruptcy Code section 507(a) and 502(f).

60. Professionals: An Entity (a) employed pursuant to a Final Order in accordance with Sections 327 and 1103 of the Bankruptcy Code and to be compensated for services rendered prior to the Effective Date, pursuant to Bankruptcy Code sections 327, 328, 329, 330 and 331, or (b) for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to Bankruptcy Code section 503(b)(4).

61. Professional Fees: Those fees and expenses claimed by Professionals retained through a Court order under Bankruptcy Code sections 330, 331 and/or 503, and unpaid as of the Effective Date.

62. QSI: Quality Stores, Inc., a Delaware Corporation.

63. Reclamation Order: The Order Under 11 U.S.C. §§ 105(a), 503(b), 546(c)(2) and 546(g), (A) Establishing Procedure for Treatment of Valid Reclamation Claims and (B) Prohibiting Third Parties from Interfering with Delivery of Debtors' Goods, entered by the Court on or about December 20, 2001.

64. Released Claims: Those Causes of Action or Claims of the Debtors that were specifically waived and released in favor of the Lenders, the Informal Noteholders Committee and the Petitioning Creditors under the Global Settlement.

65. Relief Date: The date on which QSI answered the Involuntary Petition and consented to the entry of an order for relief, and the remaining Debtors commenced voluntary chapter 11 cases before this Court, or November 1, 2001.

66. Remaining Assets: The Debtors' Assets on the Effective Date other than Rights of Action.

67. Remaining Stores: Those stores for which the Debtors obtained Court authority to conduct store closing sales after the Relief Date, and that were the subject of the Motion Pursuant to Sections 363(b) and 363(f) of the Bankruptcy Code and Rule 6004 of the Federal Rules of Bankruptcy Procedure for an Order (A) Approving a Consulting Agreement with a Consultant to be Selected by the Debtors, (B) Authorizing the Consultant to Conduct Store Closing Sales, and (C) Authorizing the Sale of Certain of the Debtors' Assets Free and Clear of Liens and Other Interests.

68. Rights of Action: With respect to each Debtor, any causes of action of the Debtors arising under Chapter 5 of the Bankruptcy Code, except for the Released Claims.

69. Rights of Action Funding: \$1,322,600 to be used to fund prosecution of the Rights of Action or otherwise distributed to Holders of Allowed Unsecured Claims.

70. Rights of Action Recovery: Any Cash recovery from the Rights of Action less those costs and expenses of the Plan Administrator (including those incurred by professionals retained by the Plan Administrator) relating to the prosecution of the Rights of Actions in excess of the Rights of Action Funding, that shall be payable to Holders of Unsecured Claims pursuant to the Global Settlement and Plan.

71. Schedules: The Debtors' schedules of assets and liabilities, statement of financial affairs, and such other schedules filed with the Court on December 7, 2001 by the Debtors in accordance with Bankruptcy Code section 521, the Official Bankruptcy Forms, and the Bankruptcy Rules.

72. Secured Claim: A Claim against the Debtors that is secured by a Lien on the Debtors' property or that is subject to setoff under Bankruptcy Code section 553, to the extent of the value of the Debtors' property or to the extent of the amount subject to setoff as applicable, as determined in accordance with Bankruptcy Code section 506(a).

73. Trust: The trust to be established on the Effective Date, pursuant to an agreement in form reasonably acceptable to the Creditors' Committee and the Debtors, which will hold the New Common Stock.

74. Trust Agreement: The trust agreement, substantially in the form attached as Exhibit \_\_ to the Plan, that documents the powers, duties and responsibilities of the Trustee and the Plan Administrator.

75. Trustee: The person to be appointed jointly by the Proponents and the Lenders to administer the Trust.

76. Unsecured Claim: Any Claim that is not entitled to priority under section 507(a) of the Bankruptcy Code.

77. Unsecured Disputed Claims Reserve: The amount of the Unsecured Set Aside to be placed in a reserve account, as determined by the Debtors (with approval of the Class B Director) before any Distribution for Unsecured Creditors in order to ensure that Disputed Unsecured Claims receive their ratable share of Distribution if such Claims ultimately become Allowed.

78. Unsecured Set Aside: The Cash to be distributed to Unsecured Creditors under the Plan, in accordance with the terms of the Global Settlement, equal to the sum of the following amounts:

- a. First, 6.5% of Net Distributable Proceeds up to \$126 million; plus
- b. Second, if Net Distributable Proceeds exceed \$126 million,
  - (i) 15% of Net Distributable Proceeds in excess of \$126 million and up to \$136 million;
  - (ii) 10% Net Distributable Proceeds between \$136 million and \$146 million;
  - (iii) 5% of Net Distributable Proceeds between \$146 million and \$156 million

79. UST: The United States Trustee for the Western District of Michigan.

80. Other Definitions: Unless the context otherwise requires, any capitalized term used and not defined herein or elsewhere in the Plan but that is defined in the Bankruptcy Code shall have the meaning assigned to that term in the Bankruptcy Code. Unless otherwise specified, all section, schedule or exhibit references in the Plan are to the respective section in, article of, or schedule or exhibit to, the Plan, as the same may be amended, waived, or modified from time to time. The words "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained in the Plan.

**ARTICLE II**  
**SUBSTANTIVE CONSOLIDATION OF DEBTORS;**  
**CANCELLATION OF INTERCOMPANY CLAIMS**

**A. Substantive Consolidation**

On the Effective Date, the Chapter 11 Cases and the Debtors and their estates shall be deemed to be substantively consolidated for voting and distribution purposes under the Plan only. The assets and liabilities of the Debtors shall be pooled and all Claims shall be satisfied from the assets of a single consolidated estate. Any Claims against one or more of the Debtors based upon a guaranty, indemnity, co-signature, surety or otherwise, of Claims against another Debtor shall be treated as a single Claim against the consolidated estate of the Debtors and shall be entitled to Distributions under the Plan only with respect to such single Claim.

**B. Cancellation of Intercompany Claims**

On the Effective Date, all Intercompany Claims shall be extinguished.

**ARTICLE III**  
**ADMINISTRATIVE CLAIMS AND PROFESSIONAL FEES**

**A. Introduction**

Certain types of Claims are not placed into voting Classes; instead they are unclassified. They are not considered Impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such, Debtors have not placed the following Claims in a Class.

**B. Administrative Claims**

On or before the Effective Date, the Debtors (in accordance with the Budget) shall pay in full the amount of Allowed Administrative Claims as of such date from the Debtors' Gross Proceeds. With respect to all Administrative Claims not paid on the Effective Date, after funding of the Administrative Claims Reserve Fund, the Debtors shall pay each Holder of an Allowed Administrative Claim (except for Professional Fees to the extent that their treatment, which is set forth below, differs) in full in the amount of the Allowed Administrative Claim, without interest, in Cash. The Holder of an Allowed Administrative Claim may be paid on such other date and upon such other terms as may be agreed upon by that Holder of an Allowed Administrative Claim and the respective Debtor.

Notwithstanding any provision in the Plan regarding payment of Administrative Claims to the contrary, and without waiver of any argument available that such Claim is already time-barred by prior orders of the Court, all Holders of Administrative Claims that have not been paid as of the Effective Date, must file a request for payment of Administrative Claims with the Court and serve the same on Debtors' counsel, Creditors' Committee counsel, Lenders' counsel, and the UST such that it is received no later than forty-five (45) days after the Effective Date, or such Claim shall be forever barred and shall not be enforceable against Debtors, their successors, their assigns or their property; provided, however, that the foregoing shall not apply to the Professional Fee Claims. An objection to an Administrative Claim filed pursuant to this provision must be filed within ninety (90) days from the date such Administrative Claim is filed and properly served.

Subject to the provisions of this Plan and within the confines of the Budget, all reasonable fees for services rendered in connection with the Chapter 11 Cases and the Plan after the Effective Date, including those relating to the resolution of pending Claims, shall be paid by the Debtors after the submission of a monthly fee statement with service on the Debtors' Counsel, Creditors' Committee counsel, Lenders' counsel, and the UST, provided that no objections are received within ten (10) days of service. If no objections are received, the Debtors shall be authorized to pay such amounts requested without further Court authorization. If objections are received and such objections are not capable of being resolved between the parties in a timely manner, the Court shall reserve jurisdiction to resolve such disputes.



**C. Statutory Fees**

Without limiting the foregoing, all fees payable under 28 U.S.C. § 1930 that have not been paid, shall be paid on or before the Effective Date. Payments after the Effective Date shall be made as required by statute and shall be paid by the Debtors from the Budget.

**D. Professional Fees**

The Debtors shall pay Professionals who are entitled to allowance of fees and reimbursement of expenses from the Debtors as of the Effective Date from the Debtors' Gross Proceeds.

The Court must rule on each Professional's Fees before the fees will be paid. For all Professional Fees, the Professional in question must file and serve a properly noticed fee application and the Court must rule on the application. Only the amount of fees allowed by the Court will be owed and required to be paid under the Plan; provided that nothing herein shall be deemed a waiver by the Professionals of the unpaid portions of their Allowed but unpaid Professional Fee Claims.

Except as otherwise provided by Court order for a specific Professional, Professionals or other entities requesting compensation or reimbursement of expenses pursuant to Bankruptcy Code sections 327, 328, 330, 331, 503(b) and 1103 for services rendered prior to the Effective Date must file and serve pursuant to the notice provisions of the Interim Fee Order and the Bankruptcy Code, an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Court. Holders of Administrative Claims (including, without limitation, Professionals) requesting compensation or reimbursement of expenses that do not file such requests by the applicable bar date shall be forever barred from asserting such claims against Debtors or their successors, their assigns or their property. Any objection to Professional Fee Claims shall be filed on or before the date specified in the application for final compensation.

**ARTICLE IV**

**CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS**

**A. Summary**

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including voting, Confirmation and Distribution pursuant to the Plan and pursuant to Bankruptcy Code sections 1122 and 1123(a)(1). A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

For purposes of this Plan, the Lenders' Claims shall be deemed Allowed Claims, provided that the Lenders have agreed to waive any right to seek a Distribution on account of such Claims under any Class other than Class 1 of this Plan in accordance with the Global Settlement.

The classification of Claims and Equity Interests against the Debtors pursuant to the Plan is as follows:

Class	Claim	Status	Voting Rights
Class 1	Lenders' Claims	Impaired	Entitled to vote
Class 2	Other Secured Claims	Impaired	Entitled to vote
Class 3	Priority Claims	Unimpaired	Not entitled to vote
Class 4	Unsecured Claims	Impaired	Entitled to vote
Class 5	Equity Interests	Impaired	Not entitled to vote (deemed to have rejected)

**B. Class 1 – Lenders' Claims**

1. Classification: Class 1 consists of the Lenders' Claims against the Debtors.
2. Treatment: Unless the Holder of a Class 1 Claim agrees to a different treatment, each Holder of an Allowed Class 1 Claim shall receive on the Effective Date, and on each subsequent Distribution Date, Cash equal to its ratable share of an amount equal to the difference between the Net Distributable Proceeds then available for Distribution on each such Distribution Date and the Unsecured Set Aside as applied to such Net Distributable Proceeds.
3. Voting: Class 1 is an Impaired Class and Holders of Class 1 Claims are entitled to vote to accept or reject the Plan.

**C. Class 2 – Other Secured Claims**

1. Classification: Class 2 consists of Secured Claims against the Debtors other than those Class 1 Secured Claims.
2. Treatment: Unless the Holder of a Class 2 Claim agrees to a different treatment, each Holder of an Allowed Class 2 Claim shall receive on the Effective Date, and on each subsequent Distribution Date (if and to the extent applicable), all proceeds from the sale, liquidation, or abandonment of any Asset on account of which the Holder has a Lien or security interest (but solely to the extent that such Lien or security interest as of the Relief Date is senior in priority to any lien or security interest of the Lenders on the same Asset), from the Debtors' Gross Proceeds, as full and complete satisfaction of all Class 2 Claims.
3. Voting: Class 2 is an Impaired Class and Holders of Class 2 Claims are entitled to vote to accept or reject the Plan.

**D. Class 3 – Priority Claims**

1. Classification: Class 3 consists of holders of Priority Claims specified under Bankruptcy Code section 507(a) and 502(f), including but not limited to priority tax Claims and priority wage Claims.

2. Treatment: The Bankruptcy Code requires that each Holder of such an Allowed Priority Claim receive the present value of such Claim. On the Effective Date, each holder of an Allowed Priority Class 3 Claim shall be entitled to receive Cash equal to the full amount of such Allowed Priority Claim from the Debtors' Gross Proceeds.

3. Voting: Class 3 is an Unimpaired Class and Holders of Class 3 Claims are not entitled to vote to accept or reject the Plan.

**E. Class 4 – Unsecured Claims**

1. Classification: Class 4 consists of the Unsecured Claims.

2. Treatment: Unless the Holder of a Class 4 Claim agrees to a different treatment, each Holder of an Allowed Class 4 Claim shall receive, on such Distribution Dates that the Debtors (with the consent of the Class B Director) shall set, Cash equal to its ratable share of the Unsecured Set Aside available for Distribution on each such Distribution Date and the Rights of Action Recovery available for Distribution on each such Distribution Date.

3. Voting: Class 4 Claim Holders are expected to receive a Distribution under the Plan. Class 4 Claim Holders are entitled to vote to accept or reject the Plan.

**F. Class 5 – Equity Interests**

1. Classification: Class 5 consists of all Equity Interests in the Debtors.

2. Treatment: The Debtors' Assets and the sale of any Remaining Assets will not be sufficient to pay Class 1, Class 2, and Class 4 Claim Holders in full. The Equity Interests of QSI shall be cancelled on the Effective Date of the Plan and Holders of such Equity Interests should not receive or retain any property or Distributions under the Plan. As 100% Holder of the Equity Interests of its direct and indirect subsidiaries, QSI and/or the Debtors shall retain such Equity Interests. All other Equity Interests shall be cancelled on the Effective Date.

3. Voting: Class 5 Equity Interests will receive no Distribution under the Plan and are, therefore, deemed to have rejected the Plan. Accordingly, Class 5 Equity Interests are not entitled to vote.

**ARTICLE V  
ACCEPTANCE OR REJECTION OF PLAN**

**A. Voting Classes**

Each Holder of a Claim in Classes 1, 2 and 4 shall be entitled to vote separately to accept or reject the Plan. Only those votes cast by Holders of Allowed Claims and Equity Interests shall be counted in determining whether acceptances have been received sufficient in number and amount to obtain confirmation. Class 5 is conclusively deemed to have rejected the Plan and is not entitled to vote.

**B. Acceptance by Class of Creditors and Holders of Interests**

Under the Bankruptcy Code, an impaired Class of Holders of Claims shall have accepted the Plan if the Plan is accepted by at least two-thirds ( $\frac{2}{3}$ ) in dollar amount and more than one-half ( $\frac{1}{2}$ ) in number of the Allowed Claims of such Class that have voted to accept or reject the Plan.

**C. Cramdown**

Bankruptcy Code section 1129 requires that all impaired Classes of Claims and Interests accept the Plan. Because Class 5, which is impaired, is deemed to have rejected the Plan, in order for the Plan to be confirmed, the Debtors will request that the Court confirm the Plan in accordance with Bankruptcy Code section 1129(b) or the “cram down” provisions.

**ARTICLE VI  
EFFECT OF CONFIRMATION**

**A. Vesting of Cash and Assets in the Debtors**

Except to the extent otherwise provided in the Plan or restricted by prior order of the Court, on the Effective Date, all Cash and Assets of the Estates shall be transferred to and vest in Debtors free of any Claims, Liens and Equity Interests, to be managed and used for the sole purposes of achieving Consummation and carrying out the Plan and effectuating the Distributions provided for in the Plan.

**B. Authority to Effectuate Plan**

Upon the entry of the Confirmation Order by the Court, all matters provided under the Plan shall be deemed to be authorized and approved without further approval from the Court. The Debtors’ charters and by-laws may be modified and amended, such that the provisions of this Plan can be effectuated. The Debtors shall be authorized, without further application to or order of the Court, to take whatever action is necessary to achieve Consummation and carry out the Plan and to effectuate the Distributions provided for thereunder. Subject to the unanimous consent of the Class A Director and Class B Director, which shall not be unreasonably withheld, the Debtors are expressly authorized to sell or dispose of any and all Remaining Assets without further order of the Court.

**C. Dissolution of the Debtors and Board**

Upon the Effective Date, the existing Board of Directors of each Debtor shall be dismissed. Upon entry of a Final Decree closing these Chapter 11 Cases, the Debtors shall be deemed dissolved without any further action required on the part of the Debtors, the shareholders of Debtors, or the Class A Director and the Class B Director of Debtors. Post-Confirmation Status Report

**D. Status Reports**

Within 120 days of the entry of the Effective Date, the Debtors shall file a status report with the Court explaining what progress has been made toward entry of the Final Decree. The status report shall be served on the UST, and those parties who have requested special notice post-confirmation. Further status reports shall be filed every 120 days and served on the same entities.

**E. Escrows**

All escrows previously established in the Chapter 11 Cases and still in existence on the Effective Date shall continue in effect, be administered, and the escrowed funds released, according to their terms and any orders of the Court previously entered. Escrowed funds that are released to Debtors after the Effective Date shall be used to achieve Consummation and carry out the Plan.

**F. Binding Effect**

Except as otherwise expressly provided in the Plan, on and after the Effective Date, the Plan and all exhibits thereto shall bind the Creditors’ Committee, and all Holders of Claims and Equity Interests.

**G. Corporate Action**

Each of the matters provided for under the Plan involving the corporate structure of any Debtor or corporate action to be taken or required by the Debtor shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement of further action by stockholders or directors of any of the Debtors.

**H. Agency Agreement**

The Agency Agreement and Agency Order previously entered by this Court shall be in full force and effect and shall not be modified by the Plan, unless expressly provided for herein.

**ARTICLE VII  
IMPLEMENTATION OF THE PLAN**

**A. Funding of Plan**

The source of funds to achieve entry of the Final Decree and to carry out the Plan shall be (i) the Gross Proceeds and (ii) the Rights of Action Recovery.

**B. Organization of QSI**

On the Effective Date, the Equity Interests of QSI will be cancelled. Two classes of stock will be issued to the Trust: Class A Common Stock and Class B Common Stock. The Lenders will select the Class A Director and the Creditors' Committee will select the Class B Director. The Debtors will reimburse the Class A Director and the Class B Director for their reasonable costs and expenses in connection with their duties as director.

**C. Duties of the Debtors**

The Debtors shall liquidate, diligently and for the highest value reasonably possible, or abandon the Remaining Assets. Subject to the unanimous consent of the Class A Director and the Class B Director, the Debtors may liquidate or abandon any Remaining Assets of the Estates based on Debtors' business judgment, without the need for further order of the Court. The Debtors will also perform all functions necessary to effectuate Consummation of the Plan and obtain a Final Decree, including those duties and tasks relating to wind-down of operations and other tasks not specifically designated for the Plan Administrator.

**D. Rights of the Debtors**

In order to carry out their duties under the Plan, the Debtors, in addition to their other rights under the Plan, shall have the right, but not the obligation, (a) to retain and compensate professionals and other persons to assist the Debtors in the liquidation of Debtors' Assets, and (b) to employ such other procedures, not inconsistent with the Plan, necessary for the Debtors to perform their duties under the Plan.

**E. Distribution to Creditors**

The Debtors will make Distributions to all Allowed Claim Holders in accordance with the terms of this Plan.

## **ARTICLE VIII TRUST AND RIGHTS OF ACTION**

### **A. Creation of Trust**

On the Effective Date, the Trust shall be formed and constituted. The Trustee shall be selected jointly by the Proponents and the Lenders to administer the Trust in accordance with the Trust Agreement.

The Trustee shall be compensated as set forth in the Trust Agreement. The Trustee shall not be required to file a fee application to receive compensation.

### **B. Plan Administrator**

In accordance with the Plan, the Plan Administrator shall represent each Debtor for purposes of prosecuting the Rights of Action.

Except as otherwise set forth in the Plan, the Plan Administrator may, but shall not be required to, set-off against any Claim and the Distributions to be made pursuant to the Plan in respect of such Claim, any Rights of Action the Estates may have against the holder of the Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Plan Administrator of any such Rights of Action, set-off or recoupment which the Debtors may have against such Holder.

### **C. The Rights of Action**

With the consent of the Class B Director, the Plan Administrator may pursue or decline to pursue the Rights of Action, as appropriate, in the Plan Administrator's business judgment, subject to the provisions of the Plan. With the consent of the Class B Director, the Plan Administrator may settle, release, sell, assign, otherwise transfer or compromise such Rights of Action, in the Plan Administrator's business judgment, subject to the provisions of the Plan without Court approval.

The Plan Administrator shall pay its expenses, including professional fees, with respect to prosecution of the Rights of Action, first from the Rights of Action Funding, and second, to the extent that expenses surpass the amount of the Rights of Action Funding, from the proceeds of any Rights of Action that are recovered by the Plan Administrator. Expenses of the Plan Administrator will not be paid from Gross Proceeds.

With the consent of the Class B Director, the Plan Administrator shall have the right to retain the services of attorneys, accountants, and other agents in the discretion of the Plan Administrator to assist and advise the Plan Administrator in the performance of his/her duties with respect to the Rights of Action.

## **ARTICLE IX DEBTORS' RETAINED CAUSES OF ACTION**

### **A. Maintenance of Causes of Action**

Except as otherwise provided in the Plan, the Global Settlement, or the Agency Order and except for the Rights of Action which shall be transferred to and vest in the Plan Administrator, the Debtors retain all rights on behalf of the Debtors to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Relief Date, in any court or other tribunal including, without limitation, in an adversary proceeding filed in one or more of the Debtors' Bankruptcy Cases.

Except as otherwise provided in the Plan, the Global Settlement, or the Agency Order and except for the Rights of Action, in accordance with section 1123(b)(3) of the Bankruptcy Code, any claims, rights, and Causes of Action that the respective Debtors may hold against any Entity including shall vest in the Debtors. The applicable Debtor, through their authorized agents or representatives, shall retain and may exclusively enforce any and all such

claims, rights or Causes of Action. With the unanimous consent of the Class A Director and the Class B Director, the Debtors shall have the exclusive right, authority, and discretion to institute, prosecute, abandon, settle, or compromise any and all such claims, rights, and Causes of Action without the consent or approval of any third party and without any further order of court.

**B. Preservation of All Causes of Action Not Expressly Settled or Released**

Unless a claim or Cause of Action against a Creditor or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order, the Debtors expressly reserve such claim or Cause of Action for later adjudication by the Debtors (including, without limitation, claims and Causes of Action not specifically identified or which Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to Debtors at this time or facts or circumstances which may change or be different from those which Debtors now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such claims or Causes of Action upon or after the confirmation or consummation of the Plan based on the Disclosure Statement, the Plan or the Confirmation Order, except where such claims or Causes of Action have been released in the Plan or other Final Order. In addition, the Debtors and the successor entities under the Plan expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which the Debtors are a defendant or an interested party, against any person or entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits.

Any Entity to whom Debtors have incurred an obligation (whether on account of services, purchase or sale of goods or otherwise), or who has received services from Debtors or a transfer of money or property of Debtors, or who has transacted business with Debtors, or leased equipment or property from Debtors should assume that such obligation, transfer, or transaction may be reviewed by the Debtors subsequent to the Effective Date and may, if appropriate, be the subject of an action after the Effective Date, whether or not (i) such Entity has filed a proof of claim against Debtors in this Bankruptcy Case; (ii) such Entity's proof of claim has been objected to; (iii) such Entity's Claim was included in Debtors' Schedules; or (iv) such Entity's scheduled claim has been objected to by the Debtors or has been identified by the Debtors as disputed, contingent, or unliquidated.

**ARTICLE X  
PROVISIONS REGARDING DISTRIBUTIONS**

**A. Claims Allowed As of the Effective Date**

Except as otherwise provided in the Plan, or as may be ordered by the Court, for those Claims that are Allowed as of the Effective Date and are entitled to receive Distributions under the Plan, distribution shall be made on the Effective Date (or as soon thereafter as is practicable) by the Debtors. Distributions on account of Claims that become Allowed after the Effective Date shall be made pursuant to the provisions of the Plan.

**B. Unsecured Disputed Claims Reserve**

The Debtors shall maintain, in accordance with the Debtor's powers and responsibilities under Plan, the Unsecured Disputed Claims Reserve. The Distribution to a Disputed Unsecured Claim as resolved by Final Order shall be made as though the Disputed Claim had been Allowed as of the Effective Date.

**C. Time and Manner of Payments**

Any payment in Cash shall be made by check drawn on a domestic bank or by wire transfer from a domestic bank.

#### **D. Delivery of Distributions**

Subject to the provisions of Bankruptcy Rule 2002(g), Distributions to Holders of Allowed Claims shall be made at the address of each such Holder as set forth on the Schedules filed with the Court unless superseded by the address set forth on proofs of claim filed by such Holders, or at the last known address of such a holder if no proof of claim is filed or if the Debtors has been notified in writing of a change of address.

#### **E. Undeliverable Distributions**

1. Holding of Undeliverable Distributions: If any Distribution to any holder is returned to the Debtors as undeliverable, no further Distributions shall be made to such holder unless and until the Debtors is notified, in writing, of such holder's then-current address. Undeliverable Distributions shall remain in the possession of the Debtors until such time as a Distribution becomes deliverable. All persons ultimately receiving undeliverable Cash shall not be entitled to any interest or other accruals of any kind. Nothing contained in the Plan shall require the Debtors to attempt to locate any holder of an Allowed Claim.

2. Failure to Claim Undeliverable Distributions: After the second anniversary of the Effective Date, the Debtors shall file a list with the Court setting forth the names of those Entities for which Distributions have been made hereunder and have been returned as undeliverable as of the date thereof. Any holder of an Allowed Claim that does not assert its rights pursuant to the Plan to receive a Distribution within three (3) years from and after the Effective Date shall have its Claim for such undeliverable Distribution discharged and shall be forever barred from asserting any such Claim against the Debtors. In such case, any consideration held for Distribution on account of such Claim shall revert to the Debtors for Distribution to the beneficiaries in accordance with the terms of the Plan.

#### **F. Compliance with Tax Requirements/Allocation**

To the extent applicable, the Debtor's shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. For tax purposes, Distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest.

#### **G. Time Bar to Cash Payments**

Checks issued by the Debtors on account of Allowed Claims shall be null and void if not negotiated within ninety (90) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Debtors by the Holder of the Allowed Claim with respect to which such check originally was issued. Any Claim in respect of such a voided check shall be made on or before the later of (a) the second anniversary of the Effective Date or (b) ninety (90) days after the date of issuance of such check, if such check represents a final Distribution hereunder on account of such Claim. After such date, all Claims in respect of voided checks shall be discharged and forever barred and the right to moneys from the voided checks shall revert to Debtors for Distribution under the Plan.

**H. Fractional Dollars, De Minimis Distributions** Notwithstanding anything contained herein to the contrary, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down. The Debtors shall have the discretion to not make payments of less than ten dollars (\$10) on account of any Allowed Unsecured Claim, unless a specific request is made in writing to the Debtors on or before ninety days after allowance of such Claim.

**I. Set-Offs** The Debtors may, pursuant to Bankruptcy Code section 553 or applicable nonbankruptcy law, set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account thereof (before any Distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtors may hold against the Holder of such Allowed Claim. The Holders of Claims may, pursuant to Bankruptcy Code section 553 or applicable nonbankruptcy law, set off any Allowed Claims such Holder possesses



against any claim, rights or causes of action of any nature that the Debtors may hold against such Holder. The failure to effect such a set-off nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or such Holders of any such claims, rights and causes of action that such parties may possess under Bankruptcy Code section 553.

## **ARTICLE XI**

### **PROCEDURES FOR RESOLVING DISPUTED GENERAL UNSECURED CLAIMS**

#### **A. Prosecution of Objections to General Unsecured Claims**

Unless otherwise ordered by the Court after notice and a hearing, and except as set forth in the Plan and the Agency Order, the Debtors shall have the right to make and file objections to Unsecured Claims. Administrative Claims, Other Secured Claims, Priority Claims, and Equity Interests; provided that neither the Plan Administrator nor the Debtors will have the right to pursue the Released Claims.

Unless another time is set by order of the Court, all objections to Claims and Equity Interests shall be filed with the Court and served upon the Holders of each of the Claims and Equity Interests to which objections are made by the later of (a) ninety (90) days after the Bar Date; or (b) ninety (90) days after a Proof of Claim or request for payment with respect to such Claim or Equity Interest is Filed; provided, however, that the Debtors may seek an extension of time to object.

Except as set forth in the Plan, Agency Order, or Global Settlement, nothing in the Plan, the Disclosure Statement, the Confirmation Order or any order in aid of Confirmation, shall constitute, or be deemed to constitute, a waiver or release of any claim, cause of action, right of setoff, or other legal or equitable defense that Debtors had immediately prior to the commencement of the Chapter 11 Cases, against or with respect to any Claim or Equity Interest. Except as set forth in the Plan, Agency Order, or Global Settlement, upon Confirmation, the Debtors shall have, retain, reserve and be entitled to assert all such claims, causes of action, rights of setoff and other legal or equitable defenses of the Debtors.

#### **B. Estimation of Claims**

The Debtors may, at any time, request that the Court estimate any contingent or unliquidated Claim pursuant to Bankruptcy Code section 502(c) regardless of whether the Debtors previously objected to such Claim or whether the Court has ruled on any such objection, and the Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim.

#### **C. Cumulative Remedies**

All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Court. Until such time as such Administrative Claim, Claim or Equity Interest becomes an Allowed Claim, such Claim shall be treated as a Disputed Administrative Claim, Disputed Claim or Disputed Equity Interest for purposes related to allocations, Distributions, and voting under the Plan.

#### **D. Allowance of Claims and Interests**

1. Disallowance of Claims: All Claims held by Entities against whom the Debtor or the Plan Administrator asserted a cause of action under Bankruptcy Code sections 542, 543, 522(f), 522(h), 544, 545, 547, 548, 549, or 550 shall be deemed disallowed pursuant to Bankruptcy Code section 502(d), and Holders of such

Claims may not vote to accept or reject the Plan, both consequences to be in effect until such time as such causes of action against that Entity have been settled or resolved by a Final Order and all sums due the related Debtor by that Entity are turned over to the Debtors.

2. Allowance of Claims: Except as expressly provided in the Plan or Global Settlement, no Claim or Equity Interest shall be deemed Allowed by virtue of the Plan, Confirmation, or any order of the Court in the Chapter 11 Cases, unless and until such Claim or Equity Interest is deemed Allowed under the Bankruptcy Code or the Court enters a Final Order in the Chapter 11 Cases allowing such Claim or Equity Interest.

## **ARTICLE XII EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

### **A. Rejection of Executory Contracts and Unexpired Leases**

Any executory contracts or unexpired leases which have not expired by their own terms on or prior to the Effective Date, which have not been assumed and assigned or rejected with the approval of the Court, which are not the subject of (i) the Agency Agreement or Agency Order; (ii) a motion to assume the same pending as of the Effective Date, or (iii) not otherwise listed on Schedule \_\_ to the Plan, shall be deemed rejected by the Debtors on the Effective Date or as otherwise agreed upon by the parties. The entry of the Confirmation Order by the Court shall constitute approval of such rejections pursuant to Bankruptcy Code sections 365(a) and 1123. Assumption or rejection of the unexpired leases that are the subject of the Agency Agreement shall be governed by the Agency Agreement.

### **B. Rejection Damage Claims**

Notwithstanding anything in the Bar Date Order to the contrary, Claims arising out of the rejection of executory contracts or unexpired leases pursuant to the Plan must be filed and served on the Debtors pursuant to the procedures specified in the Confirmation Order or another order of the Bankruptcy Court, no later than thirty (30) days after the Effective Date. Any claim not filed within such time will be forever barred from assertion against the Debtors, their estates, their respective successors or their respective properties. Unless otherwise ordered by the Bankruptcy Court, all Claims arising from the rejection of executory contracts and unexpired leases shall be treated as an Unsecured Claim under the Plan.

## **ARTICLE XIII CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVE DATE OF THE PLAN**

### **A. Conditions Precedent to Confirmation Date of the Plan**

The occurrence of the Confirmation Date shall be subject to satisfaction of the following conditions precedent: (i) the entry of the Confirmation Order in form and substance satisfactory to the Proponents and the Lenders; and (ii) there is sufficient cash or assets to pay Administrative Claims pursuant to the Plan.

### **B. Conditions Precedent to Effective Date of the Plan**

The occurrence of the Effective Date and the substantial Consummation of the Plan are subject to satisfaction of the following conditions precedent:

1. Confirmation Order as Final Order: The Confirmation Order shall be in full force and effect and shall not have been amended, modified, stayed or reversed.

2. Execution of Documents; Other Actions: All other actions and documents necessary to implement the Plan shall have been effected or executed.

3. Ability to Meet Projected Cash Needs: The Debtors shall have sufficient Cash and Assets to permit compliance with the terms and conditions of this Plan, including the satisfaction of all the projected fees and expenses of the Plan Administrator and the projected fees, expenses and wind down costs of the Debtors.

**C. Waiver of Conditions Precedent**

To the extent legally permissible, each of the conditions precedent in Article XIII(A) and (B), may be waived, in whole or in part, by the Proponents and the Lenders in their sole discretion. Any such waiver of a condition precedent may be effected at any time, without notice or leave or order of the Court and without any formal action, other than proceeding to act as if the condition no longer existed.

**ARTICLE XIV  
RETENTION OF JURISDICTION**

**A. Retention of Jurisdiction**

The Court shall retain and have exclusive jurisdiction over any matter arising under the Bankruptcy Code, arising in or related to the Chapter 11 Cases and the Plan. The Court shall also have exclusive jurisdiction:

1. to resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any of the Debtors is a party or with respect to which the Debtors may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including those matters related to the amendment after the Effective Date of the Plan, to add any executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be rejected;
2. to enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, transactions and other agreements or documents created in connection with the Plan;
3. to determine any and all motions, adversary proceedings, applications and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Debtors or the Plan Administrator after the Effective Date;
4. to ensure that Distributions to holders of Allowed Claims are accomplished as provided herein;
5. to hear and determine any timely objections to Administrative Claims or to proofs of Claims and Interests filed, both before and after the Effective Date, including any objections to the classification of any Claim or Interest, and to allow, disallow, determine, liquidate, classify, estimate or establish the priority of or secured or unsecured status of any Claim, in whole or in part;
6. to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed or vacated;
7. to issue orders in aid of execution of the Plan;
8. to consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Court, including the Confirmation Order;
9. to hear and determine all applications for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;

10. to hear and determine disputes arising in connection with or relating to the Plan or the interpretation, implementation or enforcement of the Plan or the extent of any Entity's obligations incurred in connection with or released under the Plan;

11. to issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation or enforcement of the Plan;

12. to determine any other matters that may arise in connection with or are related to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Disclosure Statement;

13. to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

14. to hear any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code;

15. to hear and determine any matters that may arise in connection with the Agency Order or any order of the Court with respect thereto;

16. to hear and determine any matters that may arise in connection with the Purchase Agreements or any order of the Court with respect thereto; and

17. to enter a Final Decree closing the Chapter 11 Cases;

18. to determine matters that may arise in connection with the Trust Agreement.

19. to determine matters that may arise between the Class A Director and the Class B Director.

## **ARTICLE XV MISCELLANEOUS PROVISIONS**

### **A. Title to Assets**

Except as otherwise provided by the Plan, on the Effective Date, title to all assets and properties encompassed by the Plan shall vest in the Debtors in accordance with Bankruptcy Code section 1141.

### **B. Releases of all Liens**

On the Effective Date, all Liens on any of the Debtors' Assets shall be deemed to be released and Claims related therein shall be paid pursuant to the Plan.

### **C. Modification of Plan**

The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. Upon entry of the Confirmation Order, the Debtors may, upon order of the Court, amend or modify the Plan, in accordance with Bankruptcy Code section 1127(b), or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. Claimants that have accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim.

**D. Revocation or Withdrawal**

The Plan may be revoked or withdrawn prior to the Confirmation Date by the Debtors. If the Plan is revoked or withdrawn prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by the Debtors or any other Entity or to prejudice in any manner the rights of the Debtors or any other Entity in any further proceedings involving the Debtors.

**E. Injunction**

Except as otherwise expressly provided in the Plan, all Entities who have held, hold or may hold Claims or Interests are permanently enjoined, from and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Interest against the Debtors, their estates, the Plan Administrator, the Trustee, the Trust, QSI (as reorganized), the Class A Director or the Class B Director; (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtors, their estates, the Plan Administrator, the Trustee, the Trust or QSI (as reorganized), the Class A Director or the Class B Director; (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors, their estates, the Plan Administrator, the Trustee, the Trust or QSI (as reorganized,) the Class A Director or the Class B Director or against the property or interests in property of the Debtors and (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors or against the property of the Debtors, their estates, the Plan Administrator, the Trustee, the Trust or QSI (as reorganized), the Class A Director or the Class B Director, with respect to any such Claim or Interest.

**F. Discharge**

Except as otherwise provided herein: (1) the rights afforded in the Plan and the treatment of all Claims and Equity Interests shall be in exchange for and in complete satisfaction, discharge and release of such Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Relief Date, against the Debtors, or any of their assets or properties, (2) on the Effective Date, all such Claims against and Equity Interests shall be satisfied, discharged and released in full and (3) all Persons and Entities shall be precluded from asserting against the Debtors, their successors or their assets or properties any other or further Claims or Equity Interests based upon any act or omission, transaction or other activity of any kind or nature that occurred before the Confirmation Date.

**G. Term of Existing Injunctions or Stays**

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Cases pursuant to Bankruptcy Code sections 105, 362 or 525, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

**H. Exculpation**

The Debtors, Plan Administrator, the Creditors' Committee, the Lenders, the Trustee, the Class A Director and the Class B Director and their respective members and Persons and Entities employed pursuant to Bankruptcy Code sections 327 and 1103 (acting in such capacity) shall neither have nor incur any liability to any Person or Entity for any act taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, administration, confirmation or consummation of the Plan, the Disclosure Statement or any contra, instrument, release or other agreement or document created or entered into in connection with the Plan or any other act taken or omitted to be taken in connection with the Chapter 11 Cases. From and after the Effective Date, the Trustee, the Debtors, the Plan Administrator, the Creditors' Committee, the Class A Director and the Class B Director and their respective employees and each of their professionals and representatives shall be exculpated and held harmless by each Debtor, the Trust and by all Entities, including, without limitation, Holders of Claims and other parties in interest, from any and all claims, causes of action and other assertions of liability arising out of the discharge of the powers and duties conferred upon the Debtors by the Plan or any order of the Court

entered pursuant to or in furtherance of the Plan, or applicable law, except for actions or omissions to act arising out of gross negligence, recklessness, breach of fiduciary duty, fraud, or willful misconduct .

**I. Cancellation of Notes, Instruments, Debentures, and Equity Securities**

On the Effective Date, except to the extent provided otherwise in the plan, all notes, instruments, certificates and other documents evidencing Claims and all Equity Interests in any of the Debtors shall be canceled and deemed terminated, without any further act or action under any applicable agreement, law, regulations, order, or rule and the obligations of the Debtors under such documents shall be discharged. On the Effective Date, except to the extent provided otherwise in the Plan, any indenture relating to any of the foregoing, shall be deemed canceled as permitted by Bankruptcy Code section 1123(a)(5)(F).

**J. Post-Effective Date Fees and Expenses**

From and after the Effective Date, the Debtors shall, in the ordinary course of business and without the necessity for any approval by the Court, pay the reasonable professional fees and expenses incurred by the Debtors related to implementation and consummation of the Plan.

**K. Section 1146 Exception**

Pursuant to Bankruptcy Code section 1146(c), the issuance, transfer or exchange of any security under the Plan, or the making or delivery of an instrument of transfer under the Plan, may not be taxed under any law imposing a stamp tax or similar tax.

**L. Severability**

The provisions of this Plan shall not be severable unless such severance is agreed to by the Proponents and the Lenders and such severance would constitute a permissible modification of the Plan pursuant to Bankruptcy Code section 1127.

**M. Governing Law**

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent that an exhibit hereto provides otherwise, the rights, duties and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the Bankruptcy Code and, to the extent not inconsistent therewith, the laws of the State of New York without giving effect to principles of conflicts of laws.

**N. Notices**

All notices, requests and demands to or upon the Debtors, the Creditors' Committee or the Lenders to be effective shall be in writing, including by facsimile transmission, and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered to all of the following or, in the case of notice by facsimile transmission, when received by all of the following and telephonically confirmed, addressed as follows or to such other addresses as filed with the Court.

To:

On behalf of the Debtors:

James H.M. Sprayregen  
Kirkland & Ellis  
200 East Randolph Drive  
Chicago, Illinois 60601  
Telephone: (312) 861-2000  
Telecopier: (312) 861-2200

Quality Stores, Inc.  
Tom Reinebach  
455 E. Ellis Road  
P.O. Box 3315  
Muskegon, MI 49443-3315  
Telephone: (231) 799-4416  
Telecopier: (231) 798-0134

On behalf of the Creditors Committee:

Robert S. Hertzberg  
Hertz, Schram & Saretsky, P.C.  
1760 South Telegraph Road, Suite 300  
Bloomfield Hills, MI 48302  
Telephone: (248) 335-5000  
Telecopier: (248) 335-3346

And

John K. Cunningham  
WHITE & CASE, LLP  
First Union Financial Center  
200 South Biscayne Boulevard  
Miami, FL 33131-2352  
Telephone: (305) 371-2700  
Telecopier: (305) 356-5744

On behalf of the Lenders:

Ben Feder  
Shearman & Sterling  
599 Lexington Avenue  
New York, NY 10022  
Telephone: (212) 848-4484  
Telecopier: (212) 848-7179

**O. Closing of Cases**

The Debtors shall, promptly upon the full administration of the Chapter 11 Cases, file with the Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Court.

**P. Section Headings**

The section headings contained in this Plan are for reference purposes only and shall not affect the meaning or interpretation of the Plan.

Dated: Grand Rapids, MI  
February 7, 2002

Respectfully Submitted,

QSI HOLDINGS, INC.  
(f/k/a CT HOLDINGS, INC.)

/s/  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

QUALITY STORES, INC.  
(f/k/a CENTRAL TRACTOR FARM & COUNTRY, INC.)

/s/  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

COUNTRY GENERAL, INC.

/s/  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

F AND C HOLDING, INC.

/s/  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

FARMANDCOUNTRY.COM, LLC

/s/  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

QSI NEWCO, INC.

/s/  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

QSI TRANSPORTATION, INC.

/s/  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

QUALITY FARM & FLEET, INC.

/s/  
By: \_\_\_\_\_  
Its: \_\_\_\_\_



QUALITY INVESTMENTS, INC.

/s/

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

Its: \_\_\_\_\_

QUALITY STORES SERVICES, INC.

/s/

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

Its: \_\_\_\_\_

VISION TRANSPORTATION, INC.

/s/

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

Its: \_\_\_\_\_

HERTZ SCHRAM & SARETESKY PC

/s/

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

Robert S. Hertzberg  
1760 South Telegraph  
Suite 300  
Bloomfield Hills, MI 48302-0183  
(248) 335-5000  
*Attorneys for the Creditors  
Committee*

## **EXHIBIT B**

### **DISCLOSURE ORDER**

[To be attached upon approval by the Court. The proposed Disclosure Order will be submitted to the Court with the motion papers requesting approval of the Disclosure Statement].

**EXHIBIT C**  
**UNAUDITED BALANCE SHEET**

**Quality Stores, Inc.**  
**Balance Sheet**  
**Fiscal Year 2001**  
**(In Thousands)**

	<b>Current Month Ending 1/5/02 Consolidated</b>
Cash	\$ 199,081
Accounts Receivable	3,394
Inventory	165,238
Inventory Valuation Allowance	(58,000)
Other Current Assets	2,086
Total Current Assets	<u>311,798</u>
Property & Equipment	130,711
Valuation Allowance	-
Acc'd Depreciation	(59,054)
P&E-Net	<u>71,658</u>
Goodwill	-
Other Assets	(0)
Total Assets	<u>383,456</u>
Postpetition Liabilities:	
Accounts Payable	2,614
Wages & Salaries	2,612
Taxes Payable	4,600
Liquidation Escrow Deposit Liability	107,427
Other	908
Total Postpetition Liabilities	<u>118,162</u>
Liabilities Subject To Compromise:	
Revolver	148,490
Bank Note	177,819
Total Secured Liabilities	<u>326,309</u>
Unsecured Liabilities	291,909
Total Liabilities Subject To Compromise	<u>618,218</u>
Total Equity	(352,923)
Total Liabilities and Equity	<u><u>383,456</u></u>