

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

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

**NOTICE OF AUCTION AND HEARING**

**PLEASE TAKE NOTICE** that a hearing to consider the Motion for an Order Pursuant to Sections 363 And 365(a) of the Bankruptcy Code Authorizing the Debtors to (i) Assume and Assign the Debtors' Remaining Leases to Assignees to be Identified at an Auction or, in the Alternative, (ii) Reject Such Remaining Leases Effective as of January 31, 2002 (the "Motion") will be held at the United States Bankruptcy Court, 792 Federal Building, 110 Michigan, N.W., Grand Rapids, Michigan on **January 30, 2002 at 10:00 a.m.(Eastern Standard Time).**

**PLEASE TAKE FURTHER NOTICE** that the deadline to object to the Motion is **January 24, 2002 at 4:30 p.m. (Eastern Standard Time).**

**PLEASE TAKE FURTHER NOTICE** that on **January 30, 2002 at 9:00 a.m. (Central Standard Time)**, the Debtors shall conduct an auction of the Leases at the offices of Kirkland & Ellis, 200 E. Randolph, Chicago, IL 60601 in accordance with the Bidding Procedures attached as Exhibit B to the Motion. Interested bidders should carefully read the Bidding Procedures for important information regarding the auction.

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

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

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

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

*You or your attorney may wish to file a written response to the motion explaining your position. Any response shall be mailed to the Clerk of the U.S. Bankruptcy Court, P.O. Box 3310, Grand Rapids, MI 49501. A copy of your response should also be mailed upon the party filing the motion and his/her attorney.*

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

Grand Rapids, Michigan

Respectfully submitted,

Dated: January 10, 2002

KIRKLAND & ELLIS

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Co-Counsel for the Debtors and Debtors in Possession

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

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

**MOTION FOR AN ORDER PURSUANT TO SECTIONS 363 AND 365(a)  
OF THE BANKRUPTCY CODE AUTHORIZING THE DEBTORS  
TO (i) ASSUME AND ASSIGN THE DEBTORS' REMAINING LEASES  
TO ASSIGNEES TO BE IDENTIFIED AT AN AUCTION OR, IN THE ALTERNATIVE,  
(ii) REJECT SUCH REMAINING LEASES EFFECTIVE AS OF JANUARY 31, 2002**

The above-captioned debtors and debtors in possession, by and through their undersigned counsel, respectfully submit this motion (the "Motion") for entry of an Order, pursuant to sections 363 and 365(a) of title 11 of the United States Code (the "Bankruptcy Code"), authorizing the Debtors to (i) assume and assign their remaining unexpired leases of non-residential real property listed on Exhibit A attached hereto (collectively, the "Leases") to assignees to be identified at an auction or, in the alternative, (ii) reject the Leases (and abandon property related thereto) effective as of January 31, 2002. In support of this Motion, Quality Stores, Inc. f/k/a Central Tractor Farm & Country ("QSI"), its parent, QSI Holdings, Inc. f/k/a CT Holdings, Inc. ("Holdings") and their subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), respectfully represent:

**Jurisdiction**

1. This Court has jurisdiction over this Motion under 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A) and (O).
2. The statutory bases for the relief requested herein are sections 105, 363, 365, and 554 of the Bankruptcy Code and Rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure.

**Background**

3. 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").

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

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

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

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

#### **Circumstances Leading to Proposed Sale of the Leases**

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

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

9. By Court order, dated November 9, 2001, the Debtors retained Hilco Merchant Resources, LLC to conduct store closing sales at 106 sub-performing store locations located in the western part of the United States (the "Closed Stores"). The store closing sales at the Closed Stores have been completed. Certain of the Leases are related to the Closed Stores.

10. By Court order, dated December 20, 2001, the Debtors obtained approval to sell 152 stores (the "152 Stores") located in the eastern part of the United States to Hartwick Quality II LLC, subject to higher and better offers obtained at an auction held on December 27, 2001. At the auction, a joint venture comprised of Tractor Supply Company, Great American Group, Gordon Brothers Retail Partners, LLC and DJM Asset Management LLC (collectively, the "Joint Venture") asserted the highest and best offer for the 152 Stores and the sale of the 152 Stores to the Joint Venture was approved by this Court on December 31, 2001. The sale of the 152 Stores to the Joint Venture closed on December 31, 2001. The Joint Venture will conduct store closing sales at the 152 Stores. In connection with the sale of the 152 Stores, the Debtors granted to the Joint Venture the right to designate which fee and leasehold interests the Debtors should sell, assign or reject with respect to the 152 Stores.

#### **Marketing Efforts for the Leases**

11. On December 14, 2001, the Debtors engaged a joint venture comprised of Atlas Partners, LLC, CB Richard Ellis Martin and Keen Realty (collectively, the "Real Estate Broker") to market the Leases. On January 8, 2002, the Court entered an order approving the retention of the Real Estate Broker. Before retaining the Real Estate Broker, the Debtors marketed the real property and leasehold interests in the western part of the country and were able to sell approximately 60 of the real property and leasehold interests for the Closed Stores.

12. The Real Estate Broker has launched a substantial marketing campaign to identify potential buyers of the Leases and will utilize a variety of methods to maximize the proceeds of the sale of the Leases. Specifically, the Real Estate Broker:

- has established a web site, which enables interested parties to login and review the Leases and allows the Real Estate Broker to track visitors and contact them by teleph;
- will distribute (i) a flyer with relevant sale information to approximately 5,000 prospects, which includes businesses in the farm industry as well as strategic buyers and (ii) a one-page “blast-fax” with relevant sale information to approximately 1,000 prospects;
- will also run ads announcing the assignment of the Leases in local newspapers; and
- has placed “For Sale” signs on the Closed Stores.

**Need for Immediate Sale of the Leases**

13. Pursuant to section 365(d)(3) of the Bankruptcy Code, the Debtors must continue to pay rent under the Leases until the Leases are rejected or assumed and assigned. As described above, substantially all of the Debtors’ operating assets have been sold. Thus, the Debtors no longer have any use for the Leases. Accordingly, the immediate assignment or rejection thereof is in the best interests of the Debtors’ estates and parties in interest.

**Relief Requested**

14. By this Motion, the Debtors seek an order pursuant to sections 363 and 365 of the Bankruptcy Code approving the assumption and assignment of the Leases to assignee(s) to be identified at an auction or, in the alternative, the rejection of the Leases effective as of January 31, 2002 and the abandonment of any property remaining on the leased premises.

**A. Bidding Procedures**

15. The Debtors seek authority to implement the bidding procedures attached hereto as Exhibit B (the “Bidding Procedures”). The deadline by which bids must be submitted is January 28, 2002 at 4:00 p.m. (Eastern Standard Time) and the date on which the Auction will take place is January 30, 2002 at 9:00 a.m. (Central Standard Time). The Bidding Procedures attached hereto as Exhibit B set forth the specific bidding procedures and should be read in their entirety.

**B. Assumption and Assignment or Rejection of the Leases**

16. Ample authority exists for approval of the proposed assumption and assignment or, in the alternative, rejection of the Leases and abandonment of any property. Section 363 of the Bankruptcy Code authorizes a debtor to sell assets out of the ordinary course of business. Section 363 of the Bankruptcy Code, however, does not set forth a standard for determining when it is appropriate for a court to authorize the sale or disposition of a debtor’s assets before confirmation of a plan. Courts, including this Court, have required that the decision to sell assets outside the ordinary course of business be based upon the sound business judgment of the debtor. See Stephens Indus. v. McClung, 789 F.2d 386 (6<sup>th</sup> Cir. 1986); In re Embrace Systems Corp., 178 B.R. 112, 123 (Bankr. W.D. Mich. 1995).

17. The Debtors request approval to sell the Leases free and clear of any and all liens, claims and encumbrances in accordance with section 363(f) of the Bankruptcy Code. A debtor may sell property under sections 363(b) and 363(f) of the Bankruptcy Code “free and clear of any

interest in such property of an entity other than the estate,” if one of the following conditions are met:

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

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

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

20. In addition, section 365(a) of the Bankruptcy Code provides that a debtor in possession, “subject to the court’s approval, may assume or reject any executory contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a). The decision to assume an unexpired lease is a matter within the “business judgment” of the debtor. See National Labor Relations Board v. Bildisco (In re Bildisco), 682 F.2d 72, 79 (3d Cir. 1982).

21. In this case, the Debtors submit that the decision to sell and assume and assign, or alternatively, reject the Leases is based upon their sound business judgment and should be approved. The Debtors have been working diligently with the Real Estate Broker to market the Leases to procure suitable assignees for the Leases. The Debtors believe that the Bidding Procedures will promote active bidding from seriously interested parties and will ultimately reveal the best and highest offer reasonably available for the Leases. The Debtors believe that the Bidding Procedures will encourage, rather than hinder, bidding for the Leases, that they are consistent with other procedures previously approved by this Court and other courts in large chapter 11 cases, and

are appropriate under the relevant standards governing auction proceedings and bidding incentives in bankruptcy proceedings. See Official Committee of Subordinated Bondholders v. Integrated Resources, Inc. (In re Integrated Resources, Inc.), 147 B.R. 650 (S.D.N.Y. 1992); In re 955 Fifth Avenue Associates, L.P., 96 B.R. 24 (S.D.N.Y. 1989); see also In re Randall's Island Family Golf Centers, Inc., 261 B.R. 96 (S.D.N.Y. 2001).

22. If suitable assignees are identified for the Leases, then the unsecured claims against the Debtors' estate for rejection damages will be significantly reduced. If suitable assignees are not identified, then the Leases will be financially burdensome to the Debtors' estates and of no further benefit, thereby amply warranting rejection. Therefore, the Debtors have determined, in the exercise of their reasonable business judgment, to conduct an auction for the Leases and, if suitable assignees cannot be identified, to reject such Leases.

**C. Procedures for the Assumption and Assignment or the Rejection of the Leases**

23. If assignees for any of the Leases are obtained at the auction, the Debtors will not request additional authority to assume and assign such Leases, except as otherwise described below. Instead, the assumption and assignment of each Lease would become effective upon a date that is at least ten (10) business days after the Debtors file and serve by overnight delivery on the counter-party to the Lease and their respective counsel (if their respective counsel has filed a notice of appearance in this case on behalf of the counter-party to the Lease) a notice, substantially in the form attached hereto as Exhibit C (the "Assumption Notice"). Each Assumption Notice shall:

- (i) identify the proposed assignee;
- (ii) set forth the cure amount under the Lease;
- (iii) provide evidence of the proposed assignee's ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) and, if applicable, section 365(b)(3) of the Bankruptcy Code (as limited by section 365(f) of the Bankruptcy Code);
- (iv) the deadline to object to the proposed assumption and assignment and the effective date of the assumption and assignment; and
- (v) include a copy of the order approving this Motion.

24. If a landlord objects to the assumption and assignment of the Lease, the landlord must file with the Court and serve a written objection setting forth the specific bases for the objection. Such objection shall be served on or before seven business days after service by overnight mail of the Assumption Notice on the following parties: (i) the Debtors undersigned counsel; (ii) counsel to the Official Committee of Unsecured Creditors; (iii) counsel to the Prepetition Lenders and (iv) the U.S. Trustee.

25. If a landlord fails to timely object as set forth above with respect to the proposed assignment of the Lease, such assignment shall be deemed binding on such landlord and any objection to such assignment shall be forever waived, released and barred, and the requirements of sections 365(b), (c) and (f) of the Bankruptcy Code with respect thereto shall be deemed satisfied upon consummation of the assignment of the Lease upon the closing date of such assignment. On or before the effective date of such assignment, the Debtors shall either pay any cure amount with respect to a Lease or establish a reserve for any disputed cure amount.

26. If requested by a proposed assignee, a subsequent order may be entered by the Bankruptcy Court (i) approving the assumption and assignment of the Lease; (ii) determining that the requirements of adequate assurance of future performance have been satisfied and that anti-assignment provisions set forth in the Lease are null, void and of no force and effect and (iii) providing for such other relief as may be necessary in order to effect the assignment of the Lease.

27. The Debtors believe that these procedures are reasonable and will provide landlords with sufficient notice regarding the assumption and assignment of their respective Lease. The procedures described above are the same procedures approved by this Court by Order dated December 31, 2001.<sup>2</sup>

28. If the Debtors determine not to assume and assign a particular Lease, then such Lease shall be rejected effective as of January 31, 2002. The Debtors propose to serve the notice substantially in the form attached hereto as Exhibit D (the "Rejection Notice"), no later than two business days after the Auction, to the landlords under the Leases (and their respective counsel if such counsel has filed a notice of appearance) that the Debtors will reject their respective Lease effective as of January 31, 2002. Any objection to the rejection of a Lease shall be filed no later than the objection deadline for this Motion.

29. Section 554 of the Bankruptcy Code permits a debtor to abandon property that is burdensome or provides no value to a debtor's estate. If the Debtors determine that (i) the value of the property at a particular location is de minimis or (ii) the costs of removing the property exceeds the value of such property, then the Debtors request authority to abandon such property pursuant to section 554 of the Bankruptcy Code, effective as of January 31, 2002.

30. Pursuant to Rule 3002(2)(c)(4), claims arising from the rejection of a Lease shall be filed no later than April 1, 2002, which is approximately 60 days after the effective date of the rejection of such Lease.

#### **No Prior Request**

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

#### **Notice**

32. The Debtors propose to send notice of this Motion via overnight mail to (i) counsel to the Creditors Committee; (ii) counsel to the Administrative Agent for the Prepetition Lenders; (iii) the United States Trustee; (iv) all parties who have expressed an interest in acquiring the Leases; (v) those parties who have requested notice pursuant to Fed. R. Bank. P. 2002; (vi) all entities (or counsel therefor) known to have asserted any lien, claim, charge or encumbrance on the Leases; (viii) all federal, state and local regulatory or taxing authorities which are reasonably ascertainable by the Debtors to have a known interest in the Leases and (ix) lessors under the Leases.

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

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<sup>2</sup> See 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.



**WHEREFORE**, the Debtors respectfully request that the Court enter the order, substantially in the form attached hereto, and granting the Debtors such other relief as is just.

Grand Rapids, Michigan      Respectfully submitted,

Dated: January 10, 2002      KIRKLAND & ELLIS

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and

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP  
/s/

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Grand Rapids, Michigan 49501-0352  
Telephone: 616-336-6000  
Facsimile: 616-336-7000

Co-Counsel for the Debtors and Debtors in Possession

## **EXHIBIT A**

Exhibit A

Quality Store No.	Address	City	State
161	201 E. Rainbow Blvd.	Salida	CO
162	2212 East Main	Cortez	CO
401	4510 Ne 14Th Street	Des Moines North	IA
406	3400 S Limit	Sedalia	MO
479	7401 Us Hwy 65/69	Des Moines South	IA
502	1801 S Duff Avenue	Ames	IA
507	149 East Grace	Chariton	IA
509	6001 Avenue O	Ft Madison	IA
510	234 West St - Box 388	Grinnell	IA
531	Hwy 30 East	Toledo	IA
596	2350 Bridge St	Brighton	CO
598	2355 W Victory Highway	Craig	CO
601	51027 Highways 6 & 24	Glenwood Springs	CO
603	2699 47Th Ave	Greeley	CO
604	400 West S Boulder Rd	Lafayette	CO
607	2985 N Garfield	Loveland	CO
623	3020 1St Avenue E	Newton	IA
629	5320 W 10 <sup>Th</sup>	Great Bend	KS
645	4000 23 <sup>rd</sup> Street	Columbus	NE
649	2300 E. 23 <sup>rd</sup> Street	Fremont	NE
658	9630 Ida Street	Omaha	NE
660	709 E Third St	Kimball	NE
661	8501 Grandville Pkwy	LaVista	NE
666	1100 Omaha Avenue	Norfolk	NE
700	3773 E Lincoln Way	Cheyenne	WY

## **EXHIBIT B**

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

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

**DEBTORS' BIDDING PROCEDURES**

These Bidding Procedures set forth the process by which the Debtors will conduct a sale by auction (the "Auction") of certain of their leases.

1. Assets to be Sold.

Prospective bidders, if any, may qualify for and participate in the Auction, to compete to make the highest and best offer for any or all of the Debtors' remaining leases listed on Exhibit I attached hereto (the "Leases").

All inquiries concerning the Leases should be made to the Debtors' Real Estate Broker consisting of any one of the following three firms: (a) Keen Realty, LLC, 60 Cutter Mill Road, Suite 407, Great Neck, NY 10021-3104, Attn: Harold J. Bordwin or Michael Matlat, Telephone: 516-482-2700 or Facsimile: 516-482-5764; (b) CB Richard Ellis Martin, 1111 Michigan Avenue, Suite 201, East Lansing, MI 48823, Attn: Jeff Cutler, Telephone: 517-351-2200, ext. 132, Facsimile: 517-351-2201 or (c) Atlas Partners, LLC, 55 East Monroe, Suite 1890, Chicago, IL 60603, Attn: Biff Ruttenberg. In addition, information about the Leases is also available at the Real Estate Broker's web-site at [www.qualitystoresrealestate.com](http://www.qualitystoresrealestate.com).

2. Bid Deadline.

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

(a) the Debtors' co-counsel:

- (i) Kirkland & Ellis, 200 E. Randolph, Chicago, IL 60601, Attn: Bradley Ritter, Esq.; and
- (ii) Varnum, Riddering, Schmidt & Howlett, LLP, Bridgewater Place, 333 Bridgewater Street, N.W., Grand Rapids, MI 49501-0352, Attn: Timothy J. Curtin, Esq.;

(b) counsel to the Administrative Agent for the Prepetition Lenders:

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

- (i) Shearman & Sterling, 599 Lexington Avenue, New York, NY 10022-6030, Attn: Benjamin Feder, Esq.; and
- (ii) Dykema Gossett, 300 Ottawa Ave., N.W., Grand Rapids, MI 49503, Attn: Scott W. Dales
- (c) co-counsel for the Official Committee:
  - (i) Hertz, Schram, & Saretsky, P.C., 1760 South Telegraph Road, Suite 300, Bloomfield Hills, Michigan 48302, Attn: Robert Hertzberg; and
  - (ii) White & Case LLP, First Union Financial Center, 200 South Biscayne Boulevard, Suite 4900, Miami, Florida 33131, Attn: John K. Cunningham, and
- (d) the Real Estate Broker, Keen Consultants, LLC, 60 Cutter Mill Road, Suite 407, Great Neck, NY 11021-3104, Attn: Harold J. Bordwin

such that the Qualified Competing Offer is actually received by each of the foregoing persons not later than **4:00 p.m. Eastern Standard Time on January 28, 2002** (the "Bidding Deadline"). Offers received after this deadline may be rejected in the discretion of the Debtors.

3. Requirements for a Qualified Offer.

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

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

- (a) an executed version of the purchase agreement, substantially in the form attached hereto as Exhibit II with marked alterations, if any;
- (b) a money deposit (the "Deposit") equal to **10%** of the total proposed purchase price (based upon the total of cash and non-cash consideration) in the form of a certified or cashier's check or wire transfer of funds<sup>2</sup>; provided, however, that a landlord shall only be required to tender a deposit in the amount that the offer exceeds such landlord's credit bid;
- (c) an Offer and Bid Registration in the form attached hereto as Exhibit III; and
- (d) the information specified in the following paragraphs.

Bidders shall send the original documents and the Deposits to counsel to counsel to the Debtors, Kirkland & Ellis, 200 E. Randolph, Chicago, IL 60601, Attn: Bradley Ritter. The Debtors reserve the right to hold deposits until five days after the closing on a Lease.

A landlord bidding on a Lease to which landlord is a party ("Bidding Landlord") must provide a written offer which includes (i) the gross amount being offered for each Lease as well as a breakdown identifying that portion which is payable in cash and that portion, if any, which is "credit bid" (representing total outstanding documented and verifiable pre-petition rental arrears) and (ii) supporting documentation to allow the Debtors to determine the accuracy of the rental arrears. The bid must also state that the Bidding Landlord is ready, willing and able to execute a lease termination agreement for each Lease, substantially in the form attached hereto as Exhibit IV, and will agree to waive and release any and all claims it may have against the Debtors, including claims pursuant to section 502(b)(6) of the Bankruptcy Code if it is the successful bidder.

To be considered by the Debtors, a Qualified Offer must (unless otherwise determined by the Debtors): (a) provide for consideration payable only in cash, unless such offer is from a landlord; (b) give sufficient indicia that the bidder or its representative is legally empowered, by

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<sup>2</sup>Please call the Debtors' counsel, Roberto S. Miceli at 312-861-2030 for wire transfer instructions.

power of attorney or otherwise both bid on behalf of the bidder and also to complete and sign, on behalf of the bidder, a binding and enforceable Purchase Agreement; (c) provide written evidence of the bidder's ability to consummate the transaction, such as a current financial statement or copies of the bidder's bank statement for each of the three months preceding the Auction; (d) not contain any contingencies materially greater than what is in the Purchase Agreement, including, but not limited to due diligence and financing contingencies; and (e) include sufficient written information to permit the Debtors to determine the proposed assignee's ability to comply with section 365 of the Bankruptcy Code including providing adequate assurance of such assignee's ability to perform in the future.

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

The Debtors will, in their discretion, after consultation with the Prepetition Lenders and the Official Committee, determine whether an offer is a Qualified Offer and whether a Qualified Offer constitutes the most favorable transaction for the Debtors' estates. The Debtors may determine, in their business judgment, which Qualified Offers are the highest and best offers for the Leases and may reject, at any time before entry of an order approving a Qualified Offer, any bid that, in the Debtors' sole discretion, is (A) inadequate or insufficient; (B) contrary to the best interests of the Debtors, their estates and their creditors or (C) not in conformity with the requirements of the Bidding Procedures or the Bankruptcy Code.

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

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

#### 4. Auction.

The Auction will be held at the offices of the Debtors' counsel, Kirkland & Ellis, 200 E. Randolph, Chicago, IL 60601, on **January 30, 2002 at 9:00 a.m. (Central Standard Time)** or such later date as the Debtors may determine. The Debtors may continue or adjourn the Auction from time to time without further notice in their sole discretion. For a Qualified Offer to be considered, the bidder(s) must appear in person at the Auction or participate by telephone or through a duly authorized representative, unless alternative arrangements are made in advance with the Debtors. Only bidders with Qualified Offers may participate in the Auction by telephone. Holders of Qualified Offers should call the Debtors' counsel, Roberto S. Miceli at 312-861-2030 for the dial-in information.

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

At the conclusion of the Auction, the winning bid(s) will be selected by the Debtors from the Qualified Offers (singular or plural, as appropriate, the "Winning Bid"); provided, however, the Debtors shall have the right, in their discretion, to reject any and all Qualified Offers made at the Auction. Before the adjournment of the Auction, unless and to the extent otherwise agreed by the Debtors, each entity that makes a Winning Bid shall complete and sign all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which its respective Winning Bid was made.

5. Closing.

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

6. Failure to Consummate Purchase.

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

7. Reservation of Rights: Deadline Extensions.

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



# Exhibit I

Quality Store No.	Address	City	State
161	201 E. Rainbow Blvd.	Salida	CO
162	2212 East Main	Cortez	CO
401	4510 Ne 14Th Street	Des Moines North	IA
406	3400 S Limit	Sedalia	MO
479	7401 Us Hwy 65/69	Des Moines South	IA
502	1801 S Duff Avenue	Ames	IA
507	149 East Grace	Chariton	IA
509	6001 Avenue O	Ft Madison	IA
510	234 West St - Box 388	Grinnell	IA
531	Hwy 30 East	Toledo	IA
596	2350 Bridge St	Brighton	CO
598	2355 W Victory Highway	Craig	CO
601	51027 Highways 6 & 24	Glenwood Springs	CO
603	2699 47Th Ave	Greeley	CO
604	400 West S Boulder Rd	Lafayette	CO
607	2985 N Garfield	Loveland	CO
623	3020 1St Avenue E	Newton	IA
629	5320 W 10 <sup>Th</sup>	Great Bend	KS
645	4000 23 <sup>rd</sup> Street	Columbus	NE
649	2300 E. 23 <sup>rd</sup> Street	Fremont	NE
658	9630 Ida Street	Omaha	NE
660	709 E Third St	Kimball	NE
661	8501 Grandville Pkwy	LaVista	NE
666	1100 Omaha Avenue	Norfolk	NE
700	3773 E Lincoln Way	Cheyenne	WY

Exhibit II

**ASSIGNMENT AND ASSUMPTION OF LEASES AGREEMENT**

THIS AGREEMENT (this "Agreement") is made and entered into this \_\_\_\_ day of [\_\_\_\_], 2002, by and among \_\_\_\_\_, a \_\_\_\_\_ (the "Assignor"), and \_\_\_\_\_, a \_\_\_\_\_ (the "Assignee").

WITNESSETH:

WHEREAS, the Assignor, as tenant, is a party to those certain leases listed on Exhibit A, covering the corresponding premises also listed on Exhibit A (the "Lease" and the "Premises").

WHEREAS, on November 1, 2001, Assignor filed for protection under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Western District of Michigan (the "Bankruptcy Court"); and

WHEREAS, the Assignor desires to sell, transfer and assign to the Assignee all of the Assignor's right, title and interest as lessee in and to the Lease; and

WHEREAS, the Assignee desires to accept the sale, assignment and transfer of the Lease upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the Premises and of the mutual covenants set forth herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

ARTICLE 1. Assignment. The Assignor hereby sells, assigns and transfers to the Assignee all of the Assignor's right, title and interest in and to the Lease effective as of the Transfer Date.

ARTICLE 2. Assumption of Obligation. The Assignee hereby accepts this sale, assignment and transfer of the Lease and agrees and assumes to pay all rent and other obligations due under the Lease and to faithfully perform all other covenants, stipulations, agreements and obligations under the Lease accruing on and after the Transfer Date, or otherwise attributable to the period commencing on the Transfer Date and continuing thereafter. The Assignor shall be responsible for all such obligations under the Lease prior to the Transfer Date.

ARTICLE 3. Transfer Date. For purposes of this Agreement, the "Transfer Date" shall be the date that is the later of: (i) ten (10) business days after the Assignor files with the Bankruptcy Court and serves by overnight courier a notice of assumption of the Lease; or (ii) the date on which the objection of the landlord of the Premises, if any, is resolved by the Bankruptcy Court.

ARTICLE 4. Binding Effect. This Agreement shall be binding upon the successors and assigns of the parties. The parties shall execute and deliver such further and additional instruments, agreements and other documents as may be necessary to evidence or carry out the provisions of this Agreement.

ARTICLE 5. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Michigan.

ARTICLE 6. Headings. The headings of the sections of this Agreement, where employed, are for the convenience of reference only and do not form a part hereof and in no way modify, interpret or construe the meanings of the parties.

ARTICLE 7 Authority. Each party executing this Agreement represents and warrants that there are a party hereto, or an agent of a party hereto duly authorized to execute this Agreement on behalf of such party and to bind that party to the performance of such party's obligation hereunder

ARTICLE 8. Jurisdiction. This Agreement and all matters relating thereto are subject to the exclusive Jurisdiction of the Bankruptcy Court.

ARTICLE 9. Adequate Assurances. The obligations of the parties hereunder shall be contingent upon the Assignee providing to the Bankruptcy Court evidence of its financial qualifications to perform under the Lease pursuant to Section 365 (f)(2)(B) of the Bankruptcy Code.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Transfer Date.

- ASSIGNOR -

[\_\_\_\_\_] ,  
a \_\_\_\_\_,

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

- ASSIGNEE -

[\_\_\_\_\_] ,  
a \_\_\_\_\_,

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

**EXHIBIT A**

**LEASES AND PREMISES**

**Store**  
**No.**

**Premises**

**Lease Date**

**Landlord**

### Exhibit III

#### OFFER & BIDDER REGISTRATION

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

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

(attach additional pages as necessary)

Bidder hereby warrants and represents as follows:

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

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

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

**BIDDER I.D.**

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

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

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

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

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

**ATTORNEY I.D.**

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

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

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

**BANK REFERENCE**

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

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

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

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

\_\_\_\_\_

**Exhibit IV**

**LEASE TERMINATION AGREEMENT**

THIS LEASE TERMINATION AGREEMENT (the "Agreement") is made as of this \_\_\_\_ day \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_ ("Landlord") and \_\_\_\_\_, as debtor and debtor-in-possession ("Tenant").

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

WHEREAS, Landlord and Tenant entered in a lease dated \_\_\_\_\_ (as the same may have been amended from time to time, and together with any and all other leases or agreements affecting the Premises, the "Lease"), covering certain premises commonly known as \_\_\_\_\_ (the "Premises"), on the terms and conditions set forth therein; and

WHEREAS, on November 1, 2001, the Tenant filed a voluntary petition for relief under Chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 et seq. (as amended, the "Bankruptcy Code"); and

WHEREAS, except as otherwise provided herein, and subject to the conditions set forth herein, the parties desire to terminate the Lease, effective as of \_\_\_\_\_, \_\_\_\_\_ (the "Termination Date").

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby covenant and agree as follows:

1. Effective as of the termination Date (as defined herein), Landlord shall pay to Tenant an amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_).
2. As of the Termination Date, Tenant hereby surrenders the Premises to Landlord and does hereby give, grant and surrender unto Landlord all of Tenant's right, title and interest in and to the Premises, including, without limitation, all of Tenant's right, title and interest in, to and under the Lease, and Landlord hereby accepts such surrender. Except as otherwise provided herein, each of the parties hereto acknowledge performance of all obligations of the other party under this Lease or otherwise in connection with the Premises through and including the date of this Agreement, and agree that, from and after the Termination Date, the Lease and all rights and obligations of the parties thereunder, shall be deemed to have expired and terminated as fully and completely and with the same force and effect as if such date were the termination date set forth in the Lease, and that the Lease is hereby agreed to be null and void and of no further force and effect as of that date. In addition, any and all rights and obligations of the parties which may have arisen in connection with the Premises shall be deemed to have expired and terminated as of the Termination Date.
3. Tenant agrees that through the Termination Date, it will remain current on its post-petition rent obligations in accordance with Section 365(d)(3) of the Bankruptcy Code.

4. As of the Termination Date, except as to the obligations of Tenant pursuant to the Agreement, Landlord hereby releases and discharges Tenant and its respective successors and assigns of and from all manner of actions, causes of action, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, controversies, agreements, promises, variances, trespasses, damages, judgments, claims and demands whatsoever, in law or in equity which Landlord ever had, now has or hereafter can, shall or may have against the Tenant or its successors or assigns for, upon or by reason of any matter, cause or thing whatsoever relating to or arising out of the lease, this Agreement or the Premises, including but not limited to, and all lease rejection claims (whether under Section 502 of the Code or otherwise), administrative expense claims, or claims relating to Tenant's pre or post petition use and occupancy of the Premises.
5. To the extent the Landlord has filed or does file any proof of claims with respect to the Leases or the Premises, Landlord consents to the expungement of such claims, with prejudice.
6. This Agreement and each of its provisions are binding upon and shall inure to the benefit of the Tenant's successors and assigns including a trustee, if any, subsequently appointed under Chapter 7 or 11 of the Bankruptcy Code.
7. This Agreement is subject to the approval of the Bankruptcy Court. Upon full execution of this Agreement, the Debtor will promptly seek approval of such Agreement.
8. The parties hereto each warrant and represent that it has the right and authority to enter into this Agreement.
9. This Agreement, and any agreement and/or instruments delivered in connection herewith, contain the entire agreement between the parties hereto and except as otherwise specifically set forth herein, supersede all prior agreements and undertaking between the parties hereto or any of them or any of their affiliates relating to the subject matter hereof.
10. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and it shall constitute sufficient proof of the Agreement to present any copy, copies or facsimiles signed by the parties to be charged.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date and year first written above.

LANDLORD

TENANT

[Name]

[Name]

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

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

## **EXHIBIT C**



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

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

**NOTICE OF ASSUMPTION AND ASSIGNMENT  
OF CERTAIN UNEXPIRED LEASES AND SUBLEASES**

PLEASE TAKE NOTICE that on January 30, 2002, the Bankruptcy Court for the Western District of Michigan entered the enclosed Order, Pursuant to Sections 363 and 365(a) of the Bankruptcy Code, Authorizing the Debtors To (i) Assume and Assign the Debtors' Remaining Leases to Assignees to be Identified at an Auction or, in the Alternative, (ii) Reject Such Remaining Leases Effective as of January 31, 2002.

PLEASE TAKE FURTHER NOTICE that the Debtors propose to assume and assign the [insert name of lease] to [insert name of assignee]. Enclosed with this notice is evidence of the [insert name of assignee]'s ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) and, if applicable, section 365(b)(3) of the Bankruptcy Code (as limited by section 365(f) of the Bankruptcy Code).

PLEASE TAKE FURTHER NOTICE that unless the counter-party under the Lease or sublease objects in writing to the following parties no later than **February \_\_, 2002 at 4:30 p.m. (Eastern Standard Time)**, then (i) such Lease or sublease, including all amendments, shall be assumed and assigned to [insert name of assignee] as of February \_\_, 2002 and (ii) the cure amount under such Lease or sublease is \$ \_\_\_\_\_:

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

<b>Co-Counsel to the Debtors</b> Kirkland & Ellis 200 East Randolph Chicago, Illinois 60601 Telephone: (312) 861-2000 Facsimile: (312) 861-2200 Attn: James H.M. Sprayregen Stephanie D. Simon	<b>Co-Counsel to the Debtors</b> Varnum, Riddering, Schmidt & Howlett 333 Bridge Street, N.W. Bridgewater Place Grand Rapids, MI 49501-0352 Telephone: (616) 336-6000 Facsimile: (616) 336-7000 Attn: Timothy J. Curtin
<b>Counsel to the Prepetition Lenders</b> Shearman & Sterling 599 Lexington Avenue New York, NY 10022 Telephone: (212) 848-8195 Facsimile: (212) 848-7179 Attn: Benjamin Feder	<b>Co-Counsel to the Official Committee of Unsecured Creditors</b> White & Case First Union Financial Center 200 South Biscayne Boulevard Miami, FL 33131-2352 Telephone: (305) 371-2700 Facsimile: (305) 358-5744 Attn: Thomas E. Lauria
<b>Co-Counsel to the Official Committee of Unsecured Creditors</b> Hertz, Schram & Saretsky, P.C. 1760 South Telegraph Road, Suite 300 Bloomfield Hills, Michigan 48302 Telephone: (248) 335-5000 Facsimile: (248) 335-3346 Attn: Robert S. Hertzberg	<b>U.S. Trustee</b> Office of the United States Trustee The Law Building 330 Ionia, N.W. Suite 202 Grand Rapids, MI 49503 Attn: Dean E. Rietberg

PLEASE TAKE FURTHER NOTICE that if an objection is received, such objection will be heard at a hearing scheduled to take place on **February \_\_, 2002 at 10:00 a.m. (Eastern Standard Time)**

///

at the United States Bankruptcy Court, 792 Federal Building, 110 Michigan, N.W., Grand Rapids, Michigan.

Grand Rapids, Michigan

Respectfully submitted,

Dated: February \_\_, 2002

KIRKLAND & ELLIS

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

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

and

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

Co-Counsel for the Debtors and Debtors in Possession

## **EXHIBIT D**

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

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

**NOTICE OF REJECTION OF CERTAIN UNEXPIRED LEASES  
OF NON-RESIDENTIAL REAL PROPERTY AND ABANDONMENT  
OF PROPERTY OF THE DEBTORS**

TO THE UNEXPIRED LEASE COUNTER-PARTIES SET FORTH ON THE ATTACHED SCHEDULE:

PLEASE TAKE NOTICE THAT, pursuant to that certain Order, Pursuant to Sections 363 and 365(a) of the Bankruptcy Code, Authorizing the Debtors to (i) Assume and Assign the Debtors' Remaining Leases to Assignees to be Identified at an Auction or, in the Alternative, (ii) Rejecting such Remaining Leases Effective as of January 31, 2002(the "Rejection Order") approved by the United States Bankruptcy Court for the Western District of Michigan, Southern Division (the "Bankruptcy Court") on January 30, 2002, the above-captioned debtors and debtors in possession (collectively, the "Debtors") hereby notify you of the rejection of the unexpired leases of non-residential real property or subleases set forth on the attached schedule (the "Rejected Leases"), effective as of the date of January 31, 2002.

PLEASE TAKE FURTHER NOTICE THAT, unless you have received notice from the Debtors, all personal property of the Debtors located at any of the premises subject to this Notice is deemed abandoned pursuant to section 554 of the Bankruptcy Code, "as is, where is," as of January 31, 2002.

PLEASE TAKE FURTHER NOTICE THAT, if the Debtors have deposited monies with any party as a security deposit or other arrangement, such party may not setoff or otherwise use such deposit without the prior authority of the Bankruptcy Court.

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

PLEASE TAKE FURTHER NOTICE THAT, claims arising from the rejection of the Rejected Leases shall be filed no later than April 1, 2002.

Dated: February \_\_, 2002

KIRKLAND & ELLIS

James H.M. Sprayregen (IL 6190206)

Stephanie D. Simon (IL 6257197)

200 East Randolph Drive

Chicago, Illinois 60601

(312) 861-2000

KIRKLAND & ELLIS

Matthew Cantor (NY 2350742)

Jonathan S. Henes (NY 2822203)

Citigroup Center

153 East 53<sup>rd</sup> Street

New York, New York 10022

(212) 446-4800

VARNUM, RIDDERING, SCHMIDT &  
HOWLETT LLP

Timothy J. Curtin (P-12410)

Michael W. Donovan (P-32533)

Bridgewater Place

P.O. Box 352

Grand Rapids, Michigan 49501-0352

Telephone: 616-336-6000

Facsimile: 616-336-7000

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

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

**ORDER PURSUANT TO SECTIONS 363 AND 365(a)  
OF THE BANKRUPTCY CODE AUTHORIZING THE DEBTORS  
TO (i) ASSUME AND ASSIGN THE DEBTORS' REMAINING LEASES  
TO ASSIGNEES TO BE IDENTIFIED AT AN AUCTION OR, IN  
THE ALTERNATIVE, (ii) REJECT SUCH REMAINING LEASES  
EFFECTIVE AS OF JANUARY 31, 2002**

Upon the motion (the "Motion")<sup>2</sup> of the debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors") seeking entry of an Order Pursuant to Sections 363 and 365(a) Of the Bankruptcy Code Authorizing the Debtors To (i) Assume and Assign the Debtors' Remaining Leases To Assignees to Be Identified at an Auction Or, in The Alternative, (ii) Reject Such Remaining Leases Effective as of January 31, 2002; and adequate notice of the Motion having been given; and it appearing that no other notice need be given; and a hearing having been held before this Court on January 30, 2002, to consider approval of the Motion, at which time all parties in interest were afforded an opportunity to be heard; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY FOUND AND DETERMINED THAT:<sup>3</sup>

1. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157 and 1334.
2. Determination of the Motion is a core proceeding under 28 U.S.C. §§ 157(b)(2)(A) and (N). The statutory predicates for the relief requested herein are sections 105, 363 and 1146(c) of the Bankruptcy Code, and rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").
3. Proper, timely, adequate and sufficient notice of the Motion and the transactions contemplated therein has been given, and no other or further notice of the Motion or the entry of this Order is required.

---

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

<sup>2</sup> Terms not defined herein shall be as defined in the Motion.

<sup>3</sup> Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Bankruptcy Rule 7052.

4. A reasonable opportunity to object or be heard regarding the relief requested in the Motion has been afforded to all interested persons and entities.

5. The Debtors have all the corporate power and authority necessary to enter into binding agreements for the Leases.

6. The assumption and assignment of the Leases, or in the alternative, the rejection of the Leases reflects the exercise of the Debtors' sound business judgment and a proper exercise of the Debtors' fiduciary duties.

7. Approval at this time of the assumption and assignment of the Leases, or in the alternative, rejection of the Leases and the transactions contemplated thereby, is in the best interests of the Debtors, their creditors and estates. Good and sufficient business justification for consummating the sale of the Leases pursuant to Section 363(b) of the Bankruptcy Code has been established in that, among other things: (i) substantially all of the Debtors' operating assets have been sold; (ii) the Auction be conducted by the Debtors, as required by Section 363 of the Bankruptcy Code, has permitted and will permit the Debtors to obtain the highest and best offers for the Leases and (iii) the Leases are wasting assets.

8. The assumption and assignment of the Leases will be legal, valid and effective transfers of property of the Debtors' estates, free and clear of all liens, claims, interests, and encumbrances under Section 363(f) of the Bankruptcy Code.

9. The relief requested in the Motion and the sale of Leases, is in the best interests of the Debtors, their creditors and estates.

10. The decision to assume and assign or in the alternative, reject the Leases is based on the reasonable exercise of the Debtors' business judgment and is in the best interest of the Debtors' estates.

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

1. The Motion is granted.

2. Except as otherwise set forth on the record of the January 30, 2002 hearing, all objections to the Motion or the relief requested therein that have not been withdrawn, waived or settled, and all reservations of rights included therein, are overruled on the merits.

3. The transfer of the Leases to an assignee is not subject to taxation under any state or local law imposing a stamp, transfer or similar tax in accordance with sections 1146(c) and 105(a) of the Bankruptcy Code.

4. Pursuant to sections 105(a) and 363(f) of the Bankruptcy Code, upon the closing of the assumption and assignment of the Leases, each Lease shall be transferred to an assignee, free and clear of all mortgages, security interests, conditional sale or other title retention agreement, pledges, liens, statutory liens, judgments, demands, encumbrances, easements, memorandum of leases, reciprocal easement agreements, restrictions, constructive or resulting trusts, and charges, of any kind or nature, if any, including, but not limited to, any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership (the foregoing collectively referred to as "Liens" herein) and all debts arising in any way in connection with any acts of the Debtors, claims (as that term is defined in the Bankruptcy Code), obligations, demands, guaranties, options, rights, interests under any leases or sub-leases including rights if any of any tenant or any sub-tenant under section 365(h) of the Bankruptcy Code, contractual commitments, restrictions, interests and matters of any kind and nature, arising before the closing date or relating



to acts occurring before the closing date, and whether imposed by agreement, understanding, law, equity or otherwise (the foregoing collectively referred to as "Claims" herein), with all such Liens and Claims to attach to the net proceeds of the sale of such Lease, in the order of their priority, with the same validity, force and effect that they now have as against such Lease, subject to the rights, claims, defenses and objections, if any, of the Debtors and all interested parties with respect to such Liens and Claims.

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

6. To the greatest extent allowed by applicable law, assignees are not assuming nor shall it in any way whatsoever be liable or responsible, as successor or otherwise, for any liabilities, debts or obligations of the Debtors or any liabilities, debts or obligations in any way whatsoever relating to or arising from the Leases or the Debtors' operations or use of the Leases by virtue of the transfer or assignment of the Leases.

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

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

9. The Debtors are hereby authorized and empowered to take such steps, expend such sums of money, and do such other things as may be necessary to implement and effect the terms and requirements consistent with this Order.

10. The Debtors are authorized to sell, transfer, assume and assign or reject, as the case may be, the Leases; provided, that such sale, transfer, assumptions and assignment(s) will only become effective as to each Lease upon the date that is at least ten (10) business days after the filing with the Bankruptcy Court (and service by overnight delivery on any landlord and their respective counsel, if an appearance has been filed with the Court) of the Assumption Notice by the Debtors (unless an objection is timely filed, in which case such sale, transfer, assumption and assignment, as applicable, will become effective only upon the resolution of such objection on terms mutually satisfactory to the Debtors, and any affected landlord who timely objected, or by order of this Court resolving such objection).

11. The Assumption Notice, substantially in the form attached to the Motion as Exhibit C is hereby approved.

12. The Assumption Notice shall (i) identify the proposed assignee; (ii) set forth the cure amount under the Lease; (iii) provide evidence of the proposed assignee's ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) and,

if applicable, section 365(b)(3) of the Bankruptcy Code (as limited by section 365(f) of the Bankruptcy Code); (iv) identify the deadline to object to the proposed assumption and assignment and the effective date of the assumption and assignment and (v) include a copy of this Order. If a landlord objects to the assumption and assignment of the Lease based upon grounds of adequate assurance of future performance (an "Objecting Party"), such Objecting Party must file a written objection setting forth the bases for such objection on or before seven (7) business days after service by overnight mail of the Assumption Notice (the "Assumption Objection Deadline") and serve such objection so as to be actually received by each of the following parties on or before the Assumption Objection Deadline: (a) the Debtors and their counsel, (b) the assignee and its counsel and (c) counsel to the Committee and (d) counsel to the Prepetition Lenders, at the addresses set forth for each such party in the Assumption Notice. The only grounds for raising an objection to any assignment or transfer to an assignee shall be (a) an alleged lack of adequate assurance of future performance under the assigned Lease related to such assignment or transfer under section 365 of the Bankruptcy code (except as provided herein) or (b) cure amounts, and no other grounds for objections shall be considered by this Court or may be raised by any such landlord. If a landlord fails to timely object as specified herein on or before the Assumption Objection Deadline with respect to a proposed assignment of such Lease, such assignment shall be deemed binding on such landlord and any objection to such assignment or transfer shall be forever waived, released and barred, and the requirements of sections 365(b), (c) and (f) of the Bankruptcy Code with respect thereto shall be (and are hereby) deemed satisfied upon consummation of the sale and assignment of such Lease on the Closing Date with respect thereto; provided that on or before the effective date of any such assignment the Debtors shall either pay any cure amount with respect to such Lease or establish a reserve for any disputed cure in an amount agreed upon between the landlord and the Debtors or as ordered by the Court. If requested by an assignee, a subsequent order may be entered by the Bankruptcy Court (i) approving the assumption and assignment of the Lease in question to the assignee, (ii) determining that the requirements of adequate assurance of future performance have been satisfied and that anti-assignment provisions set forth in the Lease (as identified in the Assumption Notice) are null, void and of no force and effect and (iii) providing for such other relief as may be necessary in order to effect the assignment of the Lease to an assignee, including, but not limited to, obtaining any regulatory approval or permits in connection with the proposed use of the demised premises by the assignee. The implementation of the foregoing procedures do not change or shift in any way the burdens of proof upon the parties at any hearing to resolve any objection as such burdens would otherwise exist with respect to the disputed issues.

13. Subject to and conditioned upon the occurrence of the closing of the assumption and assignment with respect to a Lease, and subject to the other provisions of this Order (including the aforementioned objection procedures), the Debtors are hereby authorized in accordance with sections 365(b) and (f) of the Bankruptcy Code to (i) assume and assign to any assignee the applicable Leases, with any applicable assignee being responsible only for the post-closing liabilities under the applicable Leases and (ii) execute and deliver to any applicable assignee such assignment documents as may be reasonably necessary to sell, assign and transfer such lease(s); provided, that, notwithstanding anything in this Order to the contrary, there shall be no assumption of any such Lease absent simultaneous assignment thereof to the applicable assignee. Except as otherwise provided in this Order, the assignee shall not have any liability for the cure of any defaults existing or accruing, arising, or relating to a period prior to the closing under such applicable Leases,

and each non-Debtor party to any assumed and assigned lease is hereby barred and permanently enjoined from asserting against such applicable assignee any default, claim or liability existing, accrued, arising or relating to a period prior to the effective date of such assumption and assignment.

14. Upon the effective date with respect to the assumption and assignment of any Lease, any and all defaults under such Lease(s) shall be deemed and cured in all respects with regard to the applicable assignee. Pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall have no liabilities for any claims arising or relating to or accruing post-closing under any of the assigned leases.

15. Each and every anti-assignment provision contained in any Lease is null, void and of no force and effect in connection with any assumption and assignment of the Leases to any assignee pursuant to this Order. The inability of any non-Debtor to enforce any such anti-assignment provision in connection with an assignment of a Lease to an assignee shall not and cannot in any way constitute a lack of adequate assurance of future performance. The Lease shall be transferred to, and remain in full force and effect for the benefit of the applicable assignee, in accordance with its terms, notwithstanding any provision in any such Lease (including, without limitation, an anti-assignment provision, or as described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, conditions, or limits such assignment or transfer.

16. This Court retains jurisdiction to interpret, implement and enforce the provisions of this Order.

17. As provided by Bankruptcy Rule 6004, this Order shall be effective and enforceable immediately upon entry.

18. The Rejection Notice, substantially in the form attached to the Motion as Exhibit D, is hereby approved.

19. The Debtors shall serve the Rejection Notice no later than two business days after the Auction to the landlords under the Leases (and their respective counsel has filed a notice of appearance) that the Debtors have rejected the respective Lease effective as of January 31, 2002.

20. The Debtors are authorized to reject any of the Leases effective as of January 31, 2002.

21. If the Debtors determine that the value of property at a particular location is de minimis or the costs of removing the property exceed the value of the property, the property shall be deemed abandoned, "as is, where is" pursuant to Section 554 of the Bankruptcy Code effective as of January 31, 2002.

22. Claims arising from the rejection of a Lease shall be filed no later than April 1, 2002.

23. This Order is approved without prejudice to the allocation of proceeds received by the Debtors for the sale of the Leases.

24. The proceeds received from the Debtors for the sale of the Leases shall be held by the Debtors in escrow until such proceeds are allocated pursuant to Court Order.

Grand Rapids, Michigan  
Dated: January \_\_\_\_, 2002

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The Honorable James D. Gregg  
United States Bankruptcy Judge