

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

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

**NOTICE OF HEARING**

**PLEASE TAKE NOTICE** that a hearing to consider the Motion for Orders (A) Scheduling an Auction and Establishing Bidding Procedures for the Sale of the Debtors' Valu-bilt Assets; (B) Approving the Sale of the Debtors' Valu-bilt Assets; (C) Authorizing Assumption and Assignment of Certain Unexpired Leases and Executory Contracts And (D) Extending The Time to Assume or Reject the Valu-Bilt Lease of Non-residential Real Property (the "Motion") will be held at the United States Bankruptcy Court, 792 Federal Building, 110 Michigan, N.W., Grand Rapids, Michigan on **February 28, 2002 at 10:00 a.m.(Eastern Standard Time)**.

**PLEASE TAKE FURTHER NOTICE** that the deadline to object to the Motion is **February 26, 2002 at 4:30 p.m. (Eastern Standard Time)**.

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

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

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

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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.

*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: February 20, 2002

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<b>In re:</b>	)	<b>Chapter 11</b>
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<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 ORDERS (A) SCHEDULING AN AUCTION AND  
ESTABLISHING BIDDING PROCEDURES FOR THE SALE OF THE  
DEBTORS' VALU-BILT ASSETS; (B) APPROVING THE SALE OF THE  
DEBTORS' VALU-BILT ASSETS; (C) AUTHORIZING ASSUMPTION AND  
ASSIGNMENT OF CERTAIN UNEXPIRED LEASES AND EXECUTORY  
CONTRACTS AND (D) EXTENDING THE TIME TO ASSUME OR REJECT  
THE VALU-BILT LEASE OF NON-RESIDENTIAL REAL PROPERTY**

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), by and through their undersigned counsel, respectfully submit this motion (the "Motion") for Orders (A) Scheduling an Auction and Establishing Bidding Procedures for the Sale of the Debtors' Valu-Bilt Assets; (B) Approving the Sale of the Debtors' Valu-Bilt Assets to the Alamo Group (IA) Inc. ("Alamo") (or a buyer who submits a higher and better offer at the auction) pursuant to the Asset Purchase Agreement between the Debtors and Alamo (the "Purchase Agreement," a copy of which is attached hereto as Exhibit A); (C) Authorizing Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and (D) Extending the Time to Assume or Reject the Valu-Bilt Lease (as defined below). In support of this Motion, the Debtors respectfully state as follows:

**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 363(b), 365 and 1146 of chapter 11 of title 11 of the United States Code (as amended, the "Bankruptcy Code").

**Background**

3. On October 20, 2001 (the "Involuntary Date"), an involuntary petition (the "Involuntary Petition") was filed against QSI Holdings, Inc. ("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. Additionally, 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. No trustee or examiner has been appointed in these chapter 11 cases. The Office of the United States Trustee has appointed an Official Committee of Unsecured Creditors (the “Official Committee”).

#### **Circumstances Leading to the Proposed Sales**

7. The Debtors experienced a liquidity crisis in the fall of 2000 resulting from a series of mergers and acquisitions. As a result of these mergers and acquisitions, the Debtors’ long-term debt obligations significantly increased. In addition, the operating synergies and administrative expense reductions expected to be realized 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, which have been completed.

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 is conducting 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.

#### **The Valu-Bilt Assets**

11. The Debtors’ Valu-Bilt business is a tractor parts and agricultural mail order business. The Debtors utilized a 240-page catalog a comprehensive selection of featuring tractor parts and components for the small farmer. The Debtors sold both new and re-manufactured tractor parts and components through the Valu-Bilt business. In 2001, the Debtors distributed more than 170,000 catalogs and fulfilled approximately 105,000 customer orders. The Debtors’ Valu-Bilt business also served the rural farming market through wholesale transactions with independent dealers, distributors and farm store chains. Before the sale of substantially all of the Debtors’

operating assets, the Debtors' retail stores represented approximately 16% of the Valu-Bilt wholesale business.

**Marketing Efforts for the Valu-Bilt Assets**

12. Before the Commencement Date, the Debtors retained Peter J. Solomon & Company ("PJS") to market their remaining assets, which included both the 152 Stores and the Valu-Bilt Assets. PJS contacted approximately forty-one financial buyers and sixty-six strategic buyers with respect to the sale of the 152 Stores and the Valu-Bilt Assets, of which approximately thirty-eight buyers signed confidentiality agreements. Certain buyers indicated interest in solely the Valu-Bilt Assets. Approximately one financial buyer and eight strategic buyers requested additional information regarding the Valu-Bilt Assets. Seven of those potential buyers held discussions with the Debtors' management and six visited the facilities for the Valu-Bilt Assets. Ultimately, five buyers submitted offers for the Valu-Bilt Assets. The Debtors and PJS believe that Alamo submitted the highest and best offer and have been conducting extensive negotiations with Alamo over the last month.

**Need for Immediate Sale of the Real Property**

13. As described above, substantially all of the Debtors' operating assets have been sold. Thus, the Debtors no longer have any use for the Valu-Bilt Assets. Accordingly, the immediate sale of the Valu-Bilt Assets is in the best interests of the Debtors' estates and parties in interest.

**Relief Requested**

14. By this Motion, the Debtors request the entry of an order (the "Bidding Procedures Order," substantially in the form attached hereto as Exhibit B):

- (i) approving bidding procedures and bidding protections for the sale of the Valu-Bilt Assets; and
- (ii) extending the time within which the Debtors can assume or reject the Valu-Bilt Lease through and including the six month anniversary of the later of (i) the eleventh calendar day following the entry of the Sale Order, provided that if such eleventh calendar day is not a Business Day then the first Business Day following such eleventh calendar day or (ii) the date the Sale Order shall have become Non-Appealable.

15. By this Motion, the Debtors also request the entry of an order (the "Sale Order," substantially in the form attached hereto as Exhibit C):

- (i) approving the Purchase Agreement and the sale of the Valu-Bilt Assets;
- (ii) authorizing the Debtors to enter into the Sublease Agreement (defined below); and
- (iii) authorizing the Debtors to assume and assign the unexpired leases of real property listed and the executory contracts on Exhibit D attached hereto (the "Valu-Bilt Agreements").

### **The Purchase Agreement**

16. After extensive consideration of their strategic alternatives and after negotiations between the Debtors, PJS and Alamo, the Debtors and Alamo entered into the Purchase Agreement. The following summarizes the material terms of the Purchase Agreement.<sup>2</sup>

- **Valu-Bilt Assets.** Alamo will acquire all of the assets relating to the Valu-Bilt Tractor Parts product line including all of the Valu-Bilt inventory, and all of the equipment (located at Valu-Bilt's warehouse in Des Moines, Iowa) and intellectual property used primarily with the Valu-Bilt product line from the Debtors.
- **Purchase Price.** The purchase price for the Valu-Bilt Assets (the "Purchase Price") shall be \$7,500,000, subject to a potential Inventory Adjustment and Lease Adjustment.
- **Inventory Adjustment/Inventory Count.** At Closing, Alamo will deposit \$1,500,000 into an escrow account (the "Inventory Escrow") and pursuant to an inventory count and valuation, the Purchase Price will be reduced on a dollar for dollar basis to the extent that the amount of inventory as of the Closing Date is less than \$6,406,783. The inventory count and valuation will be conducted by the Debtors or the Debtors' representatives with Alamo's representatives present and will take place within fifteen calendar days after the Closing. The physical count of the inventory will include only items that are physically present at Valu-Bilt's warehouse in Iowa at the time the count is taken. New inventory will be valued at perpetual cost and the rebuilt inventory will be valued according to the various costs involved in the production and parts. Items of inventory that are materially broken or materially damaged will be marked with a zero value. Items of inventory (on a stock keeping unit basis) that have not been sold in the two fiscal years prior to the Closing or used as a component in a rebuilt item that has not been sold in the two fiscal years prior to the Closing will be considered Obsolete Inventory and will be marked with a zero value. However, ten percent (10%) of the perpetual cost of all the Obsolete Inventory will be added to the total valuation of the Inventory. Used inventory will be valued at standard costs but the entire value of such inventory will be discounted by fifty percent (50%).
- **Lease Adjustment.** As a condition to the Purchase Agreement, if the Bankruptcy Court does not approve an order pursuant to section 365(d)(4) of the Bankruptcy Code to extend the time to assume or reject the Debtors' lease of the warehouse where all of the inventory is located in Des Moines, Iowa (the "Valu-Bilt Lease") to a date on or beyond the three month anniversary of the later of (i) the eleventh day following the entry of the Sale Order or (ii) the date the Sale Order shall have become final and not subject to appeal (the "Eleventh Day"), Alamo shall have the right to terminate this Purchase Agreement within five Business Days of such an order. If the Bankruptcy Court approves an order pursuant to section 365(d)(4) of the Bankruptcy Code to extend the time to assume or reject the Valu-Bilt Lease to a date prior to the six month anniversary of the Eleventh Day, the Purchase Price will be reduced by \$500,000.

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<sup>2</sup> To the extent the description of the terms herein conflict with or differ from the terms of the Purchase Agreement itself, the terms of the Purchase Agreement shall govern. Capitalized terms not defined herein shall be as defined in the Purchase Agreement.

- Sublease Obligations. Alamo and the Debtors will enter into a sublease agreement (the "Sublease Agreement") allowing Alamo to be entitled to occupy a portion of the premises described on the Valu-Bilt Lease. The term of the Sublease Agreement shall be for the period commencing on the Closing Date and terminating on the date the Debtors must assume or reject the Valu-Bilt Lease, but in no event shall the term of the Sublease Agreement extend beyond the six month anniversary of the Eleventh Day. During the term of the Sublease Agreement, Alamo shall pay the Debtors \$20,000 per month (the "Sublease Obligations"). With respect to the Sublease Obligations, (i) Alamo shall pay the Debtors \$20,000 at Closing by wire transfer and (ii) Bank of America shall issue a letter of credit (the "Letter of Credit") in an amount equal to the sum of \$20,000 multiplied by the number of months (or portion thereof) from the Eleventh Day that the Bankruptcy Court extends the time to assume or reject the Valu-Bilt Lease, but in no event shall the Letter of Credit exceed an amount equal to \$100,000.
- Assumed Obligations. Alamo will assume those liabilities related to the Valu-Bilt Assets that arise after the Closing Date. Alamo shall assume and be assigned the Valu-Bilt Agreements that relate to the Valu-Bilt Assets, and Alamo shall be subject to the obligations of those agreements. And, Alamo shall assume the Sublease Obligations.
- Closing/Drop Dead Date. The Closing will take place on the earlier of the Eleventh Day or at such other time as the parties mutually agree. Either party shall have the right to terminate the Purchase Agreement if the Closing has not occurred by April 30, 2002. If the Purchase Agreement is terminated because the Closing has not occurred by such date (and Alamo has not broken a representation or failed to perform a condition in the Purchase Agreement and has not acted in bad faith), Alamo will be entitled to reimbursement of its reasonable out-of-pocket expenses arising in connection with the negotiation and execution of the Purchase Agreement, provided that the reimbursement amount will not be greater than \$25,000.
- Good Faith Deposit. Upon the signing of the Purchase Agreement, Alamo will deposit \$750,000 (the "Good Faith Deposit") in an escrow account as security for Alamo's obligations. If Alamo is the successful bidder at the Auction, the Good Faith Deposit will be applied to the Purchase Price at Closing. If Alamo is overbid at the Auction or if the Purchase Agreement is terminated under Article VIII of the Purchase Agreement, the Good Faith Deposit will be returned to Alamo within one week of such termination.
- Representations and Warranties. The Purchase Agreement requires the Debtors and Alamo to make some standard representations and warranties for a transaction of this type. All of the representations and warranties do not survive past the Closing.
- Condition of the Valu-Bilt Assets. Alamo is purchasing the Valu-Bilt Assets on an "as is," "where-is", and "with all faults" basis. The Debtors expressly disclaim any and all implied warranties concerning the condition of the Valu-Bilt Assets.
- Breakup Fee. The Debtors will present the Purchase Agreement to the Bankruptcy Court as its exclusive "stalking horse" agreement. In consideration for this designation, the Debtors, subject to Bankruptcy Court approval, will potentially be obligated to pay Alamo a breakup fee equal to \$250,000. The breakup fee will be payable to Alamo in the three following instances (the "Breakup Events"): (i) if the Debtors sell all or a major portion of the Valu-Bilt Assets to another party, (ii) if the Bankruptcy Court grants relief

from the automatic stay so as to permit the Secured Parties to sell or otherwise dispose of a major portion of the Valu-Bilt Assets to another party or (iii) if the Bankruptcy Court orders the dismissal of the Debtors' bankruptcy case or converts the Debtors' bankruptcy case under Chapter 11 of the Bankruptcy Code to a bankruptcy case under Chapter 7 of the Bankruptcy Code.

- Superior Proposal. At the Auction, the Debtors will accept only superior proposals for the Valu-Bilt Assets from bidders. A superior proposal shall mean a bona fide offer by a third party to acquire a major portion of the Valu-Bilt Assets at a price determined as feasible by the Debtors. Alamo shall have the right to match any superior proposal at the Auction. If Alamo elects to outbid any superior proposal at the Auction, Alamo shall be entitled to receive a credit of \$250,000 for any bid made by Alamo, provided that Alamo's bid at the Auction is greater than (i) \$7,800,000 if the time to assume or reject the Valu-Bilt Lease is extended to the six month anniversary of the Eleventh Day or (ii) \$7,300,000 if the time to assume or reject the Valu-Bilt Lease is extended to a date prior to the six month anniversary of the Eleventh Day.
- Employees. As part of this transaction, Alamo agrees to offer full employment to all of the current full-time employees of the Debtors employed in connection with the Valu-Bilt product line. After the Closing, those of the Debtors' employees that accept employment with Alamo shall be entitled to receive compensation and benefits from Alamo based on Alamo's current compensation and benefit structure, provided that each of these employees shall be entitled to receive credit for their previous years of service with the Debtors for purposes of calculating certain benefits such as vacation. Alamo will not assume any responsibility for any pension or retirement obligations or any vacation obligations of any of the newly employed employees accumulated prior to the Closing and any amounts vested in any pension or retirement accounts of any of these employees shall be transferred directly from the Debtors to the employees.
- Grant of License. As of the Closing, the Debtors will grant to Alamo a non-exclusive, royalty-free license for a six months to the names "Central Tractor" and "CT", to the extent the Debtors have rights in such names. The license is to be used for (i) to the extent necessary for Alamo to dispose of Valu-Bilt inventory that is in packaging bearing the name "Central Tractor" or "CT" and (ii) to allow Alamo to continue to use any Valu-Bilt catalog printed through the Closing, to the extent such catalogs contain references to "Central Tractor" or "CT".
- Termination. The parties can terminate the Purchase Agreement by mutual agreement or either party shall have the right to terminate if the other party breaches a representation or warranty or fails to perform any of its obligations to Closing, or if the Closing has not occurred on or before April 30, 2002. The Purchase Agreement will be automatically terminated upon the occurrence of a Breakup Event.

17. In light of the auction process described above, the Valu-Bilt Assets will have been thoroughly "shopped," resulting in the highest and best price for such Valu-Bilt Assets. Thus, the purchase prices for the Valu-Bilt Assets will be fair and reasonable.



### **Legal Basis for Relief**

18. Section 363(b) of the Bankruptcy Code provides in relevant part that “the trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” As this Court has stated, courts have discretion to determine whether a sale of assets should be approved. See In re Embrace Systems Corp., 178 B.R. 112, 123 (Bankr. W.D. Mich. 1995).

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

20. As noted above, substantially, all of the Debtors’ operating assets have been sold. Accordingly, the Valu-Bilt Assets are no longer necessary to the Debtors and will be burdensome to the estates. On the other hand, the sale of the Valu-Bilt Assets will generate cash for the Debtors’ estates and alleviate the expenses attendant to the maintenance of the Valu-Bilt Assets. Thus, the Debtors have a valid business purpose to enter into the Purchase Agreement and sell the Valu-Bilt Assets.

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

21. The Debtors request approval to sell the Valu-Bilt Assets free and clear of any and all liens, claims and encumbrances pursuant to section 363(f) of the Bankruptcy Code. A debtor may sell property under sections 363(b) and 363(f) of the Bankruptcy Code “free and clear of any interest in such property of an entity other than the estate,” if one of the following conditions are met:

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

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

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

23. 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.).

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

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

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

### **Assumption and Assignment of the Valu-Bilt Agreements**

27. Section 365(a) of the Bankruptcy Code provides that a debtor in possession, “subject to the court's approval, may assume . . . any . . . 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). Additionally, pursuant to section 365(b)(1) of the Bankruptcy Code,

to assume an unexpired lease, a debtor in possession must, among other things, cure any defaults and provide adequate assurance of future performance under such lease. The Debtors believe that there are no amounts due and owing under the Valu-Bilt Agreements. Attached as Exhibit E is an affidavit from Alamo to show that it has the financial wherewithal to provide adequate assurance of future performance under the Valu-Bilt Agreements. If another buyer is selected at the Auction, the Debtors will present evidence at the hearing on the Sale Order that such buyer has the financial wherewithal to provide adequate assurance of future performance under the Valu-Bilt Agreements.

28. The assumption and assignment of the Valu-Bilt Agreements will aid in the maximization of value for the estates by enabling the consummation of the sale of the Valu-Bilt Assets pursuant to the Purchase Agreement and reducing the Debtors' overhead related to the Valu-Bilt Agreements. Based on the foregoing, the Debtors submit that their determination to assume and assign the Valu-Bilt Agreements is a product of their sound business judgment and, as such, should be approved.

29. As discussed below, a hearing to approve the results of the Auction will be held on March 25, 2002. Objections to the assumption and assignment of the Valu-Bilt Agreements shall be filed and served no later than March 19, 2002 at 4:00 p.m. (Eastern Standard Time).

#### **Approval of Bidding Procedures and Notices**

30. The Debtors submit that they have properly marketed the Valu-Bilt Assets and, as a result, have obtained the highest and best offer therefor. Nonetheless, the Debtors believe that it is in the best interests of their estates to test the completeness of their efforts, the Debtors will implement the bidding procedures attached hereto as Exhibit F (the "Bidding Procedures"). The deadline by which bids must be submitted is March 19, 2002 at 4:00 p.m. (Eastern Standard Time) and the date on which the Auction shall take place is March 22, 2002 at 9:00 a.m. (Eastern Standard Time). The hearing to approve the results of the auction (the "Sale Hearing") shall take place on March 25, 2002 at 10:00 a.m. (Eastern Standard Time). Objections to the relief requested at the Sale Hearing shall be filed and served no later than March 19, 2002 at 4:00 p.m. (Eastern Standard Time).

31. The Bidding Procedures attached hereto as Exhibit F set forth the specific bidding procedures and should be read in their entirety.

32. In light of the auction process described above, the Valu-Bilt Assets will have been thoroughly "shopped," resulting in the highest and best price for such Valu-Bilt Assets. Thus, the purchase prices for the Valu-Bilt Assets will be fair and reasonable.

33. On or before two business days after the entry of the Bidding Procedures Order, the Debtors will serve the Purchase Agreement, the proposed Sale Order, the Notice of Auction (substantially in the form attached hereto as Exhibit G), and the Bidding Procedures Order by regular mail upon (i) counsel to the Official Committee; (ii) counsel to the Administrative Agent for Prepetition Lenders; (iii) the United States Trustee; (iv) all entities (or counsel therefor) known to have asserted any lien, charge, claim or encumbrance on the Valu-Bilt Assets; (v) all federal, state and local regulatory or taxing authorities which are reasonably ascertainable by the Debtors to have a known interest in the Valu-Bilt Assets; (vi) counter parties to the Valu-Bilt Agreements; (vii) all parties who have expressed an interest in acquiring the Valu-Bilt Assets; (viii) those parties who have requested notice pursuant to Fed. R. Bankr. P.

2002 and (ix) the landlord under the Valu-Bilt Lease. Within four business days after the entry of the Bidding Procedures Order, the Debtors propose to cause notice in substantially the form of the Notice of Auction to be published in the national edition of the Wall Street Journal.

34. The Debtors submit that the foregoing notice is reasonably calculated to provide timely and adequate notice to the Debtors' creditors and other parties in interest, and also to all those who have expressed interest in bidding on the Valu-Bilt Assets. Accordingly, the Debtors submit that such notice constitutes good and sufficient notice under the circumstances. The Debtors further submit that no further notice need be given.

#### **Bidding Protections**

35. The Debtors seek immediate approval under the Bidding Procedures Order to grant the bid protections to Alamo set forth in section 6.8 of the Purchase Agreement. The bid protections are also summarized in Paragraph 16 above.

36. Historically, bankruptcy courts have approved bidding incentives similar to the Bidding Protections under the "business judgment rule," which proscribes judicial second-guessing of the actions of a corporation's board of directors taken in good faith and in the exercise of honest judgment. *See, e.g., In re 995 Fifth Ave. Assoc., L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1992) (bidding incentives may "be legitimately necessary to convince a white knight to enter the bidding by providing some form of compensation for the risks it is undertaking") (citation omitted); *In re Marrose Corp.*, Nos. 89 B 12171-12179 (CB), 1992 WL 33848 at \*5 (Bankr. S.D.N.Y. 1992) ("[bidding incentives] are meant to compensate the potential acquiror who serves as a catalyst or 'stalking horse' which attracts more favorable offers").<sup>3</sup> *See also In re Integrated Resources*, 147 B.R. 650, 657-58 (S.D.N.Y. 1992), appeal dismissed, 3 F.3d 49 (2d Cir. 1993) (establishing three basic factors for determining whether to permit such fees in bankruptcy: whether (1) relationship of parties who negotiated breakup fee is tainted by self-dealing or manipulation; (2) whether fee hampers, rather than encourages, bidding; and (3) amount of fee is unreasonable relative to purchase price).

37. The Third Circuit Court of Appeals has established standards for determining the appropriateness of bidding incentives in the bankruptcy context. In *Calpine Corporation v. O'Brien Environmental Energy, Inc.* *In re O'Brien Environmental Energy, Inc.*, 181 F.3d 527 (3d Cir. 1999), the Court held that even though bidding incentives are measured against a business judgment standard in nonbankruptcy transactions, the administrative expense provisions of section 503(b) of the Bankruptcy Code govern in the bankruptcy context. Accordingly, to be approved, bidding incentives must provide some benefit to the debtor's estate. *Id.* at 533.

38. The *O'Brien* Court identified at least two instances in which bidding incentives may provide benefit to the estate. First, benefit may be found if "assurance of a breakup fee promoted more competitive bidding, such as by inducing a bid that otherwise would not have been made and without which bidding would have been limited." *Id.* at 537. Second, where the availability of bidding incentives induce a bidder to research the value of the debtor and submit a bid that serves as a minimum or floor bid on which other bidders can rely, "the

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<sup>3</sup> *See also In re Anchor Glass Container Corp.*, Case No. 96-1434 (PJW) (Bankr. D. Del. 1996) (unreported order authorizing breakup fee); *In re FoxMeyer Corp.*, Case No. 96-1329 (HSB) (Bankr. D. Del. 1996) (unreported order authorizing breakup fee); *In re Lomas Financial Corp.*, Case No. 95-1235 (PJW) (Bankr. D. Del. 1995) (unreported order authorizing breakup fee).

bidder may have provided a benefit to the estate by increasing the likelihood that the price at which the debtor is sold will reflect its true worth.” *Id.*

39. Whether evaluated under the “business judgment rule” or the Third Circuit’s “administrative expense” standard, the Bidding Protections are appropriate. Alamo and their professionals have expended, and likely will continue to expend, considerable time, money and energy pursuing the sale, and have engaged in extended lengthy, good faith negotiations. The Purchase Agreement is the culmination of these efforts.

40. In recognition of this expenditure of time, energy, and resources, the Debtors have agreed to provide the Bidding Protections to Alamo. The Bidding Protections compensate Alamo for the value added in (a) establishing a bid standard or minimum for other bidders, (b) placing the Valu-Bilt Assets in a sales configuration mode attracting other bidders to the Auction and (c) for serving as a catalyst for other potential or actual bidders.

41. The Bidding Protections were a material inducement for, and a condition of, Alamo’s entry into the Purchase Agreement. The Debtors believe that the Bidding Protections are fair and reasonable in view of (a) the intensive analysis, due diligence investigation, and negotiation undertaken by Alamo in connection with the sale and (b) the fact that Alamo’s efforts have increased the chances that the Debtors will receive the highest and best offer for the Valu-Bilt Assets, for the benefit of their estates, creditors, and all other parties in interest.

42. Alamo is not willing to remain obligated under the Purchase Agreement if the Bidding Procedures Order does not authorize and approve the Bidding Protections in accordance with Section 6.8 of the Purchase Agreement. Absent such approval, the Debtors may lose what they believe to be the highest and best offer for the Valu-Bilt Assets.

43. The Bidding Protections will compensate Alamo for serving as a “stalking horse” whose bid will be subject to higher or better offers, if Alamo is not the Successful Bidder. The Debtors believe that the Bidding Protections are reasonable, given the benefits to the estates of having the definitive Purchase Agreement - - and the risk to Alamo that a third-party offer ultimately may be accepted. The Debtors submit that the Bidding Protections are necessary to preserve and enhance the value of the Debtors’ estates, because they have encouraged Alamo to invest the requisite time, money, and effort to negotiate the Purchase Agreement and perform the necessary due diligence attendant to the acquisition of the Debtors’ assets in the face of the inherent risks and uncertainties of the chapter 11 process.

#### **Extension of Time to Assume or Reject the Valu-Bilt Lease**

44. Currently, the deadline to assume or reject the Second Amendment to Lease dated as of May 1, 1998 between 3815 Delaware, Ltd. and QSI f/k/a Central Tractor Farm & Country, Inc. (the “Valu-Bilt Lease”) expires on March 1, 2002. The Debtors request that the deadline to assume or reject the Valu-Bilt Lease be extended until the date that is the later of (i) the eleventh calendar day following the entry of the Sale Order, provided that if such eleventh calendar day is not a Business Day then the first Business Day following such eleventh calendar day or (ii) the date the Sale Order shall have become Non-Appealable (the “Eleventh Day”).

45. Section 365(d)(4) of the Bankruptcy Code authorizes the Court to extend the time for the Debtors to assume or reject the unexpired leases for “cause”.<sup>4</sup> Cause exists to extend

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<sup>4</sup> Section 365(d)(4) provides:

(continued...)

the time for the Debtors to reject the Valu-Bilt Lease. Certain of the Valu-Bilt Assets are located on the premises covered by the Valu-Bilt Lease and Alamo requires time to remove such assets. The extension of time for the Valu-Bilt Lease is such a key element of the Purchase Agreement that (i) if the Court does not grant the extension to a date that is at least 3 months after the Eleventh Day, then Alamo can terminate the Purchase Agreement or (ii) if the Court grants an extension that is less than six months, then the purchase price will be reduced by \$500,000.

**No Prior Request**

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

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<sup>4</sup> (...continued)

Notwithstanding paragraphs (1) and (2), in a case under any chapter of this title, if the trustee does not assume or reject an unexpired lease of nonresidential real property under which the debtor is the lessee within 60 days after the date of the order for relief, or within such additional time as the court, for cause, within such 60 day period, fixes, then such lease is deemed rejected, and the trustee shall immediately surrender such nonresidential real property to the lessor.

11 U.S.C. § 365(d)(4) (emphasis added).

### Notice

47. The Debtors propose to send notice of this Motion via regular mail, upon (i) counsel to the Official Committee of Unsecured Creditors; (ii) counsel to the Administrative Agent for the Prepetition Lenders; (iii) the United States Trustee; (iv) counsel to Alamo; (v) all parties who have expressed an interest in acquiring the Valu-Bilt Assets; (vi) those parties who have requested notice pursuant to Fed. R. Bank. P. 2002; (vii) all entities (or counsel therefor) known to have asserted any lien, claim, charge or encumbrance on the Valu-Bilt Assets; (viii) all federal, state and local regulatory or taxing authorities which are reasonably ascertainable by the Debtors to have a known interest in the Valu-Bilt Assets; (ix) the landlord under the Valu-Bilt Lease; and (x) contract counterparties under the Valu-Bilt Agreements.

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

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

Grand Rapids, Michigan

Dated: February 20, 2002

Respectfully submitted,

KIRKLAND & ELLIS

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and

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP  
/s/

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Co-Counsel for the Debtors and Debtors in Possession

## **EXHIBIT A**



## EXECUTION COPY

### ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of February \_\_, 2002, by and among Quality Stores, Inc., a Delaware corporation ("Seller"), and Alamo Group (IA) Inc., a Nevada corporation ("Buyer").

WHEREAS, on November 1, 2001, Seller filed a voluntary petition (the "Petition") pursuant to Title 11 of the United States Code, 11 U.S.C. §101 et seq., as amended (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Western District of Michigan (the "Bankruptcy Court");

WHEREAS, Seller engages in the sale of products under the trade name Valu-Bilt Tractor Parts ("Valu-Bilt"); and

WHEREAS, Seller owns the Purchased Assets (as hereinafter defined), and Buyer desires to become the owner of the Purchased Assets and Seller desires to transfer the Purchased Assets to Buyer, on the terms and conditions of this Agreement.

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

#### ARTICLE I CERTAIN DEFINITIONS

1.1. Definitions. The following terms used in this Agreement shall have the meanings set forth below:

- (a) "Accounts Receivable" shall have the meaning set forth in Section 2.2.
- (b) "Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under direct common control with such Person; provided, that in no event shall Buyer (or any Affiliate of Buyer) be deemed to be an Affiliate of Seller. For purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing.
- (c) "Agreement" shall have the meaning ascribed to it in the preamble herein.
- (d) "Assignment and Assumption of Valu-Bilt Agreements" shall have the meaning ascribed to such term in Section 3.2.
- (e) "Assumed Obligations" shall have the meaning ascribed to such term in Section 2.3.

- (f) "Auction" shall have the meaning ascribed to it in the Auction Order.
- (g) "Auction Order" shall mean the order of the Bankruptcy Court pursuant to Title 11 of the United States Code approving the bid procedures for the sale and purchase of the Purchased Assets and the payment of the Breakup Fee (as hereinafter defined) pursuant to Sections 363 and 365 of the Bankruptcy Code.
- (h) "Bankruptcy Code" shall have the meaning ascribed to it in the Recitals herein.
- (i) "Bankruptcy Court" shall have the meaning ascribed to it in the Recitals herein.
- (j) "Benefit Plan" shall mean each compensation, stock option, employment, severance, insurance, pension or retirement plan, program or agreement that is sponsored, maintained or contributed to by Seller for the benefit of any employee or former employee of Seller employed in connection with the Valu-Bilt Business.
- (k) "Bill of Sale" shall have the meaning set forth in Section 3.2.
- (l) "Breakup Event" shall have the meaning set forth in Section 6.8.
- (m) "Breakup Fee" shall have the meaning set forth in Section 6.8.
- (n) "Business Day" shall mean any day other than Saturday, Sunday or a day banks are authorized or required to be closed in New York, New York.
- (o) "Buyer" shall have the meaning ascribed to it in the preamble herein.
- (p) "Claims" shall mean any action, cause of action, demand, claim, proceeding or investigation.
- (q) "Closing" shall have the meaning set forth in Section 3.1.
- (r) "Closing Date" shall have the meaning set forth in Section 3.1.
- (s) "Eleventh Day" shall mean the later of (i) the eleventh calendar day following the entry of the Sale Order, provided that if such eleventh calendar day is not a Business Day then the first Business Day following such eleventh calendar day or (ii) the date the Sale Order shall have become Non-Appealable.
- (t) "Employed Valu-Bilt Employees" shall have the meaning set forth in Section 6.5.
- (u) "Equipment" shall mean all of the furniture, fixtures, machinery and equipment owned by Seller that is used primarily with the Valu-Bilt Business, including, to the extent transferable, all warranties issued by third parties for such furniture, fixtures, machinery and equipment.
- (v) "Excluded Assets" shall have the meaning set forth in Section 2.2.

- (w) "Excluded Obligations" shall have the meaning set forth in Section 2.5.
- (x) "Good Faith Deposit" shall have the meaning set forth in Section 2.11.
- (y) "Good Faith Escrow" shall have the meaning set forth in Section 2.11.
- (z) "Good Faith Escrow Agent" shall have the meaning set forth in Section 2.11.
- (aa) "Good Faith Escrow Agreement" shall have the meaning set forth in Section 2.11.

(bb) "Governmental Entity" shall mean any government or governmental or regulatory body thereof, or political subdivision thereof, whether federal, state, local or foreign, or any agency, instrumentality or authority thereof, or any court or arbitrator (public or private).

(cc) "Intellectual Property" shall have the meaning set forth on Exhibit A attached hereto.

(dd) "Inventory" shall mean all of the inventory of Seller that relates to the Valu-Bilt Business, including, to the extent transferable, all warranties issued by third parties for such inventory.

- (ee) "Inventory Adjustment" shall have the meaning set forth in Section 2.8.
- (ff) "Inventory Escrow" shall have the meaning set forth in Section 2.7.
- (gg) "Inventory Escrow Agent" shall have the meaning set forth in Section 2.7.
- (hh) "Inventory Escrow Agreement" shall have the meaning set forth in Section 2.7.

(ii) "Inventory Escrow Amount" shall have the meaning set forth in Section 2.7.

(jj) "Lease Adjustment" shall have the meaning set forth in Section 2.10.

(kk) "Legal Proceeding" shall mean any judicial, administrative or arbitral actions, suits, proceedings (public or private), claims or governmental proceedings.

(ll) "Letter of Credit" shall have the meaning set forth in Section 2.4.

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

(nn) "Lien" shall mean any lien, claim, pledge, option, charge, hypothecation, easement, security interest, right-of-way, encroachment, mortgage, deed of trust or other encumbrance.

(oo) "Material Adverse Effect" shall mean any change or event (or series of related changes or events) which, when taken individually or together, could have a material adverse effect on the Purchased Assets taken as the whole.

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

(qq) "Obsolete Inventory" shall mean all items of Inventory that, on a stock keeping unit basis, have not been sold to a Person (other than Buyer pursuant to this Agreement) in the two (2) fiscal years prior to the Closing Date or used as a component in a rebuilt item that has not been sold to a Person (other than Buyer pursuant to this Agreement) in the two (2) fiscal years prior to the Closing Date. Any items of Inventory not previously carried by Seller that are assigned a new stock keeping unit number, on a stock keeping unit basis, that have been added to Inventory in the three (3) months prior to the Closing Date shall not be marked as Obsolete Inventory.

(rr) "Party" shall mean any party to this Agreement.

(ss) "Permitted Encumbrances" shall mean Liens for Taxes that are not yet due and payable.

(tt) "Person" shall mean any individual, corporation, partnership, limited liability company, unincorporated organization or entity (including without limitation any Governmental Entity).

(uu) "Petition" shall have the meaning set forth in the Recitals.

(vv) "Purchased Assets" shall mean those assets described on Exhibit A attached hereto.

(ww) "Purchase Price" shall have the meaning ascribed to it in Section 2.7 and as adjusted pursuant to Sections 2.8 and 2.10.

(xx) "Sale Order" shall mean the order of the Bankruptcy Court pursuant to the Bankruptcy Code approving the sale and transfer of the Purchased Assets pursuant to Sections 363 and 365 of the Bankruptcy Code.

(yy) "Sales-in-Transit" shall mean all receivables (including, without limitation, cash, cash equivalents, undeposited and uncollected checks or any instruments for the payment of money) which relate to any sales by Seller on or prior to the Closing Date.

(zz) "Secured Parties" shall have the meaning set forth in the Second Amended and Restated Credit Agreement dated May 7, 1999 by and among Seller and certain other parties (as amended from time to time).

- (aaa) "Seller" shall have the meaning ascribed to it in the preamble herein.
- (bbb) "Sublease Agreement" shall have the meaning set forth in Section 2.4.
- (ccc) "Sublease Obligations" shall have the meaning set forth in Section 2.4.
- (ddd) "Superior Proposal" shall mean a bona fide offer by any Person (excluding Buyer): (i) to acquire a major portion of the Purchased Assets and (ii) at a price which is determined to be feasible by Seller.
- (eee) "Tax" or "Taxes" shall mean any federal, state, county, local, foreign and other income, profits, gains, net worth, sales or use, *ad valorem*, gross receipts, business and occupation, license, estimated, stamp, custom duties, occupation, property (real or personal), franchise, capital stock, license, excise, value added, payroll, employees, income withholding, social security, unemployment or any other tax, any penalty, addition to tax and interest on the foregoing, and any transfer taxes.
- (fff) "Valu-Bilt Agreements" shall mean those agreements identified on Exhibit B attached hereto, including, to the extent transferable, any prepayments made by Seller with respect to any of the Valu-Bilt Agreements.
- (ggg) "Valu-Bilt Business" shall mean the business conducted from the Valu-Bilt Premises including the sale of various products through a catalog distribution system under the trade name of Valu-Bilt Tractor Parts.
- (hhh) "Valu-Bilt Employees" shall have the meaning set forth in Section 6.5.
- (iii) "Valu-Bilt Lease" shall mean the lease agreement dated as of November 23, 1987 by and between 3815 Delaware Ltd. and Seller (as may be amended from time to time).
- (jjj) "Valu-Bilt Premises" shall have the meaning set forth in Section 2.4.
- (kkk) "WARN Act" shall mean the Worker Adjustment and Retraining Notification Act of 1988, as amended, and any successor or similar state or local Law, and the rules and regulations thereunder and under any successor or similar state or local law.

## ARTICLE II SALE AND PURCHASE OF ASSETS

2.1. Purchased Assets. Subject to the terms and conditions set forth in this Agreement, at the Closing, Seller shall sell, transfer and assign to Buyer and Buyer shall buy, accept and assume from Seller the Purchased Assets. The Purchased Assets shall be transferred to Buyer free and clear of all Liabilities and Liens, except for (i) Assumed Obligations, (ii) Permitted Encumbrances and (iii) Liens created by Buyer.

2.2. Excluded Assets. The Purchased Assets shall not include any of Seller's right, title or interest in or to the following assets and properties of Seller (collectively, the "Excluded Assets"):

(a) any cash, cash equivalents, marketable securities, money orders, promissory notes, undeposited and uncollected checks, undeposited food stamps, bank accounts, certificates of deposit, Treasury bills or any instruments for the payment of money;

(b) any assets of any Benefit Plan and any rights under any Benefit Plan or any agreement relating to employee benefits, employment or compensation of Seller or its employees;

(c) all Claims that Seller may have against any Governmental Entity for refund or credit of any type with respect to Taxes accrued with respect to periods ending on or prior to the Closing Date (including, without limitation, any sales tax refund);

(d) all accounts receivables, including, but not limited to, refunds of insurance premiums (the "Accounts Receivable");

(e) all Sales-in-Transit;

(f) except as otherwise provided in this Agreement, any of Seller's right, title or interest in or to any of Seller's packaging designs or trade dresses, any derivatives or combinations thereof, any patents, patent registrations, patent applications, trademarks, trademark registrations, trademark applications, tradenames, copyrights, copyright applications, copyright registrations, or any franchises, licenses, processes, formulae, inventions or royalties related to any of Seller's private label brands, including, without limitation, the name or logos or any component, not used primarily with the Valu-Bilt Business;

(g) except as otherwise provided in this Agreement, any of Seller's books, records, files or papers, whether in hard copy or computer format, including, without limitation, management information systems or software, engineering information, sales and promotion literature, manuals and data, sales and purchase correspondence, personnel and employment records, customer lists, vendor lists, catalogs, research material, technical information, trade secrets, technology, know how, specifications, designs, drawings, processes and quality control data, if any, or any other intangible property and applications for the same;

(h) except as otherwise provided in this Agreement, any signs or personal property which contain the name (or trade derivative thereof) or logo of Seller or its Affiliates, including all uniforms supplied to Seller's employees, not used primarily with the Valu-Bilt Business;

(i) except as otherwise provided in this Agreement, trademarks, trade names, and similar intangibles including any right to use or interest in the name of Seller, or any other subsidiary, Affiliate or division of Seller, or any similar name or intangible registered or licensed to any of the foregoing, or any tradenames used by Seller;

(j) Seller's corporate seal, minute books, stock record books, corporate charter documents, qualifications to conduct business as foreign corporations, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers and blank stock certificates;

(k) any letters of credit issued to Seller;

(l) any rights of Seller to recovery of money or property as preferences, fraudulent conveyances or the like under the provisions of Sections 544, 547, 548, 549 and 550 of the Bankruptcy Code; and

(m) any other of Seller's assets not related to the Valu-Bilt Business.

2.3. Assumed Obligations. Buyer shall assume only the following: (i) those Liabilities related to the Purchased Assets arising on or after the Closing Date, (ii) those Liabilities related to each of the Valu-Bilt Agreements arising on or after the Closing Date and (iii) the Sublease Obligations (collectively, the "Assumed Obligations"). The Assumed Obligations are the only Liabilities of Seller to be assumed by Buyer in connection with the transactions contemplated by this Agreement. Under no circumstance shall this Agreement be construed as obligating Buyer to assume, perform, discharge, satisfy, or otherwise take responsibility for the performance of the Excluded Obligations or the Excluded Assets.

2.4. Sublease Obligations.

(a) Buyer shall be entitled to occupy a portion of the premises described in the Valu-Bilt Lease (the "Valu-Bilt Premises") pursuant to the terms and conditions of the sublease agreement entered into between Buyer and Seller, which sublease agreement shall be substantially in the form attached to this Agreement as Exhibit C (the "Sublease Agreement"). The term of the Sublease Agreement shall be for the period commencing on the Closing Date and terminating on the date Seller must assume or reject the Valu-Bilt Lease, but in no event shall the term of the Sublease Agreement extend beyond the six (6) month anniversary of the Eleventh Day. During the term of the Sublease Agreement, Buyer shall pay to Seller \$20,000 per month (the "Sublease Obligations").

(b) With respect to the Sublease Obligations, at Closing, (i) Buyer shall pay to Seller \$20,000 by wire transfer of immediately available funds and (ii) Bank of America shall issue a letter of credit in an amount equal to the sum of \$20,000 multiplied by the number of months (or portion thereof) from the Eleventh Day that the Bankruptcy Court extends the time to reject or assume the Valu-Bilt Lease pursuant to Section 365(d)(4) of the Bankruptcy Code, but in no event shall the letter of credit exceed an amount equal to \$100,000, that names Seller as the beneficiary, which letter of credit shall be substantially in the form attached to this Agreement as Exhibit D (the "Letter of Credit").

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

2.6. Condition of the Purchased Assets. Except as expressly set forth in this Agreement to the contrary, Buyer acknowledges and agrees that Buyer is purchasing the Purchased Assets "as is," "where-is," and "with all faults," without any warranties, representations or guarantees, either express or implied, of any kind, nature, or type whatsoever, from, or on behalf of, Seller. Without limiting the generality of the foregoing, Buyer acknowledges and agrees that Seller hereby expressly disclaim any and all implied warranties concerning the condition of the Purchased Assets including, but not limited to, the implied warranties of merchantability and fitness for a particular purpose.

2.7. Purchase Price. In consideration for the sale of the Purchased Assets and the assumption and assignment of the Valu-Bilt Agreements by Seller, Buyer shall assume the Assumed Obligations and pay to Seller an aggregate amount equal to \$7,500,000 (the "Purchase Price"). At Closing, (i) \$6,000,000 (less the Good Faith Deposit (plus any interest and income accrued thereon) and less any Lease Adjustment pursuant to Section 2.10) of the Purchase Price described above shall be delivered to Seller by wire transfer of immediately available funds and (ii) \$1,500,000 (the "Inventory Escrow Amount") of the Purchase Price described above shall be deposited by wire transfer of immediately available funds into an escrow account (the "Inventory Escrow") and shall be subject to the terms and conditions set forth in an escrow agreement entered into by and among Seller, Buyer and escrow agent (the "Inventory Escrow Agent"), which escrow agreement shall be substantially in the form attached to this Agreement as Exhibit E (the "Inventory Escrow Agreement").

2.8. Inventory Adjustment to Purchase Price. The Purchase Price shall be adjusted as follows, effective as of the Closing Date:

(a) The Purchase Price shall be reduced on a dollar for dollar basis to the extent that the value of Inventory as of the Closing Date is less than \$6,406,783 (the "Inventory Adjustment"), and such Inventory valuation shall be calculated in accordance with Section 2.9 below.

(b) After the determination of the Inventory Adjustment (if any) to the Purchase Price as set forth in Section 2.8(a) above, Seller and Buyer shall provide written notice within five (5) Business Days to Inventory Escrow Agent of any such Inventory Adjustment to the Purchase Price or the lack of any Inventory Adjustment to Purchase Price. The Inventory Escrow shall be distributed to the appropriate Person(s) in accordance with the terms and conditions of the Inventory Escrow Agreement.

(c) With respect to any Inventory Adjustment to the Purchase Price, the Inventory Escrow shall be the sole and exclusive remedy of Buyer.

(d) The Inventory Adjustment to the Purchase Price shall be subject to the mutual agreement of Buyer and Seller, which agreement shall not be unreasonably withheld and both Buyer and Seller agree to act in good faith.

2.9. Inventory.

(a) For purposes of determining the Inventory Adjustment to the Purchase Price as set forth in Section 2.8 above, a physical count of the Inventory shall be conducted. The physical count of the Inventory shall begin at a time to be mutually agreed upon by Seller and Buyer in good faith to allow for the timely completion within fifteen (15) calendar days of the Closing Date. The physical count of Inventory shall be conducted by Seller and/or Seller's representatives. Buyer may have representatives present during the physical count of the Inventory. Buyer and Seller each agree to be cooperative, fair and reasonable and to act in good faith in connection with the count and valuation of the Inventory. The physical count and valuation of the Inventory determined as of the Closing Date shall be the amount of Inventory used to determine the Inventory Adjustment to the Purchase Price as set forth in Section 2.8 above.

(b) The physical count of the Inventory shall include only items of Inventory that are physically present on the Valu-Bilt Premises at the time the count is taken. Items of Inventory



that are to be returned to the Valu-Bilt Premises, but are not present at the time the count is taken shall not be included in the physical count and valuation of the Inventory. New Inventory shall be valued at perpetual cost, without regard to margins or handling expenses. Rebuilt Inventory shall be valued as follows: (i) the standard costs for any cores included, plus (ii) the direct costs previously expended in rebuilding the Inventory. Indirect expenses, such as overhead expenses, shall not be included in the valuation of rebuilt Inventory. Any item of Inventory which is materially broken or materially damaged shall be valued at zero and segregated. Any item of Inventory marked as Obsolete Inventory shall be valued at zero and segregated, provided that an amount equal to ten percent (10%) of the perpetual cost of all of the items of Inventory marked as Obsolete Inventory shall be added to the total valuation of the Inventory. Used Inventory shall be valued at the standard cost; provided, however, that the entire value of the used Inventory as valued at standard cost shall be discounted by fifty percent (50%). Any items of Inventory that Seller has sold to a Person(s) (excluding Buyer pursuant to this Agreement) prior to the Closing Date shall not be included in the physical count and valuation of the Inventory.

(c) Purchased Assets shall include any Inventory that is valued at zero.

2.10. Lease Adjustment to Purchase Price. The Purchase Price shall be subject to adjustment on the Closing Date, as follows:

(a) The Purchase Price shall be reduced in accordance with Section 2.10(b) below (the "Lease Adjustment") to the extent that the Bankruptcy Court has not approved an order pursuant to Section 365(d)(4) of the Bankruptcy Code to extend the time to assume or reject the Valu-Bilt Lease to the six (6) month anniversary of the Eleventh Day.

(b) If the Bankruptcy Court has not approved an order pursuant to Section 365(d)(4) of the Bankruptcy Code to extend the time to assume or reject the Valu-Bilt Lease to the six (6) month anniversary of the Eleventh Day, the Lease Adjustment shall equal \$500,000 if Seller must assume or reject the Valu-Bilt Lease before the six (6) month anniversary of the Eleventh Day.

2.11. Good Faith Deposit. At the execution of this Agreement, Buyer shall deposit \$750,000 (the "Good Faith Deposit") by a wire transfer of immediately available funds into an escrow account (the "Good Faith Escrow"), which shall be subject to the terms and conditions set forth in an escrow agreement entered into by and among Seller, Buyer and escrow agent (the "Good Faith Escrow Agent"), which escrow agreement shall be substantially in the form attached to this Agreement as Exhibit F (the "Good Faith Escrow Agreement"). The Good Faith Deposit shall be applied toward the Purchase Price at Closing. Unless otherwise agreed to by Seller and Buyer and approved by the Bankruptcy Court, if this Agreement is terminated pursuant to Article VIII, the Good Faith Deposit (plus any interest and income accrued thereon) shall be returned to Buyer within one week of such termination pursuant to the terms and conditions of the Good Faith Escrow Agreement.

### ARTICLE III CLOSING

3.1. Closing. The consummation of the transactions contemplated by this Agreement (the "Closing") shall occur at 10:00 a.m. at the offices of Kirkland & Ellis, 153 E. 53<sup>rd</sup> Street, New York, New York on the earlier of (i) the Eleventh Day or (ii) such other time and date as shall be mutually

agreed upon by Buyer and Seller (the date of the Closing being herein referred to as the "Closing Date").

3.2. Seller's Obligations at the Closing. At the Closing, Seller shall deliver or cause to be delivered to Buyer the following:

(a) the actual physical possession of the Purchased Assets and the Valu-Bilt Premises;

(b) a duly executed counterpart of the Bill of Sale for the Purchased Assets, in substantially the form of Exhibit G attached hereto (the "Bill of Sale");

(c) a duly executed counterpart of the Assignment and Assumption of Valu-Bilt Agreements, in substantially the form of Exhibit H attached hereto (the "Assignment and Assumption of Valu-Bilt Agreements");

(d) a duly executed counterpart of the Good Faith Escrow Agreement;

(e) a duly executed counterpart of the Inventory Escrow Agreement;

(f) a duly executed counterpart of the Sublease Agreement;

(g) a copy of the duly executed Sale Order; and

(h) such other documents as may be reasonably requested by Buyer.

3.3. Buyer's Obligations at the Closing. At the Closing, Buyer shall deliver or cause to be delivered to Seller (or Inventory Escrow Agent, if applicable) the following:

(a) a wire transfer of the Purchase Price (less the Good Faith Deposit (plus any interest and income accrued thereon) and less any Lease Adjustment) to Seller;

(b) a wire transfer of \$20,000 to Seller;

(c) a wire transfer of the Inventory Escrow Amount to Inventory Escrow Agent;

(d) a duly executed counterpart of the Assignment and Assumption of Valu-Bilt Agreements;

(e) a duly executed counterpart of the Good Faith Escrow Agreement;

(f) a duly executed counterpart of the Inventory Escrow Agreement;

(g) a fully executed Letter of Credit;

(h) a duly executed counterpart of the Sublease Agreement; and

(i) such other documents as may be reasonably requested by Seller.

## ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER

Except for exceptions set forth on the disclosure schedule provided by Seller to Buyer with this Agreement, which disclosure schedule shall specifically identify the representation and warranty to which the exception relates, Seller represents, warrants and covenants that:

### 4.1. Corporate Authority, Operations, Deliveries.

(a) Seller is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Subject to the entry of the Sale Order, Seller has full and requisite corporate power and authority to execute and deliver this Agreement, the Bill of Sale, the Assignment and Assumption of Valu-Bilt Agreements, the Good Faith Escrow Agreement, the Inventory Escrow Agreement and the Sublease Agreement and to perform its obligations hereunder and thereunder.

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

### 4.2 Purchased Assets.

(a) Subject to the entry of the Sale Order, Seller has good and marketable title to all of the Purchased Assets, free and clear of all Liens, except Permitted Encumbrances and Liens (to be removed, by the order of the Bankruptcy Court or otherwise, on or prior to the Closing Date).

(b) Subject to the entry of the Sale Order, there are no claims, litigation, proceedings or disputes pending related to any of the Purchased Assets.

(c) All of the Inventory and Equipment is located at the Valu-Bilt Premises.

(d) There are no consignment agreements with respect to any of the Inventory.

4.3 Supplier Agreements. There are no supplier agreements or purchase orders with respect to any of the Inventory that requires delivery beyond sixty (60) days of the date of such agreement or purchase order.

4.4 Valu-Bilt Employees. The Valu-Bilt Employees are not party to any collective bargaining agreement.

4.5 Survival. Seller's representations and warranties set forth in this Article IV shall not survive the Closing Date.

**ARTICLE V**  
**REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents, warrants and covenants that:

5.1. Corporate Authority, Operations, Deliveries.

(a) Buyer is a Nevada corporation, duly organized, validly existing and in good standing under the laws of the State of Nevada.

(b) It has full and requisite corporate power and authority to execute and deliver this Agreement, the Assignment and Assumption of any Valu-Bilt Agreements, the Good Faith Escrow Agreement, the Inventory Escrow Agreement and the Sublease Agreement and to perform its obligations hereunder and thereunder.

(c) This Agreement has been duly and validly executed and delivered by Buyer and constitutes, and the Assignment and Assumption of Valu-Bilt Agreements, the Good Faith Escrow Agreement, the Inventory Escrow Agreement and the Sublease Agreement to be executed and delivered by Buyer at the Closing will constitute, a valid and legally binding obligation of Buyer, enforceable against Buyer in accordance with their respective terms.

(d) Neither the execution and delivery by Buyer of this Agreement, nor the execution and delivery by Buyer of the Assignment and Assumption of Valu-Bilt Agreements, the Good Faith Escrow Agreement, the Inventory Escrow Agreement and the Sublease Agreement at the Closing, nor the compliance by Buyer with any of the provisions hereof or thereof, will (i) conflict with, or result in the breach of, any provision of the certificate of incorporation or by-laws, or any other corporate organizational document of Buyer, (ii) conflict with, violate, result in the breach or termination of, or constitute a default under any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which Buyer is a party or by which Buyer or its properties or assets are bound or (iii) violate any statute, rule, regulation, order or decree of any governmental body or authority by which Buyer is bound, except, in the case of clauses (ii) and (iii), for such violations, breaches or defaults as would not, individually or in the aggregate, have a Material Adverse Effect.

(e) No consent, waiver, approval, order, permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Entity is required on the part of Buyer in connection with the execution and delivery of this Agreement or the execution and delivery by Buyer of the Assignment and Assumption of Valu-Bilt Agreements, the Good Faith Escrow Agreement, the Inventory Escrow Agreement and the Sublease Agreement at the Closing, or the compliance by Buyer with any of the provisions hereof or thereof, including, without limitation, any consents required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(f) There are no Legal Proceedings pending or, to the best knowledge of Buyer, threatened that are reasonably likely to prohibit or restrain the ability of Buyer to enter into this Agreement or consummate the transactions contemplated hereby.

(g) Buyer has immediately available funds sufficient to consummate the transactions contemplated by this Agreement.

5.2. Survival. Buyer's representations and warranties set forth in this Article V shall not survive the Closing Date.

## **ARTICLE VI COVENANTS**

6.1. Valu-Bilt Agreements. From and after the date of this Agreement through the Closing Date, Seller shall comply with all of its obligations under each of the Valu-Bilt Agreements.

6.2. Submission for Court Approval. As promptly as practicable after the date hereof, Seller shall submit to the Bankruptcy Court a motion(s) seeking (i) the Auction Order, (ii) the Sale Order authorizing (y) the sale of the Purchased Assets to Buyer pursuant to the terms and conditions of this Agreement and (z) Seller entering into the Sublease Agreement and (iii) an order of the Bankruptcy Court pursuant to Section 365(d)(4) of the Bankruptcy Code to extend the time to assume or reject the Valu-Bilt Lease to the six (6) month anniversary of the Eleventh Day.

6.3. Superior Proposals. Seller shall notify Buyer as soon as practicable if any Superior Proposals are received by Seller and shall deliver to Buyer a copy of any written Superior Proposal. If a Superior Proposal is received by Seller, Buyer shall have the right, in its exclusive discretion, to outbid any Superior Proposal at the Auction. If Buyer elects to outbid any Superior Proposal at the Auction, Buyer shall be entitled to receive a credit of \$250,000 for any bid made by Buyer at the Auction, provided that (i) Buyer's bid at the Auction is greater than \$7,800,000 if the Bankruptcy Court has approved an order pursuant to Section 365(d)(4) of the Bankruptcy Code to extend the time to assume or reject the Valu-Bilt Lease to a date on or beyond the six (6) month anniversary of the Eleventh Day or (ii) Buyer's bid at the Auction is greater than \$7,300,000 if the Bankruptcy Court has approved an order pursuant to Section 365(d)(4) of the Bankruptcy Code to extend the time to assume or reject the Valu-Bilt Lease to a date prior to the six (6) month anniversary of the Eleventh Day.

6.4. Adequate Assurances. Buyer covenants and agrees to cooperate with Seller in connection with furnishing information pertaining to the satisfaction of the requirement of adequate assurances of future performance as required under Section 365(f)(2)(B) of the Bankruptcy Code.

6.5. Employees. Buyer agrees that prior to the Closing Date Buyer shall offer employment to all of the current full-time employees of Seller employed in connection with the Valu-Bilt Business (the "Valu-Bilt Employees") so as not to trigger any WARN Act liabilities in respect of Seller (a list of the Valu-Bilt Employees is attached hereto as Schedule 6.5); provided that any such offers are subject to the Closing. Buyer shall indemnify and hold harmless Seller from any such liabilities under the WARN Act. Buyer shall provide Seller at least one week prior to the Closing with (i) a written list of the Valu-Bilt Employees receiving offers of employment with Buyer and (ii) a written list of the Valu-Bilt Employees accepting offers of employment with Buyer (the "Employed Valu-Bilt Employees"). Nothing herein shall obligate Buyer to employ any of the Valu-Bilt Employees for any particular length of time following the Closing Date. After the Closing, the Employed Valu-Bilt Employees shall be entitled to receive compensation and benefits based on Buyer's current compensation and benefit structure, provided that each Employed Valu-Bilt Employee shall be entitled to receive credit for such Employed Valu-Bilt Employee's years of service

with Seller for purposes of calculating certain benefits such as vacation. Buyer shall not assume any responsibility for any pension or retirement obligations or any vacation obligations of any of the Employed Valu-Bilt Employees accumulated prior to the Closing Date and any amounts vested in any pension or retirement accounts of any of the Employed Valu-Bilt Employees shall be transferred directly from Seller to the Employed Valu-Bilt Employees.

6.6. Uncollected Accounts Receivable. Buyer acknowledges that it is not purchasing from Seller any Accounts Receivable. Buyer shall promptly remit to Seller any and all proceeds from accounts receivable existing on or prior to the Closing Date which Buyer may receive after the Closing Date. Buyer will have no right to set off or otherwise withhold or delay timely payment to Seller of any such amount for any amount owed or alleged to be owed to Buyer by Seller.

6.7. Notice of Developments. Each Party will give prompt written notice to the other Party of any material adverse development causing a breach of any of its own representations and warranties in Articles IV and V above, as applicable. No disclosure by any Party pursuant to this Section 6.7, however, shall be deemed to amend or supplement the schedules to this Agreement or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

6.8. Breakup Fee. A Breakup Fee (as defined below) shall be payable to Buyer in the event that: (i) Seller sells all or a major portion of the Purchased Assets to a Person(s) other than Buyer; (ii) the Bankruptcy Court grants relief from the automatic stay so as to permit the Secured Parties to sell or otherwise dispose of a major portion of the Purchased Assets to a Person other than Buyer; or (iii) the Bankruptcy Court orders the dismissal of Seller's bankruptcy case or the conversion of Seller's bankruptcy case under Chapter 11 of the Bankruptcy Code to a bankruptcy case under Chapter 7 of the Bankruptcy Code (each of these events is hereinafter referred to as a "Breakup Event"). The "Breakup Fee" shall be an amount equal to \$250,000.

6.9. Form of Sale Order. The Sale Order shall provide that the Bankruptcy Court approves the: (i) sale of the Purchased Assets, free and clear of all liens, claims and interests under Section 363 of the Bankruptcy Code; (ii) assumption and assignment of each of the Valu-Bilt Agreements under Section 365 of the Bankruptcy Code; (iii) Seller's cure of any default in the Valu-Bilt Agreements at the Closing out of the sale proceeds; and (iv) designation of Buyer as a "good faith purchaser" within the meaning of Section 363(m) of the Bankruptcy Code.

6.10. Grant of License. Effective as of the Closing, Seller hereby grants to Buyer a non-exclusive, royalty-free license for a period of six (6) months to the names "Central Tractor" and "CT", to the extent Seller has rights in such names, as follows: (i) to the extent necessary for Buyer to dispose of Inventory that is in packing bearing the name "Central Tractor" or "CT" and (ii) to allow Buyer to continue to use any Valu-Bilt catalog printed through the Closing, to the extent such catalog contains references to "Central Tractor" or "CT". Seller makes no representation or warranty concerning the names "Central Tractor" or "CT" or its rights therein. Buyer shall maintain the quality of all aspects of any Inventory or catalog bearing the names "Central Tractor" or "CT", and Buyer shall remedy any deficiencies in its use of such names upon notice from Seller.

**ARTICLE VII**  
**CONDITIONS TO BUYER'S AND SELLER'S OBLIGATIONS TO CLOSE**

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

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

(b) The Bankruptcy Court shall have approved and entered the Sale Order authorizing (i) the sale of the Purchased Assets to Buyer pursuant to the terms and conditions of this Agreement, which shall have authorized Seller to convey to Buyer all its right, title and interest in and to the Purchased Assets free and clear of all liens, (ii) the assumption and the assignment of the Valu-Bilt Agreements as contemplated hereby and (iii) Seller entering into the Sublease Agreement, and such Sale Order shall have become Non-Appealable.

(c) The Good Faith Escrow Agent shall have executed and delivered a counterpart of the Good Faith Escrow Agreement to Seller and Buyer.

(d) The Inventory Escrow Agent shall have executed and delivered a counterpart of the Inventory Escrow Agreement to Seller and Buyer.

(e) All authorizations, consents and approvals by any third parties, including any governmental authority, that are necessary for the consummation of the transactions contemplated by this Agreement must have been received and must be in full force and effect.

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

(a) The representations and warranties of Seller set forth in Article IV shall be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing Date, except for breaches or inaccuracies that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Seller shall have performed and complied with all of its obligations under this Agreement, except for failures to perform or comply with its obligations that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) The Bankruptcy Court shall have approved an order pursuant to Section 365(d)(4) of the Bankruptcy Code to extend the time to assume or reject the Valu-Bilt Lease to a date on or beyond the three (3) month anniversary of the Eleventh Day and such order shall have become Non-Appealable; provided that this condition shall be deemed forever waived and Buyer shall lose its right to terminate this Agreement pursuant to Section 8.4 for failure of this condition to be satisfied, if Buyer fails to terminate this Agreement pursuant to Section 8.4 for failure of this condition to be satisfied within five (5) Business Days of the order pursuant to Section 365(d)(4) of

the Bankruptcy Code to extend the time to assume or reject the Valu-Bilt Lease becomes Non-Appealable.

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

(a) The representations and warranties of Buyer set forth in Article V shall be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing Date except for breaches or inaccuracies that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Buyer shall have performed and complied with all of its obligations under this Agreement.

(c) Buyer shall have delivered the Letter of Credit to Seller.

## **ARTICLE VIII TERMINATION**

8.1. Mutual Agreement. This Agreement may be terminated by mutual agreement of the Parties.

8.2. Breakup Event. Upon the occurrence of a Breakup Event, this Agreement shall be automatically terminated, except that the Breakup Fee shall still be due and payable.

8.3. Drop Dead Date. If the Closing has not occurred on or before April 30, 2002, Buyer or Seller shall have the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 8.3, Buyer shall be entitled to reimbursement of its reasonable out-of-pocket expenses arising in connection with the negotiation and execution of this Agreement; provided that such reimbursement amount shall not exceed \$25,000; further provided, that the failure of the Closing to occur on or before April 30, 2002 and the resulting termination pursuant to this Section 8.3 is not the result of (i) the Buyer's failure to satisfy the conditions set forth in Section 7.3 above and/or (ii) Buyer's bad faith.

8.4. By Buyer. If any of the conditions set forth in Sections 7.1 or 7.2 above have not been satisfied as of the Closing Date and Buyer has not waived such condition(s) on or before the Closing Date, Buyer shall have the right to terminate this Agreement.

8.5. By Seller. If any of the conditions set forth in Sections 7.1 or 7.3 above have not been satisfied as of the Closing Date and Seller has not waived such condition(s) on or before the Closing Date, Seller shall have the right to terminate this Agreement.

8.6. Effects of Termination. In the event of termination of this Agreement pursuant to this Article VIII, this Agreement shall forthwith become void and there shall be no liability on the part of any Party to any other Party under this Agreement. Upon termination of this Agreement pursuant to this Article VIII, the Good Faith Deposit (plus any interest and income accrued thereon) shall be returned to Buyer within one week of such termination pursuant to the terms and conditions of the Good Faith Escrow Agreement.



**ARTICLE IX  
MISCELLANEOUS**

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

Notice to Seller:

Quality Stores, Inc.  
455 E. Ellis Road  
Muskegon, Michigan 49441  
Attn: Peter Fitzsimmons

with copy to (which shall not constitute notice to Seller):

Kirkland & Ellis  
153 East 53rd Street  
New York, New York 10022  
Attn: Matthew Cantor  
Lisa Anastos

Notice to Buyer:

Alamo Group (IA) Inc.  
1502 East Walnut  
Seguin, Texas 78155  
Attn: Ron A. Robinson

with copy to (which shall not constitute notice to Buyer):

Oppenheimer, Blend, Harrison & Tate  
711 Navarro, 6<sup>th</sup> Floor  
San Antonio, Texas 78205  
Attn: Julie Perez

9.2. Further Assurances. Each Party agrees to use its reasonable best efforts to cause the conditions of its obligations hereunder to be satisfied on or prior to the Closing Date. Each Party agrees to execute and deliver and provide access to any and all further agreements, documents and instruments reasonably necessary to effectuate this Agreement or the transactions referred to herein or which may reasonably be requested by the other Party to perfect or evidence its or their rights hereunder, including, but not limited, any documents which constitute, relate or refer to the files. Each Party will use its reasonable best efforts to effect an orderly transfer in control of the Purchased Assets to Buyer and to complete the transactions contemplated by this Agreement as promptly as practical. Each Party will promptly notify the other Party of any material information delivered to or obtained by such Party which would prevent the consummation of the transactions contemplated by

this Agreement, or would indicate a breach of the representations and warranties or covenants of any of the Parties.

9.3. Expenses. Except as otherwise provided in this Agreement, each of the Parties hereto will bear its respective expenses incurred by and in connection with this Agreement and the transactions contemplated hereby, including, without limitation, attorney's and accountant's fees.

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

9.5. Brokers. Each Party warrants and represents to the other Party that it has not incurred and will not incur any liability for brokerage fees or agent's commissions in connection with this transaction, except for any payments by Seller to Peter J. Solomon Company and/or Jay Alix Services, LLC. Each Party agrees that it will hold harmless and indemnify the other Party against and in respect of any claim of brokerage or other commissions relative to this Agreement and to the transactions contemplated hereby based on any agreement or commitment made or alleged to have been made by or on behalf of the indemnifying Party.

9.6. Publicity. Each Party shall not, without the prior written consent of the other Party, make any public announcement (including, but not limited to, press releases and advertising) of the transactions contemplated by this Agreement, except as required by law. Upon the filing of this Agreement with the Bankruptcy Court, this Section 9.6 shall no longer apply.

9.7. Descriptive Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

9.8. Successors and Assigns. Neither Party hereto shall assign or transfer any rights or obligations hereunder, except with the consent of the other Party.

9.9. Entire Agreement. This Agreement (including the Schedules and Exhibits and the other documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understanding, both written and oral, among Seller and Buyer, with respect to the subject matter hereof.

9.10. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by and construed in accordance with Title 11 of the Bankruptcy Code and the domestic laws of the State of Michigan, without giving effect to any choice of law or conflict of law provision (whether of the State of Michigan or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Michigan. Seller and Buyer each hereto irrevocably and unconditionally consents to submit to the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court), waives any objection to the laying of venue of any such litigation therein, and agrees not to plead or claim that such litigation has been brought in an inconvenient forum.

9.11. Amendments. This Agreement and any of terms herein may only be amended, changed or modified by a writing entered into between Seller and Buyer.

9.12. Exhibits. All Exhibits and Schedules to this Agreement, as now existing and as modified hereafter, are incorporated in this Agreement by this reference.

9.13. Severability. No provision of this Agreement that is held to be inoperative, unenforceable or invalid shall affect the remaining provisions, and to this end all such provisions are declared to be severable.

9.14. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any of the Parties.

9.15. Waiver. The failure by any Party to seek redress for the breach, or to insist upon strict performance of any covenant, agreement, provision or condition of this Agreement, shall not constitute a waiver thereof, and such Party shall have all remedies provided herein and by applicable law with respect to any subsequent act which would have originally constituted a breach.

9.16. Preparation of Agreement. This Agreement shall not be construed for or against any Party. Each Party acknowledges that each Party contributed jointly and equally to the preparation of this Agreement.

9.17. Time of the Essence. Time is of the essence with respect to this Agreement and the transactions contemplated by this Agreement.

9.18. No Impediment to Liquidation. Nothing herein shall be deemed or construed so as to limit, restrict or impose any impediment to Seller's right to liquidate, dissolve and wind up its affairs and to cease all business activities and operations at such time as it may determine following the Closing.

\* \* \* \* \*

IN WITNESS WHEREOF, Seller and Buyer have executed this Asset Purchase Agreement as of the date hereof.

**SELLER:**

QUALITY STORES, INC.

By:

P. D. Fitzsimmons  
Name: Peter D. Fitzsimmons  
Title: Chief Executive Officer

**BUYER:**

ALAMO GROUP (IA) INC.

By:

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

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IN WITNESS WHEREOF, Seller and Buyer have executed this Asset Purchase Agreement as of the date hereof.

**SELLER:**

QUALITY STORES, INC.

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

Name:

Title:

**BUYER:**

ALAMO GROUP (IA) INC.

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

Name:

Title:

Name: ROBERT H. GEORGE  
Title: VICE PRESIDENT

## **SCHEDULES**

<b>Schedules</b>	<b>Description</b>
6.5	Valu-Bilt Employees

## SCHEDULE 6.5

### VALU-BILT EMPLOYEES

AKERBERG, COLIN  
BAGBY, CHAD A  
BARKER, RONALD O.  
BENNETT, CHRISTOPHER R.  
BITTNER, RUSSELL  
BLACKFORD, THOMAS L  
BROWN, JAMES E.  
BUEFORD, SEQUIOYAH K  
BURKET, CHARLES L  
BURNS, RICHARD A  
CALKINS, DALE W.  
CHRISTIANSEN, TRACY A.  
CLARK, TIMOTHY D.  
CORY, JOY A  
CORY, RYAN M  
CROW, DANIELLE L  
CRUEA, PAULA  
CURRY, BRENT W.  
DALES, DANIEL R.  
DUEDE, VICKIE  
EILANDER, ANGELA E  
EILANDER, KRISTI  
ESTELL, JEROME E  
FOREST, JERRY  
FOSS, KRIS  
FOSS, THOMAS A.  
FOX, STEPHEN J  
FROST, DALE E.  
GATES, BRADLEY F.  
GIBSON, RICK L.  
GRIGGS, JEFFERY A.  
HANSEN, HERBERT F.  
HART, VERNIE L.  
HEATHER III, JOSEPH J.  
HENDRIKS, CLYDE L.  
HERWEH, DICK  
HOWE, TRACY D  
HUNTRODS, SCOTT  
JACKSON, MARIDEL  
JACOBSEN, LANNY L.  
JAMES, DONNIE  
JAMISON, DARRYL M  
JONES, CHADD A  
KILLAM, LARRY D.  
KLAPP, ANTHONY C  
LANE, ERIC M.  
LARSON, MICHAEL W  
LEITING, DENNIS A

LEITING, RANDY  
LINDSAY, B. ANNETTE  
MANN, BRUCE A.  
MILEWSKI, WILLIAM A  
MILLER, GREGORY T.  
MILLER, RICHARD LARRY  
MOBERG, STEVEN  
MOECKLY, KENT H.  
MUHM, BRIAN  
NAGEL, SHEILA J.  
NOBLE JR., CHARLES R.  
OUVERSON, JERRY B.  
PATTERSON, WAYNE A.  
PEDDICORD, JAMES E.  
POORTINGA, DONALD  
POSEKANY, LAWRENCE  
POWELL, RENEE  
QUICK, PAUL E.  
REAMS, STEVEN S  
REECE, RONALD M.  
RINEHART, RUSSELL  
RISSMAN, ROBERT  
ROBBINS, JANIS  
ROVNER, SCOTT S  
SAND, SUSAN K.  
SCHEBLER, JAMES  
SCHURING, MARION G  
SHAW, DENNIS L.  
SMITH, DAVID K.  
SMITH, TERRY R.  
STOKER, MICKY E.  
THARP, JACK L.  
THORNTON, STACEY L  
TRAN, CAM VAN  
WEATHERLY, HOWARD C  
WISSLER, ROBERT L.  
WOLFE, WILLIAM E  
WOOD, NICHOLE  
WRIGHT, GERALD  
YEARIAN, DAVID L.

## EXHIBITS

Exhibits	Description
A	Purchased Assets
A-1	Equipment
B	Valu-Bilt Agreements
C	Sublease Agreement
D	Letter of Credit
E	Inventory Escrow Agreement
F	Good Faith Escrow Agreement
G	Bill of Sale for the Purchased Assets
H	Assignment and Assumption of Valu-Bilt Agreements



## **EXHIBIT A**

### **PURCHASED ASSETS**

The Purchased Assets shall include all assets used primarily with the Valu-Bilt Business, including, without limitation, the following:

- (a) all of the Inventory;
- (b) all of the Equipment, including the equipment listed on Exhibit A-1 attached hereto, and including any equipment which has become affixed to the Valu-Bilt Premises such as shelving and machinery;
- (c) all intellectual property, including, without limitation, all designs, layout, trade dress and packaging, any patents, patent applications, patent disclosures, inventions upon which patent applications have not yet been filed, service marks, trade names, trademarks, trademark registrations and applications, including Registration No. 1801863 for service mark "Valu-Bilt" with design, slogans, logos (as well as any goodwill associated with any of the foregoing), Internet domain names, copyrightable works, copyright registrations and applications, computer software (including, without limitation, software licenses, source code, object code, data and databases), trade secrets, formulae, technology, designs, processes, inventions and know-how ("Intellectual Property"), presently owned by Seller and used primarily with the Valu-Bilt Business; and
- (d) to the extent assignable and transferable, all records, customer and supplier lists, payroll and personnel records, product information, product drawings, production documentation, material specifications, formulae, specifications, flowcharts, drawings, plans, reports, data, notes, correspondence, contracts, labels, catalogues, brochures, art work, photographs, advertising materials, marketing and production literature, files, and other records and documents used primarily with the Valu-Bilt Business, including, without limitation, Seller's books of account, ledgers, and other financial records, but excluding Seller's corporate records and minute books.

**EXHIBIT A-1**  
**LIST OF EQUIPMENT**

**VALU-BILT TRACTOR PARTS**  
**FIXED ASSET LISTING**

Page 1 of 4

**SHOP FIXED ASSETS**

<u>NUMBER</u>	<u>ITEM</u>	<u>DESCRIPTION</u>
1	RTM270	CRANK GRINDER
2	RTM260	CRANK GRINDER
3	RAC2130	CAM GRINDER
4	SPY500	SURFACE GRINDER
5	BC-5	LINE BORE
6	TCMA40	HEAD SHOP
7	AB320	PIN CUTTER
8	CU616	CYLINDER HONE
9	CH100	LINE HONE
10	LBB1699	ROD HONE
11	ROBB	BORING MILL
12	KOTA150	CRANK WELDER
13	PETERSON	MAGNAFLUX UNIT
14	BRIDGEPOR	MILL
15	TORM VUL	PARKERISER
16	TOS	LATHE
17	OTC	PRESS
18	VAN NORM	FLYWHEEL GRINDER
66	TAPPET GRINDER	
67	ROD CAP GRINDER	
68	BORING BAR	
69	BORING BAR	
70	ACID TANK	
71	PARTS CLEANING	
72	AIR DRYER	
73	AIR COMPRESSOR	
74	AIR COMPRESSOR	
75	SCRUBBER	
76	AIR COMPRESSOR	
77	HYDRAULIC TESTER	
78	PRESSURE WASHER	
79	BEAD BLASTER	
80	14 STEP LADDER	

**VALU-BILT TRACTOR PARTS**  
**FIXED ASSET LISTING**

Page 2 of 4

**MISCELLANEOUS NON-PERISHABLE TOOLING**

<u>NUMBER</u>	<u>ITEM</u>
19	BORING HEAD
20	BORING HEAD
21	ROTARY TABLE
22	VALVE SEAT CUTTER
23	COUNTER BORE CUTTER
24	CRANKSHAFT POLISHER
25	CRANKSHAFT POLISHER
26	LINCOLN ARC WELDER
27	PRESSURE TESTER
	MISCELLANEOUS HAND TOOLS (UNTAGGED)

**REBUILD SHOP**

<u>NUMBER</u>	<u>ITEM</u>	<u>DESCRIPTION</u>
28	SP250	LINCOLN WIRE WELDER
29	SP250	LINCOLN WIRE WELDER
30	TIG355	LINCOLN TIG WELDER

**RACKING**

**MAIN WAREHOUSE**

<u>ITEM</u>	<u>DESCRIPTION</u>
SMALL PARTS:	
FLOW RACKING	225 – 8 FOOT SPANS (45 – 8 FOOT SECTIONS W/ 5 LEVELS)
PALLET RACKING	994 – 8 FOOT SPANS (100 – 8 FOOT SECTIONS W/ 9 OR 10 LEVELS)

**BULK STORAGE:**

PALLET RACKING	1570 – 8 FOOT SPANS (314 – 8 FOOT SECTIONS W/ 5 LEVELS)
----------------	--

**REBUILT AREA**

SMALL PARTS:	
PALLET RACKING	576 – 8 FOOT SPANS (57 – 8 FOOT SECTIONS W/ 10 LEVELS)
PALLET RACKING	48 – 8 FOOT SPANS (8 – 8 FOOT SECTIONS W/ 6 LEVELS)

ALL RACKING IN THE BLUE WAREHOUSE AND ALL RACKING NOT LISTED ABOVE  
THAT IS REQUIRED IN THE OPERATION OF THE BUSINESS.

**VALU-BILT TRACTOR PARTS**  
**FIXED ASSET LISTING**

Page 3 of 4

**CRANES AND HOISTS**

<u>EQUIPMENT</u>	<u>DEPARTMENT</u>	<u>BUILDING</u>	<u>QTY.</u>
JIB Cranes	Tear Down Shop	Blue Warehouse	4
JIB Crane	Welding Shop	Blue Warehouse	1
JIB Cranes	Machine Shop	Blue Warehouse	7
JIB Crane	Packaging	Blue Warehouse	1
Floor Hoists	Tear Down Shop	Blue Warehouse	4
Overhead Trolley Hoist	Machine Shop	Blue Warehouse	1

**VEHICLES**

<u>NUMBER</u>	<u>DESCRIPTION</u>	
31	1998 Chevrolet 3500 Pickup w/snow blade	VIN # 1GCHK34R9WZ231149
33	1994 Chevrolet Astro Van	VIN #1GCDM19Z9RB203726
34	1998 Chevrolet Kodiak	VIN #1GBJ6H1JRWJ105026
36	Hillsboro 24' Gooseneck trailer	VIN #WJ105026
37	1985 Mack R688ST (not road ready)	VIN #2MN187YXFC00640
38,38a	2 Semi Trailers (storage type not road ready)	
39	4 Wheel car trailer	
40	2 Wheel trailer w/fuel tanks	

**FORKLIFTS AND PICKERS**

<u>NUMBER</u>	<u>DESCRIPTION<sup>Q</sup></u>	
41,a,b,c	4-Clark OP15 Order Pickers	
42,42a	2-Crown 30SP36TL Order Pickers	Q
43	Crown 35RRTT Reach Lift	Q
44	Crown PE3520-60 Pallet Trucks	Q
45	12-Manual Pallet Jacks	
46	Clark CGP30 Forklift LP Gas	
47	Clark GPS15 Forklift Gas	
48	Clark TM20 Forklift Electric	
49	Clark GPS25MB Forklift LP Gas	
50	Nissan KCPH02A20PV Forklift LP Gas	Q
50a	Nissan KCPH02A20PV Forklift LP Gas	
51a	Nissan KAPH02A25PV Forklift LP Gas	Q
51	Bobcat 2400 Loader	
81	Clark NPP20 Reachlift	
82	Numerous Battery Chargers	

Source: Company management.

<sup>Q</sup> Items marked with a Q indicate those items formerly used in Quality Stores Distribution Center. Rough estimate of resale value is \$12,000.

**VALU-BILT TRACTOR PARTS**  
**FIXED ASSET LISTING**

Page 4 of 4

**YARD TRACTORS**

<u>NUMBER</u>	<u>DESCRIPTION</u>
53	Ford 7500 Diesel w/loader
54	Ford 3000 Diesel w/broom
55	Ford 535 Diesel w/loader
56	Ford 3000 Gas Forklift
57	John Deere 301 Gas
58	IH 1566 Diesel w/snowblower

**RESTORED TRACTORS**

<u>NUMBER</u>	<u>DESCRIPTION</u>
59	Centaur
60	John Deere 530 LP Gas
61	Ford 8N

**OTHER EQUIPMENT**

<u>NUMBER</u>	<u>DESCRIPTION</u>
62	Riding Lawnmower
63,64	Push Mower
65	Snowblower

**OTHER OFFICE AND IT EQUIPMENT**

1. Office calculators
2. Electric pencil sharpeners
3. Electric punch (Office)
4. Electric paper shredder (Defective, in computer room)
5. Electric typewriter (A.Butler's office)
6. Letter machine (Defective computer room)
7. TV's (Lobby area and M.Schuring's office)
8. Microfiche machines (Shop office and blue warehouse)
9. Cash registers (A.Butler's office and shop office)
10. Safes (R. Powell's office and counter sales office)
11. Phones (phone system)
12. Miscellaneous computers, monitors and keyboards (defective room)
13. Copiers in lobby and shop area
14. Other miscellaneous computers (office outside lobby area and 3 in rooms)
15. Desks, chairs, file cabinets, credenzas, partitions etc. for each present employee work-station needed to operate the business.

## **EXHIBIT B**

### **VALU-BILT AGREEMENTS**

1. Agreement for Support Services with Hewlett Packard dated September 15, 2001. The term of this agreement expires on November 14, 2002. The monthly fee payable to Hewlett Packard is \$1,547.00.
2. Contract for Purchase and Services for Smith-Gardner, Inc. dated October 7, 1999. Under this agreement there (i) is a monthly service fee of \$2,865 (which may be terminated by customer with 30 days prior notice) and (ii) an annual fee for third party utilities for \$2,300 (invoiced annually by Ecometry Corporation).
3. Agreement with Pitney Bowes Credit Corporation – payment due quarterly for metered mail.

**EXHIBIT C**  
**SUBLEASE AGREEMENT**

(Attached)



**SUBLEASE AGREEMENT**

THIS SUBLEASE AGREEMENT ("Sublease") is made and entered into as of \_\_\_\_\_, 2002 (the "Effective Date") between Quality Stores, Inc., a Delaware corporation, the successor to Central Tractor Farm & Country, Inc., a Delaware corporation ("Sublessor"), and Alamo Group (IA) Inc., a Nevada corporation ("Sublessee");

WHEREAS, on November 1, 2001, Sublessor filed a voluntary petition pursuant to Title 11 of the United States Code, 11 U.S.C. §101 et seq., as amended (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Western District of Michigan (the "Bankruptcy Court");

WHEREAS, Sublessor, is lessee under that certain lease dated November 23, 1987, and executed by and between Sublessor as lessee, and 3815 Delaware, Ltd. (the "Master Lessor"), as lessor (as amended from time to time, the "Master Lease"); and

WHEREAS, Sublessee desires to sublease the Leased Premises (as hereinafter defined) from Sublessor.

NOW, THEREFORE, in consideration of the good and valuable consideration, the receipt and sufficiency thereof being hereby acknowledged, Sublessor and Sublessee hereby agree as follows:

**ARTICLE I  
MASTER LEASE**

**1.01    Sublease Subject to Master Lease**

This Sublease is subject and subordinate to the Master Lease. Copies of the Master Lease and amendments thereto are attached hereto as Exhibit A and made a part hereof for all purposes as if fully set forth herein.

**1.02    Compliance With Master Lease**

Sublessee hereby covenants and agrees to comply with all terms of the Master Lease during the Term (as hereinafter defined) of this Sublease, except as otherwise provided herein.

**1.03    Representations and Warranties of Sublessor.**

(a)    Sublessor has the right, power and capacity to make this Sublease, and no person, firm, corporation or entity other than Sublessor has any right, title, interest or claim as "Lessee" in or to the Master Lease.

(b) Sublessor has delivered to Sublessee, and attached hereto as Exhibit A is, a true, complete and correct copy of the Master Lease, together with all supplements, addenda, amendments and modifications thereto, and except as set forth in Exhibit A, the Master Lease has not been amended, modified or supplemented in any way.

(c) The person executing this Sublease on behalf of Sublessor is fully authorized to do so, and this Sublease represents a binding agreement of Sublessor, enforceable in accordance with its terms.

## **ARTICLE II DEMISE AND DESCRIPTION**

### **2.01 Demise of Leased Premises**

Subject to and upon the terms and conditions set forth herein, Sublessor hereby subleases to Sublessee, and Sublessee hereby subleases from Sublessor for the term herein set forth, all of Sublessor's right, title and interest in and to the use and occupancy of a portion of the premises leased by Sublessor under the Master Lease (the "Leased Premises").

### **2.02 Condition of the Leased Premises**

Sublessee is subleasing the Leased Premises in its current "AS-IS" condition.

## **ARTICLE III TERM; SURRENDER OF POSSESSION; OPTION TO EXTEND**

### **3.01 Term**

The term of this Sublease (the "Term") shall be for the period commencing on \_\_\_\_\_, 2002 (the "Commencement Date") and terminating on the earlier of (i) the date Sublessor must assume or reject the Master Lease pursuant to an order under Section 365(d)(4) of the Bankruptcy Code or (ii) \_\_\_\_\_, 2002.

### **3.02 Surrender of the Leased Premises**

At the termination of this Sublease, by lapse of time or otherwise, Sublessee shall deliver up the Leased Premises to Sublessor in as good condition as existed on the date of possession by Sublessee, ordinary wear and tear only excepted. Upon such termination of this Sublease, Sublessor shall have the right to re-enter and resume possession of the Leased Premises.

## **ARTICLE IV RENT**

### **4.01 Base Rental**

As rent hereunder, Sublessee hereby agrees to pay to Sublessor the sum of \$20,000.00 per month, commencing on the Commencement Date. The rent for the first month of this Sublease shall be prorated for the actual number of days remaining in such month and shall be

paid by Sublessee to Sublessor upon execution of this Sublease. The rent for the last month of this Sublease shall be prorated for the actual number of days in such month that are within the Term of this Sublease.

#### **4.02    Payment of Rentals and Other Expenses**

Each subsequent monthly installment of rent under this Sublease shall be payable by Sublessee on the first day of each month. Sublessor shall remain liable for all rent and other charges due to Master Lessor under the Master Lease. The only expense that Sublessee will have under this Sublease in addition to the payment of rent described in Section 4.01 above will be the payment of all charges for telephone service to the Leased Premises. All other utilities and services will continue to be provided to the Leased Premises at Sublessor's sole cost and expense. Sublessor shall also pay all other costs, expenses and additional rental that are payable to Master Lessor or others under the terms of the Master Lease. If Sublessor fails to pay the costs of utilities and other services to the Leased Premises or any additional rental or other costs and expenses that are payable under the Master Lease, and if Sublessee pays any such costs and expenses, Sublessee will be entitled to offset from the monthly installments of rent payable under this Sublease to Sublessor all such costs and expenses that are paid by Sublessee.

### **ARTICLE V QUIET ENJOYMENT**

#### **5.01    Covenant of Quiet Enjoyment**

Provided Sublessee has performed all of the terms, covenants, agreements and conditions of this Sublease, including the payment of rental due hereunder, Sublessee shall peaceably and quietly hold and enjoy the Leased Premises against Sublessor and all persons claiming by, through or under Sublessor, for the term herein described, subject to the provisions and conditions of this Sublease and of the Master Lease.

### **ARTICLE VI ASSIGNMENT AND SUBLETTING**

#### **6.01    Assignment**

Sublessee shall have the right to assign this Sublease or sublet the Leased Premises, subject only to the consent of the Master Lessor. No such assignment or subletting shall release Sublessee of its obligations under this sublease.

### **ARTICLE VII INDEMNIFICATION**

#### **7.01    Sublessee Indemnity**

Sublessee shall indemnify Sublessor for and hold Sublessor harmless from and against all costs, expenses (including reasonable attorneys' fees), fines, suits, claims, demands, liabilities and actions resulting from any breach, violation or nonperformance of any covenant or condition hereof or from the use or occupancy of the Leased Premises by Sublessee or Sublessee's

employees, agents, contractors, licensees and invitees, that arise on or after the Commencement Date.

7.02 Sublessor Indemnity

Sublessor shall indemnify Sublessee for and hold Sublessee harmless from and against all costs, expenses (including reasonable attorney's fees), fines, suits, claims, demands, liabilities and actions resulting from any breach, violation or non-performance of any covenant or condition of the Master Lease by Sublessor arising either before or after the Commencement Date.

**ARTICLE VIII  
DEFAULTS AND REMEDIES**

8.01 Default by Sublessee: Remedies of Sublessor

In case of any breach hereof by Sublessee, in addition to all other rights of Sublessor hereunder or available to Sublessor at law or equity, Sublessor shall have all the rights against Sublessee as would be available to the Master Lessor against Sublessor under the Master Lease if such breach were by Sublessor thereunder. In the event Sublessee defaults in the performance of any of the terms and provisions hereof and Sublessor places the enforcement of this Sublease in the hands of an attorney, Sublessee agrees to reimburse Sublessor for all reasonable expenses incurred by Sublessor as a result thereof including, but not limited to, reasonable attorneys' fees.

**ARTICLE IX  
MISCELLANEOUS**

9.01 Amendment

No amendment, modification or alteration of the terms hereof shall be binding unless the same shall be in writing, dated subsequent to the date hereof and duly executed by the parties hereto.

9.02 Headings; Interpretation

Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Sublease. Whenever the context of this Sublease requires, words used in the singular shall be construed to include the plural and vice versa and pronouns of whatsoever gender shall be deemed to include and designate the masculine, feminine or neuter gender.

9.03 Counterparts

For the convenience of the parties, any number of counterparts of this Sublease may be executed by one or more parties hereto and each such executed counterpart shall be, and shall be deemed to be, an original instrument.

#### 9.04 Notices

All notices, consents, requests, instructions, approvals and other communications provided for herein and all legal process in regard hereto shall be validly given, made or served, if in writing and delivered personally or sent by United States certified or registered mail, postage prepaid, return receipt requested, if to:

##### Notice to Sublessor:

Quality Stores, Inc.  
455 E. Ellis Road  
Muskegon, Michigan 49441  
Attn: Peter Fitzsimmons

with copy to (which shall not constitute notice to Sublessor):

Kirkland & Ellis  
153 East 53<sup>rd</sup> Street  
New York, New York 10022  
Attn: Matthew Cantor  
Lisa Anastos

##### Notice to Sublessee:

Alamo Group (IA) Inc.  
1502 East Walnut  
Seguin, Texas 78155  
Attn: Ron A. Robinson

with copy to (which shall not constitute notice to Sublessee):

Oppenheimer, Blend, Harrison & Tate  
711 Navarro, 6<sup>th</sup> Floor  
San Antonio, Texas 78205  
Attn: Julie Perez

or to such other addresses as any party hereto may, from time to time, designate in writing delivered in a like manner.

#### 9.05 Successors and Assigns

This Sublease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns in accordance with the terms of this Sublease.

9.06 Time of the Essence

Time is of the essence in the performance by Sublessee of its obligations hereunder.

9.07 Remedies Cumulative

All rights and remedies of Sublessor under this Sublease shall be cumulative and none shall exclude any other rights or remedies allowed by law.

9.08 Governing Law.

All questions concerning the construction, validity and interpretation of this Sublease shall be governed by and construed in accordance with the Bankruptcy Code and the domestic laws of the State of Michigan, without giving effect to any choice of law or conflict of law provision (whether of the State of Michigan or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Michigan. Seller and Buyer each hereto irrevocably and unconditionally consents to submit to the Bankruptcy Court for any litigation arising out of or relating to this Sublease and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court), waives any objection to the laying of venue of any such litigation therein, and agrees not to plead or claim that such litigation has been brought in an inconvenient forum.

9.09 Entire Agreement

The terms and provisions of all Schedules and Exhibits described herein and attached hereto are hereby made a part hereof for all purposes. This Sublease constitutes the entire agreement of the parties with respect to the subject matter hereof, and all prior correspondence, memoranda, agreements or understandings (written or oral) with respect hereto are merged into and superseded by this Sublease.

9.10 Severability

If any term or provision of this Sublease, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Sublease shall be valid and shall be enforceable to the extent permitted by law.

9.11 No Strict Construction.

The language used in this Sublease shall be deemed to be the language chosen by the parties to this Sublease to express their mutual intent, and no rule of strict construction shall be applied against any of the parties.

9.12 Waiver.

The failure by any party to seek redress for the breach, or to insist upon strict performance of any covenant, agreement, provision or condition of this Agreement, shall not

constitute a waiver thereof, and such party shall have all remedies provided herein and by applicable law with respect to any subsequent act which would have originally constituted a breach.

IN WITNESS WHEREOF, the undersigned Sublessor and Sublessee have executed this Sublease effective as of the date hereof.

"Sublessor"

QUALITY STORES, INC.

BY: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

"Sublessee"

ALAMO GROUP (IA) INC.

BY: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT D**  
**LETTER OF CREDIT**  
(Attached)



# DRAFT FOR DISCUSSION PURPOSES ONLY

DATE: FEBRUARY --, 2002

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER:

BENEFICIARY  
QUALITY STORES, INC.  
455 E. ELLIS RD  
MUSKEGON, MICHIGAN 49441

APPLICANT  
ALAMO GROUP (IA) INC.  
[ADDRESS]

AMOUNT  
\$[AMOUNT IN FIGURE]  
[AMOUNT IN WORDS] U.S. DOLLARS

EXPIRATION  
\_\_\_\_\_ AT OUR COUNTERS

WE HEREBY ESTABLISH IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. \_\_\_\_\_ WHICH IS AVAILABLE WITH BANK OF AMERICA, N.A. BY PAYMENT AGAINST PRESENTATION OF THE ORIGINAL OF THIS LETTER OF CREDIT AND YOUR DRAFTS AT SIGHT DRAWN ON BANK OF AMERICA, N.A., ACCOMPANIED BY THE FOLLOWING DOCUMENT(S):

BENEFICIARY'S SIGNED STATEMENT CERTIFYING THAT ALAMO GROUP (IA) INC. IS IN DEFAULT OF THEIR PAYMENT OBLIGATIONS PURSUANT TO THAT CERTAIN SUBLEASE AGREEMENT DATED \_\_\_\_\_ BETWEEN ALAMO GROUP (IA) INC. AND QUALITY STORES, INC.

THE AMOUNT AVAILABLE UNDER THIS LETTER OF CREDIT WILL BE AUTOMATICALLY REDUCED ON THE REDUCTION DATE TO THE AVAILABLE AMOUNT AS PER THE FOLLOWING SCHEDULE:

REDUCTION DATE	AVAILABLE AMOUNT
[10 BUSINESS DAYS AFTER A PAYMENT DUE DATE UNDER THE SUBLEASE AGREEMENT] *	[L/C AMOUNT LESS \$20,000.00 A MONTH]

WE HEREBY AGREE WITH THE BENEFICIARY THAT DOCUMENTS PRESENTED TO OUR OFFICE IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT WILL BE DULY HONORED AS SPECIFIED HEREIN.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES 1998, ICC PUBLICATION NO. 590.

IF YOU REQUIRE ANY ASSISTANCE OR HAVE ANY QUESTIONS REGARDING THIS LETTER OF CREDIT PLEASE CALL (213) 345-6630.

BANK OF AMERICA, N.A.

\_\_\_\_\_  
AUTHORIZED OFFICER

\_\_\_\_\_  
AUTHORIZED OFFICER

**\*ALAMO GROUP IS TO PROVIDE US WITH THE SPECIFIC DATES AND AMOUNTS PRIOR TO ISSUANCE**

**EXHIBIT E**  
**INVENTORY ESCROW AGREEMENT**  
(Attached)

**SIGNING COPY**

**EXHIBIT E**

**INVENTORY ESCROW AGREEMENT**

THIS INVENTORY ESCROW AGREEMENT (this "Agreement"), is made and entered into as of \_\_\_\_\_, 2002, by and among Quality Stores, Inc., a Delaware corporation ("Seller"), Alamo Group (IA) Inc., a Nevada corporation ("Buyer") and Chicago Title Insurance Company, as escrow agent ("Inventory Escrow Agent").

WHEREAS, Seller has filed for bankruptcy protection before the United States Bankruptcy Court for the Western District of Michigan (the "Bankruptcy Court");

WHEREAS, Seller and Buyer are parties to that certain Asset Purchase Agreement dated as of February \_\_, 2002 by and between Seller and Buyer (the "Asset Purchase Agreement"), a copy of which is attached hereto as Exhibit A. Each capitalized term which is used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Asset Purchase Agreement;

WHEREAS, the execution and delivery of this Agreement by Buyer and Inventory Escrow Agent is a condition to Seller's obligation to effect the Closing pursuant to the Asset Purchase Agreement; and

WHEREAS, the execution and delivery of this Agreement by Seller and Inventory Escrow Agent is a condition to Buyer's obligation to effect the Closing pursuant to the Asset Purchase Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, the parties hereto agree as follows:

1. Appointment. Seller and Buyer hereby appoint Inventory Escrow Agent as their escrow agent for the purposes set forth herein, and Inventory Escrow Agent hereby accepts such appointment under the terms and conditions set forth herein.

2. Inventory Escrow Fund. At the Closing, Buyer shall deliver to Inventory Escrow Agent \$1,500,000 by wire transfer of immediately available funds pursuant to Section 2.7 of the Asset Purchase Agreement, to be held pursuant to this Agreement as security for the Inventory Adjustment, if any, to the Purchase Price, pursuant to the terms and conditions of Section 2.8 of the Asset Purchase Agreement. The funds held by Inventory Escrow Agent from time to time pursuant to this Agreement, together with all income and interest accrued thereon which has not been distributed pursuant to this Agreement, is referred to as the "Inventory Escrow Fund". Inventory Escrow Agent hereby agrees to hold the Inventory Escrow Fund in a separate and distinct account (the "Inventory Escrow Account") as a trust fund. The Inventory Escrow Fund shall not be subject to any lien, attachment, trustee process, or any other judicial process of any

creditor of any party hereto, and shall be used solely for the purposes of and subject to the terms and conditions of this Agreement and the Asset Purchase Agreement.

3. Investment of Inventory Escrow Fund. At the written direction of Seller, Inventory Escrow Agent shall invest the Inventory Escrow Fund in one or more of: (a) direct obligations of the United States of America, (b) obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest, (c) commercial paper rated of the highest quality by Moody's Investors Services, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P"), (d) certificates of deposit or time deposits issued by commercial banks having at least \$1 billion in assets, (e) federally tax-exempt municipal obligations bearing interest and rated AAA or better by Moody's or rated AA or better by S&P, and/or (f) money market funds authorized to invest in short-term securities issued or guaranteed as to principal and interest by the U.S. Government and repurchase agreements with respect to such securities (collectively, the "Permitted Investments"). Inventory Escrow Agent is hereby authorized to execute the purchase and sale of Permitted Investments through the facilities of its own trading or capital markets operations. In the event that Inventory Escrow Agent does not receive investment instructions to invest funds held in the Inventory Escrow Account, Inventory Escrow Agent shall invest such funds in the One Group U.S. Government Securities Cash Management Money Market Fund, or a successor or similar fund, which invests in (i) short-term securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities and/or (ii) repurchase agreements relating to such securities. Inventory Escrow Agent can liquidate any investment in order to comply with disbursement instructions without any liability for any resulting loss. Any loss incurred from an investment shall be borne by the Inventory Escrow Fund.

4. Inventory Escrow Agent's Disbursements of the Inventory Escrow Account.

(a) Disbursement to Buyer. In the event of an Inventory Adjustment pursuant to Section 2.8 of the Asset Purchase Agreement, Inventory Escrow Agent shall disburse to Buyer an amount of the Inventory Escrow Fund equal to such Inventory Adjustment.

(b) Disbursement to Seller. Subject to any and all disbursements made pursuant to Sections 4(a) above, Inventory Escrow Agent shall disburse to Seller the balance of the Inventory Escrow Fund.

(c) Method of Disbursement. Notwithstanding anything to the contrary contained herein, Inventory Escrow Agent shall only disburse amounts held in the Inventory Escrow Account (i) in accordance with the terms and conditions of this Agreement and the Asset Purchase Agreement, (ii) by wire transfer of immediately available funds and (iii) subject to Section 9 hereof, upon receipt of a written notice jointly executed by Buyer and Seller specifying the amount to be disbursed and the manner of disbursement.

5. Duties and Liabilities of Inventory Escrow Agent. Inventory Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no other or further duties or responsibilities shall be implied. Inventory Escrow Agent shall have no liability under and no duty to inquire as to the provisions of any agreement other than this Agreement.

Inventory Escrow Agent may rely upon and shall not be liable for acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. Inventory Escrow Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. Inventory Escrow Agent shall have no duty to solicit any payments which may be due it hereunder. Inventory Escrow Agent shall not be liable for any action taken or omitted by it in good faith except to the extent that a court of competent jurisdiction determines that Inventory Escrow Agent's gross negligence or willful misconduct was the primary cause of any loss to Buyer or Seller. Inventory Escrow Agent may execute any of its powers and perform any of its duties hereunder directly or through agents or attorneys (and shall be liable only for the careful selection of any such agent or attorney) and may consult with counsel, accountants and other skilled persons to be selected and retained by it. Inventory Escrow Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. In the event that Inventory Escrow Agent shall be uncertain as to its duties or rights hereunder or shall receive instructions, claims or demands from any party hereto which, in its opinion, conflict with any of the provisions of this Agreement, it shall be entitled to refrain from taking any action and its sole obligation shall be to keep safely all property held in escrow until it shall be directed otherwise in writing by all of the other parties hereto or by a final order or judgment of a court of competent jurisdiction. Anything in this Agreement to the contrary notwithstanding, in no event shall Inventory Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if Inventory Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

6. Fees. Buyer and Seller each agree to (i) pay Inventory Escrow Agent upon execution of this Agreement and from time to time thereafter reasonable compensation for the services to be rendered hereunder, which unless otherwise agreed in writing shall be as described in Schedule 6 hereto, and (ii) pay or reimburse Inventory Escrow Agent upon request for all expenses, disbursements and advances, including reasonable attorney's fees and expenses, incurred or made by it in connection with the preparation, execution, performance, delivery, modification and termination of this Agreement, provided that Buyer and Seller shall each be obligated to only pay for one-half of any of the fees referred to above.

7. Indemnity. Buyer and Seller shall jointly and severally indemnify, defend and save harmless Inventory Escrow Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") from all loss, liability or expense (including the fees and expenses of in house or outside counsel) arising out of or in connection with (i) Inventory Escrow Agent's execution and performance of this Agreement, except in the case of any Indemnitee to the extent that such loss, liability or expense is due to the gross negligence or willful misconduct of such Indemnitee, or (ii) its following any instructions or other directions from Buyer or Seller, except to the extent that its following any such instruction or direction is expressly forbidden by the terms hereof. The parties hereto acknowledge that the foregoing Indemnities shall survive the resignation or removal of Inventory Escrow Agent or the termination of this Agreement. The parties hereby grant Inventory Escrow Agent a lien on, right of set-off against and security interest in the Inventory Escrow Account for the payment of any claim for indemnification, compensation, expenses and amounts due hereunder.

8. TINs. Buyer and Seller each represent that its correct Taxpayer Identification Number ("TIN") assigned by the Internal Revenue Service or any other taxing authority is set forth in Schedule 8 hereto. Upon execution of this Agreement, each party shall provide Inventory Escrow Agent with a fully executed W-8 or W-9 Internal Revenue Service form. All interest or other income earned under this Agreement shall be retained in Inventory Escrow Account and reinvested from time to time by Inventory Escrow Agent as provided in Section 3 of this Agreement. All income and earnings upon the Inventory Escrow Account shall be deemed for tax purposes to have accrued for the account of Seller and reported by the recipient to the Internal Revenue Service (where applicable) as having been so allocated and paid. Notwithstanding such written directions, Inventory Escrow Agent shall report and, as required withhold any taxes as it determines may be required by any law or regulation in effect at the time of the distribution. In the event that any earnings remain undistributed at the end of any calendar year, Inventory Escrow Agent shall report to the Internal Revenue Service or such other authority such earnings as it deems appropriate or as required by any applicable law or regulation or, to the extent consistent therewith, as directed in writing by Buyer and Seller. In addition, Inventory Escrow Agent shall withhold any taxes it deems appropriate and shall remit such taxes to the appropriate authorities.

9. Termination. This Agreement shall remain in effect unless and until (i) the Inventory Escrow Fund is distributed in full, or (ii) it is terminated in a written instrument executed by Seller and Buyer, in which event, termination shall take effect no later than twenty (20) days after notice to Inventory Escrow Agent of such termination.

10. Merger or Consolidation. Any banking association or corporation into which Inventory Escrow Agent (or substantially all of its corporate trust business) may be merged, converted or with which Inventory Escrow Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Inventory Escrow Agent shall be a party, shall succeed to all Inventory Escrow Agent's rights, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

11. Miscellaneous.

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

Notice to Inventory Escrow Agent:

Chicago Title Insurance Company  
171 N. Clark Street  
Chicago, Illinois 60601  
Attn: Angie Koetters

Notice to Buyer:

Alamo Group (IA) Inc.  
1502 East Walnut  
Seguin, Texas 78155  
Attn: Ron A. Robinson

with copy to (which shall not constitute notice to Buyer):

Oppenheimer, Blend, Harrison & Tate  
711 Navarro, 6th Floor  
San Antonio, Texas 78205  
Attn: Julie Perez

Notice to Seller:

Quality Stores, Inc.  
455 E. Ellis Road  
Muskegon, Michigan 49441  
Attn: Peter Fitzsimmons

with copy to (which shall not constitute notice to Seller):

Kirkland & Ellis  
153 East 53rd Street  
New York, New York 10022  
Attn: Matthew Cantor  
Lisa Anastos

or to such other representative or at such other address of a party as such party hereto may furnish to the other parties in writing.

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

(c) Descriptive Headings. Paragraph and subparagraph headings are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

(d) Successors and Assigns. Neither Party hereto shall assign or transfer any rights or obligations hereunder, except with the consent of the other Party.

(e) Entire Agreement. This Agreement (including the Schedules and the other documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understanding, both written and oral, among Inventory Escrow Agent, Seller and Buyer, with respect to the subject matter hereof.

(f) Governing Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by and construed in accordance with Title 11 of the Bankruptcy Code and the domestic laws of the State of Michigan, without giving effect to any choice of law or conflict of law provision (whether of the State of Michigan or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Michigan. Seller and Buyer each hereto irrevocably and unconditionally consents to submit to the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court), waives any objection to the laying of venue of any such litigation therein, and agrees not to plead or claim that such litigation has been brought in an inconvenient forum.

(g) Amendments. This Agreement and any of terms herein may only be amended, changed or modified by a writing entered into between Seller and Buyer.

(h) Exhibits and Schedules. All exhibits and schedules to this Agreement, as now existing and as modified hereafter, are incorporated in this Agreement by this reference.

(i) Severability. No provision of this Agreement that is held to be inoperative, unenforceable or invalid shall affect the remaining provisions, and to this end all such provisions are declared to be severable.

(j) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties to this Agreement to express their mutual intent, and no rule of strict construction shall be applied against any of the parties.

(k) Waiver. The failure by any party to seek redress for the breach, or to insist upon strict performance of any covenant, agreement, provision or condition of this Agreement, shall not constitute a waiver thereof, and such party shall have all remedies provided herein and by applicable law with respect to any subsequent act which would have originally constituted a breach.

\* \* \* \* \*



IN WITNESS WHEREOF, the parties hereto have executed this Inventory Escrow Agreement as of the date hereof.

CHICAGO TITLE INSURANCE  
COMPANY

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

QUALITY STORES, INC.

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

ALAMO GROUP (IA) INC.

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

## **Schedule 6**

### **Inventory Escrow Agent Fees**

The Inventory Escrow Agent shall be paid a total amount of \$300 as reasonable compensation for all of the services to be rendered in connection with this Agreement.

**Schedule 8**

**Tax Identification Number**

Buyer: 88-0348885

Seller: 42-1425562

**EXHIBIT F**  
**GOOD FAITH ESCROW AGREEMENT**  
(Attached)

**SIGNING COPY**

**EXHIBIT F**

**GOOD FAITH ESCROW AGREEMENT**

THIS GOOD FAITH ESCROW AGREEMENT (this "Agreement"), is made and entered into as of February \_\_, 2002, by and among Quality Stores, Inc., a Delaware corporation ("Seller"), Alamo Group (IA) Inc., a Nevada corporation ("Buyer") and Chicago Title Insurance Company, as escrow agent ("Good Faith Escrow Agent").

WHEREAS, Seller has filed for bankruptcy protection before the United States Bankruptcy Court for the Western District of Michigan (the "Bankruptcy Court");

WHEREAS, Seller and Buyer are parties to that certain Asset Purchase Agreement dated as of February \_\_, 2002 by and between Seller and Buyer (the "Asset Purchase Agreement"), a copy of which is attached hereto as Exhibit A. Each capitalized term which is used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Asset Purchase Agreement; and

WHEREAS, this Agreement is entered into pursuant to the terms of the Asset Purchase Agreement. Seller and Buyer have made, given or received certain agreements, covenants, representations and warranties in the Asset Purchase Agreement and, as security for certain of Buyer's obligations under the Asset Purchase Agreement, Buyer has agreed to deposit and maintain \$750,000 in an escrow account to be administered pursuant to this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, the parties hereto agree as follows:

1. Appointment. Seller and Buyer hereby appoint Good Faith Escrow Agent as their escrow agent for the purposes set forth herein, and Good Faith Escrow Agent hereby accepts such appointment under the terms and conditions set forth herein.

2. Good Faith Escrow Fund. Pursuant to Section 2.11 of the Asset Purchase Agreement, Buyer shall deliver to Good Faith Escrow Agent, on the date hereof, \$750,000 by wire transfer of immediately available funds, to be held pursuant to this Agreement as security for certain of Buyer's obligations under the Asset Purchase Agreement. The funds held by Good Faith Escrow Agent from time to time pursuant to this Agreement, together with all income and interest accrued thereon which has not been distributed pursuant to this Agreement, is referred to as the "Good Faith Escrow Fund." Good Faith Escrow Agent hereby agrees to hold the Good Faith Escrow Fund in a separate and distinct account (the "Good Faith Escrow Account") as a trust fund. The Good Faith Escrow Fund shall not be subject to any lien, attachment, trustee process, or any other judicial process of any creditor of any party hereto, and shall be used solely for the purposes of and subject to the terms and conditions of this Agreement and the Asset Purchase Agreement.

3. Investment of Good Faith Escrow Fund. At the written direction of Seller, Good Faith Escrow Agent shall invest the Good Faith Escrow Fund in one or more of: (a) direct obligations of the United States of America, (b) obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest, (c) commercial paper rated of the highest quality by Moody's Investors Services, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P"), (d) certificates of deposit or time deposits issued by commercial banks having at least \$1 billion in assets, (e) federally tax-exempt municipal obligations bearing interest and rated AAA or better by Moody's or rated AA or better by S&P, and/or (f) money market funds authorized to invest in short-term securities issued or guaranteed as to principal and interest by the U.S. Government and repurchase agreements with respect to such securities (collectively, the "Permitted Investments"). Good Faith Escrow Agent is hereby authorized to execute the purchase and sale of Permitted Investments through the facilities of its own trading or capital markets operations. In the event that Good Faith Escrow Agent does not receive investment instructions to invest funds held in the Good Faith Escrow Account, Good Faith Escrow Agent shall invest such funds in the One Group U.S. Government Securities Cash Management Money Market Fund, or a successor or similar fund, which invests in (i) short-term securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities and/or (ii) repurchase agreements relating to such securities. Good Faith Escrow Agent can liquidate any investment in order to comply with disbursement instructions without any liability for any resulting loss. Any loss incurred from an investment shall be borne by the Good Faith Escrow Fund.

4. Good Faith Escrow Agent's Disbursements of the Good Faith Escrow Account.

(a) Disbursement to Buyer. In the event of a termination of the Asset Purchase Agreement pursuant to Article VIII thereof, Good Faith Escrow Agent shall disburse to Buyer the amount of the Good Faith Escrow Fund within one week of such termination in accordance with the written directions executed by Buyer, provided that Buyer and Seller immediately deliver joint written notice of such termination to Good Faith Escrow Agent. Such notice shall not unreasonably be withheld by either party.

(b) Disbursement to Seller. At the Closing or in the event of a termination of the Asset Purchase Agreement not pursuant to Article VIII thereof, Good Faith Escrow Agent shall disburse the amount of the Good Faith Escrow Fund to Seller in accordance with the written directions executed by Seller, provided that Buyer and Seller immediately deliver joint written notice of the Closing or such termination to Good Faith Escrow Agent. Such notice shall not unreasonably be withheld by either party.

(c) Method of Disbursement. Notwithstanding anything to the contrary contained herein, Good Faith Escrow Agent shall only disburse amounts held in the Good Faith Escrow Account (i) in accordance with the terms and conditions of this Agreement and the Asset Purchase Agreement, (ii) by wire transfer of immediately available funds and (iii) subject to Section 9 hereof, upon receipt of a written notice executed by Buyer and Seller specifying the amount to be disbursed and the manner of disbursement.

5. Duties and Liabilities of Good Faith Escrow Agent. Good Faith Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no other or further

duties or responsibilities shall be implied. Good Faith Escrow Agent shall have no liability under and no duty to inquire as to the provisions of any agreement other than this Agreement. Good Faith Escrow Agent may rely upon and shall not be liable for acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. Good Faith Escrow Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. Good Faith Escrow Agent shall have no duty to solicit any payments which may be due it hereunder. Good Faith Escrow Agent shall not be liable for any action taken or omitted by it in good faith except to the extent that a court of competent jurisdiction determines that Good Faith Escrow Agent's gross negligence or willful misconduct was the primary cause of any loss to Buyer or Seller. Good Faith Escrow Agent may execute any of its powers and perform any of its duties hereunder directly or through agents or attorneys (and shall be liable only for the careful selection of any such agent or attorney) and may consult with counsel, accountants and other skilled persons to be selected and retained by it. Good Faith Escrow Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. In the event that Good Faith Escrow Agent shall be uncertain as to its duties or rights hereunder or shall receive instructions, claims or demands from any party hereto which, in its opinion, conflict with any of the provisions of this Agreement, it shall be entitled to refrain from taking any action and its sole obligation shall be to keep safely all property held in escrow until it shall be directed otherwise in writing by all of the other parties hereto or by a final order or judgment of a court of competent jurisdiction. Anything in this Agreement to the contrary notwithstanding, in no event shall Good Faith Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if Good Faith Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

6. Fees. Buyer and Seller each agree to (i) pay Good Faith Escrow Agent upon execution of this Agreement and from time to time thereafter reasonable compensation for the services to be rendered hereunder, which unless otherwise agreed in writing shall be as described in Schedule 6 hereto, and (ii) pay or reimburse Good Faith Escrow Agent upon request for all expenses, disbursements and advances, including reasonable attorney's fees and expenses, incurred or made by it in connection with the preparation, execution, performance, delivery, modification and termination of this Agreement, provided that Buyer and Seller shall each be obligated to only pay for one-half of any of the fees referred to above.

7. Indemnity. Buyer and Seller shall jointly and severally indemnify, defend and save harmless Good Faith Escrow Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") from all loss, liability or expense (including the fees and expenses of in house or outside counsel) arising out of or in connection with (i) Good Faith Escrow Agent's execution and performance of this Agreement, except in the case of any Indemnatee to the extent that such loss, liability or expense is due to the gross negligence or willful misconduct of such Indemnatee, or (ii) its following any instructions or other directions from Buyer or Seller, except to the extent that its following any such instruction or direction is expressly forbidden by the terms hereof. The parties hereto acknowledge that the foregoing Indemnities shall survive the resignation or removal of Good Faith Escrow Agent or the termination of this Agreement. The parties hereby grant Good Faith Escrow Agent a lien on,

right of set-off against and security interest in the Good Faith Escrow Account for the payment of any claim for indemnification, compensation, expenses and amounts due hereunder.

8. TINs. Buyer and Seller each represent that its correct Taxpayer Identification Number ("TIN") assigned by the Internal Revenue Service or any other taxing authority is set forth in Schedule 8 hereto. Upon execution of this Agreement, each party shall provide Good Faith Escrow Agent with a fully executed W-8 or W-9 Internal Revenue Service form. All interest or other income earned under this Agreement shall be retained in Good Faith Escrow Account and reinvested from time to time by Good Faith Escrow Agent as provided in Section 3 of this Agreement. All income and earnings upon the Good Faith Escrow Account shall be deemed for tax purposes to have accrued for the account of Seller and reported by the recipient to the Internal Revenue Service (where applicable) as having been so allocated and paid. Notwithstanding such written directions, Good Faith Escrow Agent shall report and, as required withhold any taxes as it determines may be required by any law or regulation in effect at the time of the distribution. In the event that any earnings remain undistributed at the end of any calendar year, Good Faith Escrow Agent shall report to the Internal Revenue Service or such other authority such earnings as it deems appropriate or as required by any applicable law or regulation or, to the extent consistent therewith, as directed in writing by Buyer and Seller. In addition, Good Faith Escrow Agent shall withhold any taxes it deems appropriate and shall remit such taxes to the appropriate authorities.

9. Termination. This Agreement shall remain in effect unless and until (i) the Good Faith Escrow Fund is distributed in full, or (ii) it is terminated in a written instrument executed by Seller and Buyer, in which event, termination shall take effect no later than twenty (20) days after notice to Good Faith Escrow Agent of such termination.

10. Merger or Consolidation. Any banking association or corporation into which Good Faith Escrow Agent (or substantially all of its corporate trust business) may be merged, converted or with which Good Faith Escrow Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Good Faith Escrow Agent shall be a party, shall succeed to all Good Faith Escrow Agent's rights, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

11. Miscellaneous.

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



Notice to Good Faith Escrow Agent:

Chicago Title Insurance Company  
171 N. Clark Street  
Chicago, Illinois 60601  
Attn: Angie Kroetters

Notice to Buyer:

Alamo Group (IA) Inc.  
1502 East Walnut  
Seguin, Texas 78155  
Attn: Ron A. Robinson

with copy to (which shall not constitute notice to Buyer):

Oppenheimer, Blend, Harrison & Tate  
711 Navarro, 6th Floor  
San Antonio, Texas 78205  
Attn: Julie Perez

Notice to Seller:

Quality Stores, Inc.  
455 E. Ellis Road  
Muskegon, Michigan 49441  
Attn: Peter Fitzsimmons

with copy to (which shall not constitute notice to Seller):

Kirkland & Ellis  
153 East 53rd Street  
New York, New York 10022  
Attn: Matthew Cantor  
Lisa Anastos

or to such other representative or at such other address of a party as such party hereto may furnish to the other parties in writing.

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

(c) Descriptive Headings. Paragraph and subparagraph headings are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

(d) Successors and Assigns. Neither Party hereto shall assign or transfer any rights or obligations hereunder, except with the consent of the other Party.

(e) Entire Agreement. This Agreement (including the Schedules and the other documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understanding, both written and oral, among Good Faith Escrow Agent, Seller and Buyer, with respect to the subject matter hereof.

(f) Governing Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by and construed in accordance with Title 11 of the Bankruptcy Code and the domestic laws of the State of Michigan, without giving effect to any choice of law or conflict of law provision (whether of the State of Michigan or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Michigan. Seller and Buyer each hereto irrevocably and unconditionally consents to submit to the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court), waives any objection to the laying of venue of any such litigation therein, and agrees not to plead or claim that such litigation has been brought in an inconvenient forum.

(g) Amendments. This Agreement and any of terms herein may only be amended, changed or modified by a writing entered into between Seller and Buyer.

(h) Exhibits and Schedules. All exhibits and schedules to this Agreement, as now existing and as modified hereafter, are incorporated in this Agreement by this reference.

(i) Severability. No provision of this Agreement that is held to be inoperative, unenforceable or invalid shall affect the remaining provisions, and to this end all such provisions are declared to be severable.

(j) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties to this Agreement to express their mutual intent, and no rule of strict construction shall be applied against any of the parties.

(k) Waiver. The failure by any party to seek redress for the breach, or to insist upon strict performance of any covenant, agreement, provision or condition of this Agreement, shall not constitute a waiver thereof, and such party shall have all remedies provided herein and by applicable law with respect to any subsequent act which would have originally constituted a breach.

\* \* \* \* \*

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Page 7 of 9

IN WITNESS WHEREOF, the parties hereto have executed this Good Faith Escrow Agreement  
as of the date hereof.

CHICAGO TITLE INSURANCE COMPANY

By:

Name: Angie KoettlerTitle: ASST. ESCROW OFFICER

QUALITY STORES, INC.

By:

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

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

ALAMO GROUP (IA) INC.

By:

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

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

2/12/2002

IN WITNESS WHEREOF, the parties hereto have executed this Good Faith Escrow Agreement as of the date hereof.

CHICAGO TITLE INSURANCE COMPANY

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

QUALITY STORES, INC.

By: P. D. Fitzmaurice  
Name: Peter D. Fitzmaurice  
Title: Chief Executive Officer

ALAMO GROUP (IA) INC.

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

IN WITNESS WHEREOF, the parties hereto have executed this Good Faith Escrow Agreement as of the date hereof.

CHICAGO TITLE INSURANCE COMPANY

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

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

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

QUALITY STORES, INC.

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

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

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

ALAMO GROUP (IA) INC.

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

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

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

*Robert H. George*  
Name: ROBERT H. GEORGE  
Title: VICE PRESIDENT

## **Schedule 6**

### **Good Faith Escrow Agent Fees**

The Good Faith Escrow Agent shall be paid a total amount of \$185 as reasonable compensation for all of the services to be rendered in connection with this Agreement.

**Schedule 8**

**Tax Identification Number**

Buyer: 88-0348885

Seller: 42-1425562

**EXHIBIT G**  
**BILL OF SALE**  
(Attached)



**SIGNING COPY**

**EXHIBIT G**

**BILL OF SALE**

THIS BILL OF SALE (this "Bill of Sale") is made and entered into as of \_\_\_\_\_, 2002, from Quality Stores Inc., a Delaware corporation ("Seller"), to Alamo Group (IA) Inc., a Nevada corporation ("Buyer").

WHEREAS, Seller has filed for bankruptcy protection before the United States Bankruptcy Court for the Western District of Michigan (the "Bankruptcy Court");

WHEREAS, Seller and Buyer are parties to that certain Asset Purchase Agreement dated as of February \_\_, 2002 by and between Seller and Buyer (the "Asset Purchase Agreement"), a copy of which is attached hereto as Exhibit A. Each capitalized term which is used but not otherwise defined in this Bill of Sale shall have the meaning assigned to such term in the Asset Purchase Agreement; and

WHEREAS, the execution and delivery of this Bill of Sale by Seller is a condition to Buyer's obligation to effect the Closing pursuant to the Asset Purchase Agreement;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Seller hereby sells, grants, transfers, contributes, assigns, and delivers to Buyer, all of its right, title and interest in and to all of the Purchased Assets.

2. Notwithstanding anything contained in Section 1 to the contrary, Seller is not selling and Buyer is not purchasing any of the Excluded Assets, all of which shall be retained by Seller.

3. Seller agrees and covenants that Seller will, whenever and as often as reasonably requested to do so by Buyer or its successors and assigns and without further consideration, execute, acknowledge and deliver such further instruments of sale, grant, transfer, contribution, assignment, conveyance, assumption and delivery and such consents, assurances, powers of attorney and other instruments and take such other actions as may reasonably be necessary in order to vest in Buyer all of Seller's right, title and interest in and to the Purchased Assets and to otherwise carry out the purpose and intent of this Bill of Sale.

4. Notwithstanding any other provisions of this Bill of Sale to the contrary, nothing contained in this Bill of Sale shall in any way supersede, modify, replace, amend, change, rescind, waive, exceed, expand, enlarge or in any way affect the provisions set forth in the Asset Purchase Agreement nor shall this Bill of Sale reduce, expand or enlarge any remedies under the Asset Purchase Agreement including without limitation any rights to indemnification specified therein. This Bill of Sale is intended only to effect the transfer of the Purchased Assets

sold and purchased pursuant to the Asset Purchase Agreement and shall be governed entirely in accordance with the terms and conditions of the Asset Purchase Agreement.

5. Miscellaneous.

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

Notice to Buyer:

Alamo Group (IA) Inc.  
1502 East Walnut  
Seguin, Texas 78155  
Attn: Ron A. Robinson

with copy to (which shall not constitute notice to Buyer):

Oppenheimer, Blend, Harrison & Tate  
711 Navarro, 6<sup>th</sup> Floor  
San Antonio, Texas 78205  
Attn: Julie Perez

Notice to Seller:

Quality Stores, Inc.  
455 E. Ellis Road  
Muskegon, Michigan 49441  
Attn: Peter Fitzsimmons

with copy to (which shall not constitute notice to Seller):

Kirkland & Ellis  
153 East 53rd Street  
New York, New York 10022  
Attn: Matthew Cantor  
Lisa Anastos

or to such other representative or at such other address of a party as such party hereto may furnish to the other parties in writing.

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

(c) Descriptive Headings. Paragraph and subparagraph headings are included for convenience of reference only and shall not constitute a part of this Bill of Sale for any other purpose or be given any substantive effect.

(d) Successors and Assigns. Neither party hereto shall assign or transfer any rights or obligations hereunder, except with the consent of the other party.

(e) Entire Agreement. This Bill of Sale (including the Exhibits and the other documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understanding, both written and oral, among Seller and Buyer, with respect to the subject matter hereof.

(f) Governing Law. All questions concerning the construction, validity and interpretation of this Bill of Sale shall be governed by and construed in accordance with Title 11 of the Bankruptcy Code and the domestic laws of the State of Michigan, without giving effect to any choice of law or conflict of law provision (whether of the State of Michigan or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Michigan. Seller and Buyer each hereto irrevocably and unconditionally consents to submit to the Bankruptcy Court for any litigation arising out of or relating to this Bill of Sale and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court), waives any objection to the laying of venue of any such litigation therein, and agrees not to plead or claim that such litigation has been brought in an inconvenient forum.

(g) Amendments. This Bill of Sale and any of terms herein may only be amended, changed or modified by a writing entered into between Seller and Buyer.

(h) Exhibits and Schedules. All exhibits and schedules to this Bill of Sale, as now existing and as modified hereafter, are incorporated in this Bill of Sale by this reference.

(i) Severability. No provision of this Bill of Sale that is held to be inoperative, unenforceable or invalid shall affect the remaining provisions, and to this end all such provisions are declared to be severable.

(j) No Strict Construction. The language used in this Bill of Sale shall be deemed to be the language chosen by the parties to this Bill of Sale to express their mutual intent, and no rule of strict construction shall be applied against any of the parties.

(k) Waiver. The failure by any party to seek redress for the breach, or to insist upon strict performance of any covenant, agreement, provision or condition of this Bill of Sale, shall not constitute a waiver thereof, and such party shall have all remedies provided herein and by

applicable law with respect to any subsequent act which would have originally constituted a breach.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed and delivered as of the date hereof.

QUALITY STORES, INC.

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

ALAMO GROUP (IA) INC.

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

**EXHIBIT H**

**ASSIGNMENT AND ASSUMPTION OF VALU-BILT AGREEMENTS**

(Attached)

**SIGNING COPY**

**EXHIBIT H**

**ASSIGNMENT AND ASSUMPTION AGREEMENT**

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") is made and entered into as of \_\_\_\_\_, 2002 by and among Quality Stores, Inc., a Delaware corporation ("Seller") and Alamo Group (IA) Inc., a Nevada corporation ("Buyer").

WHEREAS, Seller has filed for bankruptcy protection before the United States Bankruptcy Court for the Western District of Michigan (the "Bankruptcy Court");

WHEREAS, Seller and Buyer are parties to that certain Asset Purchase Agreement dated as of February \_\_, 2002 by and between Seller and Buyer (the "Asset Purchase Agreement"), a copy of which is attached hereto as Exhibit A. Each capitalized term which is used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Asset Purchase Agreement;

WHEREAS, the execution and delivery of this Agreement by Buyer is a condition to Seller's obligation to effect the Closing pursuant to the Asset Purchase Agreement;

WHEREAS, the execution and delivery of this Agreement by Seller is a condition to Buyer's obligation to effect the Closing pursuant to the Asset Purchase Agreement; and

WHEREAS, at the same time as the execution of this Agreement, Seller has transferred to Buyer the Purchased Assets, and in connection with such transfer, Seller and Buyer desire that Seller assign its interest in the Valu-Bilt Agreements to Buyer, a list of the Valu-Bilt Agreements is attached hereto as Exhibit B, and that Buyer perform the obligations of Seller under the Valu-Bilt Agreements after the effective date of such assignment;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment. Seller hereby assigns, to the extent assignable, to Buyer all of its rights and interests under the Valu-Bilt Agreements.

2. Assumption. Buyer hereby assumes and agrees to perform all of the terms, covenants and conditions of the Valu-Bilt Agreements to be performed on the part of Buyer under the Valu-Bilt Agreements from and after the date of this Agreement.

3. Further Assurances. In furtherance of the transfer of the Valu-Bilt Agreements, each party to this Agreement will take all such further actions, execute and deliver all such further documents and do all other acts and things as the other party may reasonably request for the purpose of carrying out the intent of this Agreement.

4. Miscellaneous.

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

Notice to Buyer:

Alamo Group (IA) Inc.  
1502 East Walnut  
Seguin, Texas 78155  
Attn: Ron A. Robinson

with copy to (which shall not constitute notice to Buyer):

Oppenheimer, Blend, Harrison & Tate  
711 Navarro, 6<sup>th</sup> Floor  
San Antonio, Texas 78205  
Attn: Julie Perez

Notice to Seller:

Quality Stores, Inc.  
455 E. Ellis Road  
Muskegon, Michigan 49441  
Attn: Peter Fitzsimmons

with copy to (which shall not constitute notice to Seller):

Kirkland & Ellis  
153 East 53rd Street  
New York, New York 10022  
Attn: Matthew Cantor  
Lisa Anastos

or to such other representative or at such other address of a party as such party hereto may furnish to the other parties in writing.

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



(c) Descriptive Headings. Paragraph and subparagraph headings are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

(d) Successors and Assigns. Neither Party hereto shall assign or transfer any rights or obligations hereunder, except with the consent of the other Party.

(e) Entire Agreement. This Agreement (including the Exhibits and the other documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understanding, both written and oral, among Seller and Buyer, with respect to the subject matter hereof.

(f) Governing Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by and construed in accordance with Title 11 of the Bankruptcy Code and the domestic laws of the State of Michigan, without giving effect to any choice of law or conflict of law provision (whether of the State of Michigan or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Michigan. Seller and Buyer each hereto irrevocably and unconditionally consents to submit to the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court), waives any objection to the laying of venue of any such litigation therein, and agrees not to plead or claim that such litigation has been brought in an inconvenient forum.

(g) Amendments. This Agreement and any of terms herein may only be amended, changed or modified by a writing entered into between Seller and Buyer.

(h) Exhibits and Schedules. All exhibits and schedules to this Agreement, as now existing and as modified hereafter, are incorporated in this Agreement by this reference.

(i) Severability. No provision of this Agreement that is held to be inoperative, unenforceable or invalid shall affect the remaining provisions, and to this end all such provisions are declared to be severable.

(j) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties to this Agreement to express their mutual intent, and no rule of strict construction shall be applied against any of the parties.

(k) Waiver. The failure by any party to seek redress for the breach, or to insist upon strict performance of any covenant, agreement, provision or condition of this Agreement, shall not constitute a waiver thereof, and such party shall have all remedies provided herein and by applicable law with respect to any subsequent act which would have originally constituted a breach.

\* \* \* \*

IN WITNESS WHEREOF, the parties hereto have executed this Assignment and Assumption Agreement as of the date hereof.

QUALITY STORES, INC.

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

ALAMO GROUP (IA) INC.

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

## **EXHIBIT B**

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

In re:

Quality Stores, Inc., et al.,<sup>1</sup>

Debtors.

)  
)  
)  
)  
)  
)  
**Chapter 11**

**Case No. GG-01-10662  
(Jointly Administered)**

**Hon. James D. Gregg**

**ORDER APPROVING THE BIDDING PROCEDURES  
AND BIDDING PROTECTIONS FOR THE SALE OF  
THE VALU-BILT ASSETS TO ALAMO GROUP (IA), INC.**

Upon the motion (the "Motion")<sup>2</sup> of the above-captioned debtors and debtors in possession, for entry of an order approving Bidding Procedures for the sale of the Valu-Bilt Assets to Alamo Group (IA), Inc. ("Alamo"); and the Court having found that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors and other parties in interest; and adequate notice of the Motion having been given; and upon the record of the hearing held on February 28, 2002 (the "Bid Procedures Hearing"); and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

**FOUND, CONCLUDED AND DECLARED THAT:**

A. This Court has jurisdiction over this matter and over the property of the Debtors and their estates pursuant to 28 U.S.C. §§ 157(a) and 1334(b).

B. This proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (M), (N) and (O).

C. Good and sufficient notice of the relief sought in the Motion has been given and no further notice is required.

D. Good and sufficient reasons have been given for (i) authorizing the Debtors to conduct the Auction according to the Bidding Procedures set forth substantially in the form of Exhibit F attached to the Motion; (ii) scheduling the Auction and the Sale Hearing and (iii) granting the Bidding Protections to Alamo.

F. The proposed Bidding Procedures were specifically engineered to preserve the Debtors' opportunity to attract higher and better offers.

G. In light of the foregoing, and in consideration of the record presented to the Court at the Bid Procedures Hearing, the Bidding Procedures are fair and reasonable, reflecting the exercise of the Debtors' considered business judgment, and are reasonably required in order to maximize the value received for the sale of the Valu-Bilt Assets.

H. Entry of this Order is therefore in the best interests of the Debtors, their estates, and their creditors.

I. Based on the foregoing findings and conclusions, and in consideration of the record of the Bid Procedures Hearing, and good and sufficient cause appearing therefor; it is hereby

ORDERED that all objections to the Motion which were not settled or withdrawn are hereby overruled in their entirety; and it is further

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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.

<sup>2</sup> Capitalized terms not defined herein shall have the meaning set forth in the Motion.

ORDERED that Section 6.8 of the Purchase Agreement is hereby approved in all respects and incorporated herein; and it is further

ORDERED that the Debtors are authorized to conduct an Auction of the Valu-Bilt Assets on **March 22, 2002 at 9:00 a.m. (Eastern Standard Time)** at the offices of Kirkland & Ellis, Citicorp Center, 153 East 53<sup>rd</sup> Street, New York, New York 10022; and it is further

ORDERED that the Auction shall be conducted in accordance with the terms and provisions set forth in the Bidding Procedures. The deadline to submit a bid for the Valu-Bilt Assets is **March 19, 2002 at 4:00 p.m. (Eastern Standard Time)**. Bids must be submitted in accordance with the Bidding Procedures ; and it is further

ORDERED that the Debtors, at or before the Auction, may impose such other and additional terms and conditions as they determine to be in the best interests of the Debtors, their estates and creditors so long as such terms are not inconsistent with the terms of this Order or the Purchase Agreement; and it is further

ORDERED that all persons or entities who submit a Competing Offer for the Valu-Bilt Assets be deemed to have read and understood the terms and conditions of the Bidding Procedures and shall comply with and be bound by such Bidding Procedures; and it is further

ORDERED that the Bankruptcy Court shall retain exclusive jurisdiction over any dispute relating to the Auction or the sale of any of the Valu-Bilt Assets; and it is further

ORDERED that the Notice of Auction, substantially in the form attached to the Motion as Exhibit G is hereby approved. The Debtors shall publish the Notice of Auction in the national edition of the Wall Street Journal no later than four (4) business days after the entry of this Order; and it is further

ORDERED that 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; and it is further

ORDERED that this Court shall retain jurisdiction to interpret, construe and enforce the terms and provisions of this Order in all respects, including without limitation, to decide any disputes arising between the Debtors, Alamo, the ultimate buyer and any potential bidders, with respect thereto; and it is further

ORDERED that a hearing to approve the results of the auction, the assumption and assignment of the Valu-Bilt Agreements and related relief shall take place on **March 25, 2002 at 10:00 a.m. (Eastern Standard Time)** (the "Sale Hearing"); and it is further

ORDERED that objections relating to the relief to be granted at the Sale Hearing shall be filed and served no later than **March 19, 2002 at 4:00 p.m. Eastern Standard Time**; and it is further

ORDERED that the deadline for the Debtors to assume or reject the Valu-Bilt Lease is extended until the date that is six months from the entry of the Sale Order.

Dated: Grand Rapids, Michigan  
February 28, 2002

Honorable James D. Gregg  
United States Bankruptcy Court

## **EXHIBIT C**

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

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

**ORDER (A) AUTHORIZING THE DEBTORS TO SELL CERTAIN ASSETS  
AND PROPERTY TO ALAMO GROUP (IA), INC. FREE AND CLEAR OF ALL (i)  
LIENS, CLAIMS AND ENCUMBRANCES PURSUANT TO SECTIONS 363(b) AND  
363(f) OF THE BANKRUPTCY CODE AND (ii) TRANSFER TAXES PURSUANT TO  
SECTION 1146 OF THE BANKRUPTCY CODE AND (B) APPROVING THE  
ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS  
IN CONNECTION WITH SUCH SALES**

Upon the motion (the "Motion") of the debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors") seeking entry of an order (i) authorizing the Debtors to sell certain the Valu-Bilt Assets (as defined in the Purchase Agreement, collectively, the "Purchased Assets") to Alamo Group (IA), Inc. (the "Buyer") free and clear of all (a) liens, claims and encumbrances pursuant to sections 363(b) and 363(f) of the Bankruptcy Code and (b) transfer taxes pursuant to section 1146 of the Bankruptcy Code and (ii) approving the assumption and assignment of certain executory contracts in connection with such sale; and adequate notice of the Motion having been given; and it appearing that no other notice need be given; and a hearing having been held before this Court on March 25, 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;

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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.

IT IS HEREBY FOUND AND DETERMINED THAT:<sup>2</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 Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) 2002 and 6004.

3. Proper, timely, adequate and sufficient notice of the Motion and the transactions contemplated thereby has been given, and no other or further notice of the Motion or the entry of this Order is required.

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 full corporate power and authority to execute the purchase agreement by and between the Buyer and the Debtors (the “Purchase Agreement”), attached hereto as Exhibit A, and all other documents contemplated thereby, and the sale of the Purchased Assets has been duly and validly authorized by all necessary corporate action of the Debtors. The Debtors have all the corporate power and authority necessary to consummate the transactions contemplated by the Purchase Agreement and no consents or approvals, other than those expressly provided for in the Purchase Agreement, are required for the Debtors to consummate such transactions.

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<sup>2</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.



6. The Purchase Agreement 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 Purchase Agreement, 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 Purchased Assets pursuant to Section 363(b) of the Bankruptcy Code has been established in that, among other things: (i) the Debtors have been, are, and are projected to continue to incur substantial operating losses; (ii) the Debtors were and are unable to obtain sufficient financing to continue their operations on a stand alone basis; (iii) the Buyer has made a substantial offer to acquire the Purchased Assets; (iv) the sale process conducted by the Debtors required by Section 363 of the Bankruptcy Code has permitted the Buyers' offer to be tested against other offers; and (v) the Debtors received no higher and better offer through the sale and auction process and the Buyers' offer represents the best offer for the Purchased Assets.

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

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

10. The transfer of title of the Purchased Assets pursuant to the Purchase Agreement is or will be a legal, valid and effective transfer of property of the Debtors' estates to the Buyer, free and clear of all liens, claims, interests, and encumbrances under section 363(f) of the Bankruptcy Code.

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

12. All of the provisions of this Order and the Purchase Agreement are nonseverable and mutually dependent.

13. The relief requested in the Motion, including approval of the Purchase Agreement and the sale of Purchased Assets, is in the best interests of the Debtors, their creditors and estates.

14. The sale of the Purchased Assets to the Buyer is a prerequisite to the Debtors' ability to confirm and consummate a plan or plans of reorganization or liquidation. The sale of the Purchased Assets to the Buyer is a sale in contemplation of a plan and, accordingly, a transfer pursuant to 11 U.S.C. § 1146(c), which shall not be taxed under any law imposing a stamp tax or similar tax.

15. The Debtors have, to the extent necessary, satisfied the requirements of 11 U.S.C. § 365(b)(1) in connection with the assumption of the Valu-Bilt Agreements. Each Valu-

Bilt Agreement is an executory contract of the Debtors under 11 U.S.C. § 365. All conditions under 11 U.S.C. § 365 for the assumption by the Debtors of each Valu-Bilt Agreement has been satisfied.

16. The decision to assume and assign the Valu-Bilt Agreements is based on the reasonable exercise of the Debtors' business judgment and is in the best interest of the Debtors' estates.

17. The Buyer has demonstrated adequate assurance of future performance with respect to the Valu-Bilt Agreements.

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

1. The Motion be, and it hereby is, granted.
2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived or settled, and all reservations of rights included therein, are overruled on the merits.
3. The terms and conditions and transactions contemplated by the Motion and the Purchase Agreement are hereby approved in all respects, and the sale of the Purchased Assets is hereby approved in all respects and authorized and directed under section 363(b) of the Bankruptcy Code.
4. Pursuant to Section 363(b) of the Bankruptcy Code, the Debtors are hereby authorized to fully assume, perform under, consummate and implement the Purchase Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Purchase Agreement and the transactions contemplated thereby, and to take all further actions as may reasonably be requested for the purpose of assigning, transferring, granting,

conveying and conferring to the Buyer, the Purchased Assets, or as may be necessary or appropriate to the performance of the Debtors' obligations as contemplated by the Purchase Agreement.

5. Pursuant to sections 105(a) and 363(f) of the Bankruptcy Code, upon the closing under the Purchase Agreement, the Purchased Assets shall be transferred to the Buyer, except as otherwise set forth in the Purchase Agreement, free and clear of all mortgages, security interests, conditional sale or other title retention agreement, pledges, liens, statutory liens, judgments, demands, encumbrances, easements, memorandum of leases, reciprocal easement agreements, restrictions, constructive or resulting trusts, and charges, of any kind or nature, if any, including, but not limited to, any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership (the foregoing collectively referred to as "Liens" herein) and all debts arising in any way in connection with any acts of the Debtors, claims (as that term is defined in the Bankruptcy Code), obligations, demands, guaranties, options, rights, interests under any leases or sub-leases including rights if any of any tenant or any sub-tenant under section 365(h) of the Bankruptcy Code, contractual commitments, restrictions, interests and matters of any kind and nature, arising before the closing date or relating to acts occurring before the closing date, and whether imposed by agreement, understanding, law, equity or otherwise (the foregoing collectively referred to as "Claims" herein), with all such Liens and Claims to attach to the net proceeds of the sale of the Purchased Assets, in the order of their priority, with the same validity, force and effect that they now have as against the Purchased Assets, subject to the rights, claims, defenses and objections, if any, of the Debtors and all interested parties with respect to such Liens and Claims.

6. All persons and entities (including, without limitation, any federal, state or local governmental agency, department or instrumentality) holding Liens or Claims against the

Debtors arising on or before the closing date, or out of events occurring before the closing date, of any kind and nature with respect to the Purchased Assets hereby are barred from asserting such Liens and Claims of any kind and nature against the Buyer, its successors or assigns, or the Purchased Assets.

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

8. 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 Buyer or its successor in interest any claim that they had, have or may have against the Debtors, or any liability, debt or obligation relating to or arising from the Purchased Assets, or the Debtors' operations or use of the purchased assets before the consummation of the transactions contemplated by the Purchase Agreement by virtue of the transfer or assignment of the Purchased Assets, and all persons and entities are hereby enjoined from asserting against the Buyer in any way any such claims, liabilities, debts or obligations.

9. 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 Purchased Assets, as such Liens or Claims may have been recorded or may otherwise exist provided that failure to do so will not affect the validity of paragraph 6 above.

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

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

12. This Court retains jurisdiction (a) to enforce and implement the terms and provisions of the Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and of any agreements executed in connection therewith; (b) to compel delivery of the Purchased

Assets to the Buyer; (c) to compel delivery of the Purchase Price under the Purchase Agreement; (d) to resolve any disputes, controversies or claims arising out of or relating to the Purchase Agreement; and (e) to interpret, implement and enforce the provisions of this Order.

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

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

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

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

17. The Purchase Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of the Court, provided that any such modification, amendment or supplement is not material.

18. The transfer of the Purchased Assets to the Buyer 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.

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

20. Nothing in the Court's Order approving the sale of the Purchased Assets, or the Purchase Agreement, shall be construed as (a) releasing or relieving any entity of any environmental liability to the United States as the owner or operator of any facility which that entity owns or operates after the date of entry of the Court's Order; or (b) relieving any entity of any



requirement under the environmental laws of the United States to obtain legally required approval from the United States in order to assign or transfer a permit or license.

21. Pursuant to 11 U.S.C. §§ 363(b), 363(f), 365(a), 365(b) and 365(f), the Debtors are authorized to assume and assign to the Buyer the Valu-Bilt Agreements, together with any amendments and modifications to the Valu-Bilt Agreements without further order of this Court.

22. The Buyer shall assume all obligations of the Debtors arising from and after the closing date under the Valu-Bilt Agreements. Upon assumption and assignment of any Valu-Bilt Agreements, the Debtors and their estates shall be relieved of any liability for any breach of the Valu-Bilt Agreements occurring after such assumption and assignment in accordance with 11 U.S.C. § 365(k).

23. The Buyer has provided adequate assurance of its future performance under the Valu-Bilt Agreements.

24. The Valu-Bilt Agreements, upon assignment to the Buyer, shall be deemed valid and binding, in full force and effect in accordance with their terms, subject to the provisions of this Order.

25. The Valu-Bilt Agreements are hereby determined to (a) not have been terminated under applicable law as of the date of this Order, and (b) not be subject to applicable law which excuses a party from accepting performance from or rendering performance to an entity other than the Debtors. In addition, pursuant to 11 U.S.C. Section 365(f), (i) Debtors may assign the Valu-Bilt Agreements and contracts contemplated in the Purchase Agreement to Buyer notwithstanding a provision in such contract or lease, or in applicable law, that prohibits, restricts, or conditions the assignment of such contract or lease, and (ii) no party to such contracts or leases may terminate or

modify such contract or lease, or assert a right or obligation thereunder, because of the assumption or assignment of such contract or lease by Debtors.

26. This Order is approved without prejudice to the allocation of proceeds received by the Debtors under the Purchase Agreement.

27. The proceeds received from the Debtors under the Purchase Agreement shall be held by the Debtors in escrow until such proceeds are allocated pursuant to Court Order, except to the extent necessary for the Debtors to satisfy their obligations and conditions to closing under the Purchase Agreement.

28. The Debtors are authorized to enter into the Valu-Bilt Sublease.

Grand Rapids, Michigan  
Dated: March 25, 2002

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The Honorable James D. Gregg  
United States Bankruptcy Judge

## **EXHIBIT D**

## **EXHIBIT D**

### **Valu-Bilt Agreements**

- Agreement for Support Services with Hewlett Packard dated September 15, 2001. The term of this agreement expires on November 14, 2002. The monthly fee payable to Hewlett Packard is \$1,547.00.
- Contract for Purchase and Services for Smith-Gardner, Inc. dated October 7, 1999. Under this agreement there (i) is a monthly service fee of \$2,865 (which may be terminated by customer with 30 days prior notice) and (ii) an annual fee for third party utilities for \$2,300 (invoiced annually by Ecometry Corporation).
- Agreement with Pitney Bowes Credit Corporation – payment due quarterly for metered mail.

## **EXHIBIT E**

**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

**AFFIDAVIT OF ROBERT H. GEORGE DEMONSTRATING  
ADEQUATE ASSURANCE OF FUTURE PERFORMANCE  
UNDER SECTION 365(b)(1)(C) OF THE BANKRUPTCY CODE**

STATE OF TEXAS	)	
	)	
COUNTY OF GUADALUPE	)	ss.

Robert H. George, being duly sworn, deposes and says:

1. I am the Vice President of Alamo Group (IA), Inc. ("Alamo"). I am generally familiar with Alamo's day-to-day operations, business affairs, books and records. I submit this affidavit (the "Affidavit") to demonstrate adequate assurance of future performance under section 365(b)(1)(c) of the Bankruptcy Code in connection with Motion for Orders (A) Scheduling an Auction and Establishing Bidding Procedures for the Sale of the Debtors' Valu-Bilt Assets; (B) Approving the Sale of the Debtors' Valu-Bilt Assets; (C) Authorizing Assumption and Assignment of Certain Unexpired Leases and Executory Contracts and (D) Extending the Time to Assume or

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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.


Reject the Valu-Bilt Lease of Non-residential Real Property (the "Motion")<sup>2</sup>. Except as otherwise noted, I have personal knowledge of the matters set forth herein.

2. Alamo Group Inc., a Delaware corporation ("AGI"), is the indirect parent company of Alamo. AGI has a revolving credit facility with Bank of America (the "Credit Facility"). AGI is authorized pursuant to the Credit Facility to allow Alamo to use funds from the Credit Facility. There is ample borrowing availability under the Credit Facility to finance the assumption of all obligations arising on or after the Closing Date under the Valu-Bilt Agreements and pay such obligations.


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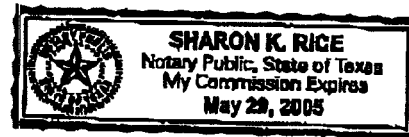
<sup>2</sup>Unless otherwise defined in the Affidavit, all capitalized terms shall have the meaning assigned to them in the Motion.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing  
is true and correct.

  
ROBERT H. GEORGE

Subscribed and Sworn to before me  
this 19<sup>th</sup> day of February, 2002

  
Notary Public  
My Commission expires: May 29, 2005





## **EXHIBIT F**

**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>

**DEBTORS' BIDDING PROCEDURES**

These Bidding Procedures set forth the process by which the Debtors will conduct a sale by auction (the "Auction") of the Valu-Bilt Assets in accordance with the enclosed Order Approving the Bidding Procedures and Bidding Protections for the Sale of the Valu-Bilt Assets to Alamo Group (IA), Inc.

1. Assets to be Sold.

The Debtors have entered into the Asset Purchase Agreement between the Debtors and Alamo Group (IA), Inc. (the "Purchase Agreement"), which is attached hereto as Exhibit I to sell the Valu-Bilt Assets. Prospective bidders, if any, may qualify for and participate in the Auction, to compete to make the highest and best offer for the Valu-Bilt Assets.

All inquiries concerning the Valu-Bilt Assets should be made to the Debtors' Investment Banker, Rory Keenan, Telephone: 212-508-1658, Fascimile: 212-508-1633.

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, Citicorp Center, 153 East 53<sup>rd</sup> Street, New York, New York 10022, Attn: Lisa Anastos, 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:

- (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

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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.

- (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) Peter J. Solomon, 767 Fifth Avenue, 26<sup>th</sup> Floor, New York, NY 10153, Attn: Rory Keenan.

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 March 19, 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 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> and
- (c) 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, Citigroup Center, 153 East 53<sup>rd</sup> Street, New York, New York 10022, Attn: Lisa Anastos. The Debtors reserve the right to hold deposits until five days after the closing of the Purchase Agreement.

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

Potential bidders for the Valu-Bilt Assets 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,

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<sup>2</sup>Please call the Debtors' counsel, Jason Gottlieb, 212-446-4953 for wire transfer instructions.

in their business judgment, which Qualified Offers are the highest and best offers for the Valu-Bilt Assets 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 the Valu-Bilt Assets, 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 Valu-Bilt Assets and to review all pertinent documents and information with respect to the Valu-Bilt Assets 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, Citigroup Center, 153 East 53<sup>rd</sup> Street, New York, New York 10022, on **March 22, 2002 at 9:00 a.m. (Eastern 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 through a duly authorized representative, unless alternative arrangements are made in advance with the Debtors.

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 Valu-Bilt Assets 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 Valu-Bilt Assets.

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 Valu-Bilt 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 Valu-Bilt Assets 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 Valu-Bilt Assets, 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 Valu-Bilt Assets, 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 Valu-Bilt Assets; (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 Valu-Bilt Assets 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.

8. Sale Hearing.

The hearing to approve the results of the Auction and other related relief, including the assumption and assignment of the Valu-Bilt Agreements will take place on **March 25, 2002 at 10:00 a.m. (Eastern Standard Time)** at the United States Bankruptcy Court, 792 Federal Building, 110 Michigan, N.W., Grand Rapids, Michigan. The deadline to object to the relief requested at the Sale Hearing is **March 19, 2002 at 4:00 p.m. (Eastern Standard Time)**.

## **EXHIBIT G**

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

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

**NOTICE OF AUCTION AND BIDDING PROCEDURES**

PLEASE TAKE NOTICE that on February 28, 2002, the Bankruptcy Court for the Western District of Michigan, Southern Division, entered the enclosed Order Approving the Bidding Procedures and Bidding Protections for the Sale of the Valu-Bilt Assets to Alamo Group (IA), Inc.

PLEASE TAKE FURTHER NOTICE that on **March 22, 2002 at 9:00 a.m. (Eastern Standard Time)**, the Debtors shall conduct an auction of the Valu-Bilt Assets at the offices of Kirkland & Ellis, Citicorp Center, 153 East 53<sup>rd</sup> Street, New York, New York 10022 in accordance with the enclosed Bidding Procedures.

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

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

PLEASE TAKE FURTHER NOTICE that, pursuant to the Bidding Procedures, any Bidder desiring to submit a bid for all or substantially all of the Valu-Bilt Assets must deliver its offer in writing to: (a) the Debtors' co-counsel (i) Kirkland & Ellis, Citicorp Center, 153 East 53<sup>rd</sup> Street, New York, NY 10022, Attn: Lisa Anastos, and (ii) Varnum, Riddering, Schmidt & Howlett

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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.

LLP, Bridgewater Place , P.O. Box 352, Grand Rapids, Michigan 49501-0352 Attn: Timothy J. Curtin, Esq.; (b) counsel to the Administrative Agent for the Prepetition Lenders, (i) Shearman & Sterling, 599 Lexington Avenue, New York, NY 10022-6030, Attn: Benjamin Feder, Esq. and (ii) Dykema Gossett, 300 Ottawa, N.W., Grand Rapids, MI 49503, Attn: Scott W. Dales and (c) co-counsel to Official Committee (i) Attn: Robert S. Hertzberg, Hertz, Schram & Saretsky, P.C., 1760 South Telegraph Road, Suite 300, Bloomfield Hills, MI 48302 and (ii) Attn: John K. Cunningham, White & Case LLP, First Union Financial Center, 200 South Biscayne Boulevard, Suite 4900, Miami, FL 33131, such that the bid is actually received by each of the foregoing persons not later than **4:00 p.m. (Eastern Standard Time) on March 19, 2002**. Offers received after this deadline may be rejected in the discretion of the Debtors.

PLEASE TAKE FURTHER NOTICE that a hearing to approve the results of the Auction and related relief (the "Sale Hearing"), including the assumption and assignment of the Valu-Bilt Agreements shall take place on **March 25, 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. Objections relating to the Sale Hearing shall be filed and served no later than **March 19, 2002 at 4:00 (Eastern Standard Time)**.

PLEASE TAKE FURTHER NOTICE that, all requests for information concerning the sale of the Valu-Bilt Assets should be directed to the Debtors' investment banker, Rory Keenan, Telephone: 212-508-1658, Facsimile: 212-508-1633.

Grand Rapids, Michigan

Respectfully submitted,

Dated: March 20, 2002

KIRKLAND & ELLIS

James H.M. Sprayregen (IL 6190206)  
Stephanie D. Simon (IL 6257197)  
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Matthew Cantor (NY 2350742)  
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VARNUM, RIDDERING, SCHMIDT &  
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Co-Counsel for the Debtors and Debtors in  
Possession