FLEMING COMPANIES INC /OK/
Form 10-Q
November 15, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED OCTOBER 6, 2001

COMMISSION FILE NUMBER: 1-8140

FLEMING COMPANIES, INC.
(Exact name of registrant as specified in its charter)

OKLAHOMA	48-0222760
(State of incorporation)	(I.R.S. Employer Identification No.)

1945 LAKEPOINTE DRIVE, BOX 299013
LEWISVILLE, TEXAS 75029
(Address of principal executive offices)

(972) 906-8000
(Telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

At the close of business on November 2, 2001, 44,360,000 shares of the registrant's common stock, par value $2.50 per share, were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FLEMING COMPANIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS - UNAUDITED
FOR THE 12 WEEKS ENDED OCTOBER 6, 2001 AND SEPTEMBER 30, 2000
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	2001	2000
Net sales	$ 4,022,085	$ 3,197,655
Costs and expenses:		
Cost of sales	3,748,895	2,894,341
Selling and administrative	209,928	260,019
Interest expense	35,370	40,111
Interest income	(5,494)	(6,322)
Equity investment results	689	2,097
Impairment/restructuring charge	1,415	83,356
Litigation credit	--	(1,916)
Total costs and expenses	3,990,803	3,271,686
Income (loss) before taxes	31,282	(74,031)
Taxes on income (loss)	12,207	(28,472)
Net income (loss)	$ 19,075	$ (45,559)

Basic net income (loss) per share	$ 0.44	$ (1.17)
Diluted net income (loss) per share	$ 0.40	$ (1.17)
Dividends paid per share	$ 0.02	$ 0.02
Weighted average shares outstanding:		
Basic	43,728	38,902
Diluted	51,032	38,902

The accompanying notes are an integral part of these consolidated condensed financial statements.

FLEMING COMPANIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS - UNAUDITED
FOR THE 40 WEEKS ENDED OCTOBER 6, 2001 AND SEPTEMBER 30, 2000
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	2001	2000
Net sales	$ 11,640,555	$ 10,819,031
Costs and expenses:		
Cost of sales	10,737,764	9,807,789
Selling and administrative	736,305	893,700
Interest expense	127,307	131,659
Interest income	(20,554)	(25,167)
Equity investment results	761	5,682
Impairment/restructuring charge (credit)	(25,561)	146,514
Litigation charge (credit)	48,628	(1,916)
Total costs and expenses	11,604,650	10,958,261
Income (loss) before taxes	35,905	(139,230)
Taxes on income (loss)	14,822	(54,449)
Income (loss) before extraordinary charge	21,083	(84,781)
Extraordinary charge from early retirement of debt (net of taxes)	(3,469)	--
Net income (loss)	$ 17,614	$ (84,781)
Basic net income (loss) per share:		
Income (loss) before extraordinary charge	$ 0.50	$ (2.19)
Extraordinary charge from early retirement of debt (net of taxes)	(0.08)	--
Net income (loss)	$ 0.42	$ (2.19)

Diluted net income (loss) per share:		
Income (loss) before extraordinary charge	$ 0.47	$ (2.19)
Extraordinary charge from early retirement of debt (net of taxes)	(0.08)	--
Net income (loss)	$ 0.39	$ (2.19)
Dividends paid per share	$ 0.06	$ 0.06
Weighted average shares outstanding:		
Basic	42,177	38,651
Diluted	44,670	38,651

The accompanying notes are an integral part of these consolidated condensed financial statements.

FLEMING COMPANIES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS - UNAUDITED
(IN THOUSANDS)

ASSETS	OCTOBER 6, 2001	DECEMBER 30, 2000
Current assets:		
Cash and cash equivalents	$ 43,491	$ 30,380
Receivables, net	571,503	509,045
Inventories	1,094,935	831,265
Assets held for sale	26,853	165,800
Other current assets	126,229	86,583
Total current assets	1,863,011	1,623,073
Investments and notes receivable, net	103,338	104,467
Investment in direct financing leases	85,668	102,011
Property and equipment	1,424,451	1,370,430
Less accumulated depreciation and amortization	(686,578)	(653,973)
Net property and equipment	737,873	716,457
Deferred income taxes	96,499	139,852
Other assets	303,220	172,632
Goodwill, net	558,168	544,319
Total assets	$ 3,747,777	$ 3,402,811
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,016,877	$ 943,279
Current maturities of long-term debt	39,737	38,171
Current obligations under capital leases	20,847	21,666

Other current liabilities	199,846	229,272
Total current liabilities	1,277,307	1,232,388
Long-term debt	1,517,875	1,232,400
Long-term obligations under capital leases	333,980	377,239
Other liabilities	109,685	133,592
Commitments and contingencies		
Shareholders' equity:		
Common stock, $2.50 par value per share	110,934	99,044
Capital in excess of par value	565,879	513,645
Reinvested earnings (deficit)	(126,854)	(144,468)
Accumulated other comprehensive income - additional minimum pension liability	(41,029)	(41,029)
Total shareholders' equity	508,930	427,192
Total liabilities and shareholders' equity	$ 3,747,777	$ 3,402,811

The accompanying notes are an integral part of these consolidated condensed financial statements.

FLEMING COMPANIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS - UNAUDITED
FOR THE 40 WEEKS ENDED OCTOBER 6, 2001, AND SEPTEMBER 30, 2000

	2001	2000
	(IN THOUSANDS)	
Cash flows from operating activities:		
Net income (loss)	$ 17,614	$ (84,781)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	126,127	130,074
Amortization costs in interest expense	4,929	3,734
Credit losses	20,462	19,380
Deferred income taxes	38,045	(9,328)
Equity investment results	761	5,682
Gain on sale of business	(3,273)	--
Impairment/restructuring and related charges, net of impairment credit (not in other lines)	14,637	202,932
Cash payments on impairment/restructuring and related charges	(58,450)	(107,227)
Cost of early debt retirement	5,787	--
Change in assets and liabilities:		
Receivables	(63,321)	24,461
Inventories	(217,352)	105,329
Accounts payable	65,898	(134,368)
Other assets and liabilities	(102,473)	(128,220)
Other adjustments, net	5,892	(260)

Net cash provided by (used in) operating activities	(144,717)	27,408
Cash flows from investing activities:		
Collections on notes receivable	24,375	25,367
Notes receivable funded	(20,704)	(20,923)
Purchases of businesses	(120,670)	(2,279)
Purchases of property and equipment	(168,504)	(107,623)
Proceeds from sale of property and equipment	13,286	39,071
Investments in customers	--	(969)
Proceeds from sale of investment	5,115	3,293
Proceeds from sale of businesses	120,947	45,280
Other investing activities	8,482	11,928
Net cash used in investing activities	(137,673)	(6,855)
Cash flows from financing activities:		
Proceeds from long-term borrowings	620,602	107,000
Principal payments on long-term debt	(342,755)	(70,707)
Payments on cost of debt issuance and debt retirement	(23,976)	--
Principal payments on capital lease obligations	(15,092)	(15,175)
Proceeds from sale of common stock	59,252	3,653
Dividends paid	(2,530)	(2,334)
Net cash provided by financing activities	295,501	22,437
Net change in cash and cash equivalents	13,111	42,990
Cash and cash equivalents, beginning of period	30,380	6,683
Cash and cash equivalents, end of period	$ 43,491	$ 49,673
Supplemental information:		
Cash paid for interest	$ 122,484	$ 124,813
Cash refunded for income taxes	$ 17,894	$ 63,872

The accompanying notes are an integral part of these consolidated condensed financial statements.

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FLEMING COMPANIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. The accompanying consolidated condensed financial statements of Fleming Companies, Inc. have been prepared without audit. In our opinion, all adjustments necessary to present fairly our financial position at October 6, 2001, and the results of operations and cash flows for the periods presented have been made. All such adjustments are of a normal, recurring nature except as disclosed. Both basic and diluted income (loss) per share are computed based on net income (loss) divided by weighted average shares as appropriate for each calculation.

The preparation of the consolidated condensed financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain prior period amounts have been reclassified to conform to the current period classifications, including the reclassification of net sales and cost of goods due to the adoption of SAB No. 101 and EITF 99-19 in the fourth quarter of 2000.

2. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2000 annual report on Form 10-K.

3. The LIFO method of inventory valuation is used for determining the cost of most grocery and certain perishable inventories. The excess of current cost of LIFO inventories over their stated value was $55 million at October 6, 2001 and $58 million at December 30, 2000 ($13 million of which was recorded in assets held for sale in current assets).

4. Sales and operating earnings for our distribution and retail segments are presented below.

	12 WEEKS ENDED	
($ IN MILLIONS)	OCTOBER 6, 2001	SEPTEMBER 30, 2000
Sales:		
Distribution	$ 3,799	$ 2,882
Intersegment elimination	(261)	(378)
Net distribution	3,538	2,504
Retail	484	694
Total sales	$ 4,022	$ 3,198
Operating earnings:		
Distribution	$ 100	$ 79
Retail	15	6
Support services	(52)	(42)
Total operating earnings	63	43
Interest expense	(35)	(40)
Interest income	5	6
Equity investment results	(1)	(2)
Impairment/restructuring charge	(1)	(83)
Litigation credit	--	2
Income (loss) before taxes	$ 31	$ (74)

($ IN MILLIONS)	40 WEEKS ENDED OCTOBER 6, 2001	SEPTEMBER 30, 2000
Sales:		
Distribution	$ 10,749	$ 9,647
Intersegment elimination	(949)	(1,344)
Net distribution	9,800	8,303
Retail	1,841	2,516
Total sales	$ 11,641	$ 10,819
Operating earnings:		
Distribution	309	224
Retail	42	36
Support services	(185)	(142)
Total operating earnings	166	118
Interest expense	(127)	(132)
Interest income	21	25
Equity investment results	(1)	(6)
Impairment/restructuring (charge) credit	26	(146)
Litigation (charge) credit	(49)	2
Income(loss)before taxes	$ 36	$ (139)

General support services expenses are not allocated to distribution and retail segments. The transfer pricing between segments is at cost.

Kmart Corporation, our largest customer, represented 27% and 10% of our total net sales during the third quarter of 2001 and 2000, respectively. Year to date, sales to Kmart represented 18% and 10% of our total net sales for 2001 and 2000, respectively.

5. Our comprehensive income for the 12 and 40 weeks ended October 6, 2001, totaled $19 million and $18 million, respectively, and our comprehensive loss for the 12 and 40 weeks ended September 30, 2000, totaled $46 million and $85 million, respectively. The comprehensive income and loss for these periods was comprised only of the reported net income and loss, respectively.

6. In accordance with applicable accounting standards, we record a charge reflecting contingent liabilities (including those associated with litigation matters) when we determine that a material loss is "probable" and either "quantifiable" or "reasonably estimable." Additionally, we disclose material loss contingencies when the likelihood of a material loss is deemed to be

greater than "remote" but less than "probable." Set forth below is information regarding certain material loss contingencies:

Class Action Suits. In 1996, we and certain of our present and former officers and directors were named as defendants in nine purported class action suits filed by certain stockholders. All cases were filed in the United States District Court for the Western District of Oklahoma and in 1997 were consolidated. The plaintiffs in the consolidated cases sought undetermined but significant damages, and asserted liability for our alleged "deceptive business practices," and our alleged failure to properly account for and disclose the contingent liability created by the David's Supermarkets case, a lawsuit we settled in April 1997 in which David's sued us for allegedly overcharging for products. The plaintiffs claimed that these alleged practices led to the David's case and to other material contingent liabilities, caused us to change our manner of doing business at great cost and loss of profit, and materially inflated the trading price of our common stock.

During 1999, the court dismissed the consolidated stockholder case without prejudice but gave the plaintiffs the opportunity to restate their claims, and they did so in amended complaints. We again filed motions to dismiss all claims. On February 4, 2000, the court dismissed the amended complaint with prejudice. The plaintiffs filed a notice of appeal, and on September 7, 2001 the Tenth Circuit affirmed the district court decision. On September 21, 2001, the plaintiffs filed a petition for a full bench rehearing with the Tenth Circuit and such petition was denied by the court in October.

The class action noteholder case previously reported in our second quarter Form 10-Q was settled pursuant to a settlement agreement dated May 25, 2001 and such settlement became final on September 5, 2001.

Don's United Super (and related cases). On September 6, 2001, the parties executed a final settlement agreement in the Don's United Super, Coddington Enterprises, Inc., J&A Foods, Inc., R&D Foods, Inc., and Robandee United Super, Inc., cases. The settlement agreement includes a full release of us from liability to the plaintiffs in these cases; payments by us to the plaintiffs over a 16 month period; the transfer to us of a minority interest in several price-impact stores in

Arizona; and lease concessions by us to certain plaintiffs. We recorded a $21 million after-tax charge in the second quarter of 2001 to reflect the total estimated cost of the settlement and other related expenses.

Storehouse Markets. On July 9, 2001, we executed a definitive settlement agreement that was subsequently approved by the court on September 10, 2001. The settlement agreement resolved all claims between the parties in exchange for a total payment of $16 million by us and our insurer. We recorded an accrual for our portion of the payment in the second quarter of 2001.

Welsh. In April 2000, the operators of two grocery stores in Texas filed an amended complaint in the United States District Court for the Western District of Texas, Pecos Division (Welsh v. Fleming Foods of Texas, L.P.). The amended complaint alleges product overcharges, breach of contract, fraud, conversion, breach of fiduciary duty, negligent misrepresentation and breach of the Texas Deceptive Trade Practices Act. The amended complaint seeks unspecified actual damages, punitive damages, attorneys' fees and pre-judgment and post-judgment interest. Pursuant to the order of the Judicial Panel on Multidistrict Litigation, this case has been transferred to the Western District of Missouri for pre-trial proceedings. No trial date has been set in this case. We will continue to vigorously defend against this claim, but we cannot predict its outcome.

Other. Our facilities and operations are subject to various laws, regulations and judicial and administrative orders concerning protection of the environment and human health, including provisions regarding the transportation, storage, distribution, disposal or discharge of certain materials. In conformity with these provisions, we have a comprehensive program for testing, removal, replacement or repair of our underground fuel storage tanks and for site remediation where necessary. We have established reserves that we believe will be sufficient to satisfy the anticipated costs of all known remediation requirements.

We and others have been designated by the U.S. Environmental Protection Agency and by similar state agencies as potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, or similar state laws, as applicable, with respect to EPA-designated Superfund sites. While liability under CERCLA for remediation at these sites is generally joint and several with other responsible parties, we believe that, to the extent we are ultimately determined to be liable for the expense of remediation at any site, such liability will not result in a material adverse effect on our consolidated financial position or results of operations. We are committed to maintaining the environment and protecting natural resources and human health and to achieving full compliance with all applicable laws, regulations and orders.

We are a party to or threatened with various other litigation and contingent loss situations arising in the ordinary course of our business including disputes with the following parties: customers; owners of financially troubled or failed customers; suppliers; landlords; employees regarding labor conditions, wages, workers' compensation matters and alleged discriminatory practices; insurance carriers; and tax assessors. Some of the disputes involve substantial amounts. Except as noted above, we do not presently believe that any such claim will have a material adverse effect on us.

7. Long-term debt consists of the following:

	OCTOBER 6, 2001	DECEMBER 30, 2000
	(IN THOUSANDS)	
10 1/8% senior notes due 2008	$ 355,000	$ --
10 5/8% senior notes due 2001	--	300,000
10 1/2% senior subordinated notes due 2004	250,000	250,000
10 5/8% senior subordinated notes due 2007	259,194	250,000
5 1/4% convertible senior subordinated notes due 2009	150,000	--
Revolving credit, average interest rates of 5.5% for 2001 and 7.7% for 2000, due 2003	420,000	300,000
Term loans, due 2001 to 2004, average interest rate of 6.4% for 2001 and 7.8% for 2000	128,517	154,421
Other debt (including discounts)	(5,099)	16,150

	1,557,612	1,270,571
Less current maturities	(39,737)	(38,171)
Long-term debt	$ 1,517,875	$ 1,232,400

Five-year maturities: Aggregate maturities of long-term debt for the next five years are approximately as follows: in the remainder of 2001, $0; in 2002, $40 million; in 2003, $460 million; in 2004, $299 million; and in 2005, $0.

The 10 5/8% $300 million senior notes due 2001 were issued in 1994. During the first quarter of 2001, we redeemed these notes with the proceeds from the issuance of $355 million of senior notes, as described below. In connection with this redemption, we recognized a $3.5 million after-tax extraordinary charge from early retirement of debt during the first quarter of 2001.

On March 15, 2001, we issued $355 million of 10 1/8% senior notes that mature on March 15, 2008. Most of the net proceeds were used to redeem all of the 10 5/8% senior notes due 2001, including an amount to cover accrued interest and the redemption premium. The balance of the net proceeds was used to pay down outstanding revolver loans. The new senior notes are unsecured senior obligations, ranking the same as all other existing and future senior indebtedness and senior in right of payment to our senior subordinated notes. The senior notes are effectively subordinated to secured senior indebtedness with respect to assets securing such indebtedness, including loans under our senior secured credit facility. The 10 1/8% senior notes are guaranteed by substantially all of our subsidiaries (see Subsidiary Guarantee of Senior Notes and Senior Subordinated Notes below).

On March 15, 2001, we issued $150 million of 5 1/4% convertible senior subordinated notes that mature on March 15, 2009 and have a conversion price of $30.27 per share. The net proceeds were used to pay down outstanding revolver loans. The convertible notes are general unsecured obligations, subordinated in right of payment to all existing and future senior indebtedness, and rank senior to or of equal rank with all of our existing and future subordinated indebtedness.

Subsequent to the end of the quarter, on October 15, 2001, we sold an additional $150 million of our existing 10 5/8% senior subordinated notes due 2007. The proceeds were used to pay down our revolver loans.

In early July 2001, we entered into two interest rate swap agreements with a combined notional amount of $150 million. In late July 2001, we entered into an additional swap agreement with a notional amount of $50 million. The swaps were tied to our 10 5/8% senior subordinated notes due 2007. The maturity, call dates, and call premiums mirrored those of the notes. The swaps were designed for us to receive a fixed rate of 10 5/8% and pay a floating rate based on a spread plus the 3-month LIBOR. The floating rate reset quarterly beginning July 31, 2001. We documented and designated these swaps to qualify as fair value hedges. At the end of the third quarter of 2001, in accordance with Statement of Financial Accounting Standards No. 133 (SFAS 133), the mark-to-market value of these swaps was recorded as a $9 million long-term asset offset by a change in fair value to the senior subordinated notes due 2007.

Subsequent to the end of the quarter, on October 26, 2001, we unwound all outstanding swap agreements and in turn received $9 million in cash. Simultaneously, we recorded an $8 million deferred gain that will be amortized to reduce interest expense over the remaining life of the related subordinated notes.

In early November 2001, we entered into an interest rate swap agreement with a notional amount of $100 million. The swap is tied to our 10 1/8% senior notes due 2008. The maturity, call dates, and call premiums mirror those of the notes. The swap is designed for us to receive a fixed rate of 10 1/8% and pay a floating rate based on a spread plus the 3-month LIBOR. The floating rate resets quarterly beginning January 1, 2002. We have documented and designated this swap to qualify as a fair value hedge.

We adopted SFAS 133, Accounting for Derivative Instruments and Hedging Activities, as amended, on December 31, 2000. In accordance with SFAS 133, on the date we enter into a derivative contract, management designates the derivative as a hedge of the identified exposure (fair value, cash flow, foreign currency, or net investment in foreign operations). If a derivative does not qualify in a hedging relationship, the derivative is recorded at fair value and changes in its fair value are reported currently in earnings. We formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking various hedge transactions.

For all qualifying and highly effective fair value hedges, the changes in the fair value of a derivative and the loss or gain on the hedged asset or liability relating to the risk being hedged are recorded currently in earnings. These amounts are recorded to interest income and provide offset of one another. For the period ended October 6, 2001, there was no net earnings impact relating to our fair value hedges.

Subsidiary Guarantee of Senior Notes and Senior Subordinated Notes: The senior notes, convertible senior subordinated notes, and senior subordinated notes are guaranteed by substantially all of Fleming's wholly-owned direct and indirect subsidiaries. The guarantees are joint and several, full, complete and unconditional. There are currently no restrictions on the ability of the subsidiary guarantors to transfer funds to Fleming (the parent) in the form of cash dividends, loans or advances.

The following condensed consolidating financial information depicts, in separate columns, the parent company, those subsidiaries which are guarantors, those subsidiaries which are non-guarantors, elimination adjustments and the consolidated total. The financial information may not necessarily be indicative of the results of operations or financial position had the subsidiaries been operated as independent entities.

CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION

	OCTOBER 6, 2001	
	PARENT	NON-

	COMPANY	GUARANTORS	GUARANTORS	ELIMINATIO
			(IN THOUSANDS)	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 40,448	$ 2,785	$ 258	$ -
Receivables, net	480,052	91,086	365	-
Inventories	900,454	194,481	--	-
Other current assets	122,579	6,290	213	-
Total current assets	1,543,533	294,642	836	-
Investment in subsidiaries	93,241	5,356	--	(98,59
Intercompany receivables	383,194	--	--	(383,19
Property and equipment, net	478,224	251,512	8,137	-
Goodwill,net	424,433	133,735	--	-
Other assets	531,320	65,119	16,286	-
	$ 3,453,945	$ 750,364	$ 25,259	$ (481,79
LIABILITIES AND EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 905,440	$ 110,941	$ 496	$ -
Intercompany payables	(31,755)	385,047	29,902	(383,19
Other current liabilities	236,021	23,301	1,108	-
Total current liabilities	1,109,706	519,289	31,506	(383,19
Obligations under capital leases	213,843	120,137	--	-
Long-term debt and other liabilities	1,621,466	6,094	--	-
Equity (deficit)	508,930	104,844	(6,247)	(98,59
	$ 3,453,945	$ 750,364	$ 25,259	$ (481,79

	DECEMBER 30, 2000			
	PARENT COMPANY	GUARANTORS	NON-GUARANTORS	ELIMINATION
			(IN THOUSANDS)	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 22,487	$ 6,753	$ 1,140	$ -
Receivables, net	406,203	101,884	958	-
Inventories	635,227	192,499	3,539	-
Other current assets	247,400	4,943	40	-
Total current assets	1,311,317	306,079	5,677	-
Investment in subsidiaries	65,475	5,356	--	(70,83
Intercompany receivables	372,356	--	--	(372,35
Property and equipment, net	424,321	285,117	7,019	-
Goodwill,net	411,094	129,440	3,785	-
Other assets	463,008	42,918	13,036	-

	$ 3,047,571	$ 768,910	$ 29,517	$ (443,18
LIABILITIES AND EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 821,407	$ 120,145	$ 1,727	$ -
Intercompany payables	--	339,688	32,668	(372,35
Other current liabilities	244,524	43,275	1,310	-
Total current liabilities	1,065,931	503,108	35,705	(372,35
Obligations under capital leases	214,611	162,628	--	-
Long-term debt and other liabilities	1,339,837	26,096	59	-
Equity (deficit)	427,192	77,078	(6,247)	(70,83
	$ 3,047,571	$ 768,910	$ 29,517	$ (443,18

CONDENSED CONSOLIDATING OPERATING STATEMENT INFORMATION

	12 WEEKS ENDED OCTOBER 6, 2		
	PARENT COMPANY	GUARANTORS	NON-GUARANTORS
		(IN THOUSANDS)	
Net sales	$ 3,393,147	$ 849,946	$ 9,965
Costs and expenses:			
Cost of sales	3,239,001	733,892	6,975
Selling and administrative	108,323	97,849	3,756
Other	29,084	6,763	(5,282)
Impairment/restructuring charge (credit)	1,308	107	--
Equity loss from subsidiaries	(9,280)	--	--
Total costs and expenses	3,368,436	838,611	5,449
Income before taxes	24,711	11,335	4,516
Taxes on income	5,636	4,710	1,861
Net income	$ 19,075	$ 6,625	$ 2,655

12 WEEKS ENDED SEPTEMBER 30,

	PARENT COMPANY	GUARANTORS	NON-GUARANTORS
		(IN THOUSANDS)	
Net sales	$ 2,730,581	$ 753,190	$ 14,849
Costs and expenses:			
Cost of sales	2,581,787	602,693	10,826
Selling and administrative	114,356	141,296	4,367
Other	31,035	3,046	(111)
Impairment/restructuring charge (credit)	82,958	398	--
Equity loss from subsidiaries	(2,909)	--	--
Total costs and expenses	2,807,227	747,433	15,082
Income (loss) before taxes	(76,646)	5,757	(233)
Taxes on income (loss)	(31,087)	2,713	(98)
Net income (loss)	$ (45,559)	$ 3,044	$ (135)

CONDENSED CONSOLIDATING OPERATING STATEMENT INFORMATION (CONTINUED)

	40 WEEKS ENDED OCTOBER 6		
	PARENT COMPANY	GUARANTORS	NON-GUARANTORS
			(IN THOUSANDS)
Net sales	$ 9,700,857	$ 2,712,624	$ 48,047
Costs and expenses:			
Cost of sales	9,214,813	2,308,316	35,608
Selling and administrative	364,171	358,559	13,575
Other	118,012	40,647	(2,517)
Impairment/restructuring charge (credit)	10,132	(35,693)	--
Equity results from subsidiaries	(24,897)	--	--
Total costs and expenses	9,682,231	2,671,829	46,666
Income before taxes	18,626	40,795	1,381
Taxes on income	(2,457)	16,710	569
Income before extraordinary charge	$ 21,083	$ 24,085	$ 812

	40 WEEKS ENDED SEPTEMBER 3		
	PARENT COMPANY	GUARANTORS	NON-GUARANTORS
			(IN THOUSANDS)
Net sales	$ 9,022,936	$ 2,796,251	$ 54,161
Costs and expenses:			
Cost of sales	8,523,242	2,298,178	40,686
Selling and administrative	424,644	455,148	13,908
Other	64,852	43,062	2,344
Impairment/restructuring charge	145,268	1,185	61
Equity results from subsidiaries	2,597	--	--
Total costs and expenses	9,160,603	2,797,573	56,999
Loss before taxes	(137,667)	(1,322)	(2,838)
Taxes on loss	(52,886)	(372)	(1,191)
Net loss	$ (84,781)	$ (950)	$ (1,647)

CONDENSED CONSOLIDATING CASH FLOW INFORMATION

	40 WEEKS ENDED OCTOBER 6		
	PARENT COMPANY	GUARANTORS	NON-GUARANTORS
			(IN THOUSANDS)
Net cash used in operating activities	$ (88,061)	$ (56,633)	$ (23)
Cash flows from investing activities:			
Purchases of property and equipment	(136,669)	(25,258)	(6,577)
Other	24,615	6,136	80
Net cash used in investing activites	(112,054)	(19,122)	(6,497)
Cash flows from financing activities:			
Repayments on capital lease obligations	(10,449)	(4,643)	--
Advance to (from) parent	(82,068)	76,430	5,638
Other	310,593	--	--
Net cash provided by financing activities	218,076	71,787	5,638

Net increase (decrease) in cash & cash equivalents	17,961	(3,968)	(882)
Cash and cash equivalents at beginning of period	22,487	6,753	1,140
Cash and cash equivalents at end of period	$ 40,448	$ 2,785	$ 258

	40 WEEKS ENDED SEPTEMBER		
	PARENT COMPANY	GUARANTORS	NON-GUARANTORS
			(IN THOUSANDS)
Net cash provided by (used in) operating activities	$ (14,684)	$ 48,659	$ (6,567)
Cash flows from investing activities:			
Purchases of property and equipment	(61,606)	(43,309)	(2,708)
Other	96,673	4,086	9
Net cash provided by (used in) investing activities	35,067	(39,223)	(2,699)
Cash flows from financing activities:			
Repayments on capital lease obligations	(11,248)	(3,927)	--
Advance to (from) parent	56,480	(75,852)	19,372
Other	37,612	--	--
Net cash provided by (used in) financing activities	82,844	(79,779)	19,372
Net increase (decrease) in cash and cash equivalents	103,227	(70,343)	10,106
Cash and cash equivalents at beginning of period	(54,803)	61,307	179
Cash and cash equivalents at end of period	$ 48,424	$ (9,036)	$ 10,285

8. In December 1998, we announced the implementation of a strategic plan designed to improve the competitiveness of the retailers we serve and improve our performance by building stronger operations that can better support long-term growth. The four major initiatives of the strategic plan were to consolidate distribution operations, grow distribution sales, improve retail performance, and reduce overhead and operating expenses, in part by centralizing the procurement and other functions in the Dallas, Texas area. Additionally, in

2000, we decided to reposition certain retail operations into our price-impact format and sell or close the remaining conventional retail chains. During the first and second quarters of 2001, we sold or closed our remaining conventional retail stores.

The plan, as expected, took two years to implement and is now substantially complete. Total net charges of approximately $20 million are estimated for the full year 2001. The remaining charges represent anticipated exit costs that cannot be expensed until incurred. Charges after 2001 are expected to be minimal.

We recorded a pre-tax charge of $6 million ($4 million after-tax) in the third quarter of 2001 as a result of the strategic plan. The charge was included on several lines of the Consolidated Condensed Statements of Operations: less than $1 million of charges was included in net sales, adjusting previously recorded gains on the sale of conventional retail stores; $1 million of charges was included in cost of sales and $3 million of charges was included in selling and administrative expense, both amounts related to disposition costs recognized on a periodic basis; and $1 million of charges included in the impairment/restructuring line related to net impairment recovery and restructuring charges as described below. The third quarter charge consisted of the following components:

- Recovery of $2 million through sales of operations against which we had previously recorded long-lived asset impairments.

- Restructuring charges of $3 million. The restructuring charges consisted primarily of severance related expense adjustments for the sold or closed operating units and professional fees.

- Other disposition and related costs of $5 million. These costs consisted primarily of disposition related costs recognized on a periodic basis and other costs.

The third quarter of 2001 charge relates to our business segments as follows: $1 million relates to the distribution segment and $4 million relates to the retail segment with the balance relating to support services expenses.

The pre-tax charge for the first three quarters of 2001 totaled $19 million ($11 million after-tax), and was included on several lines of the Consolidated Condensed Statements of Operations: less than $1 million of income was included in net sales relating primarily to gains on the sale of conventional retail stores; $31 million charge included in cost of sales, primarily related to

inventory markdowns for clearance for closed operations; and $14 million included in selling and administrative as disposition related costs recognized on a periodic basis. These charges were offset by $26 million of income included in the impairment/restructuring line related primarily to the recovery of previously recorded asset impairment resulting from the sale of some retail stores. The charge for the first three quarters consisted of the following components:

- Net impairment recovery of $42 million. The components included recovering, through sales of the related operations, previously recorded goodwill impairment of $15 million and long-lived asset impairment of approximately

$34 million. Also included was impairment of $7 million related to other long-lived assets.

- Restructuring charges of $16 million. The restructuring charges consisted primarily of severance related expenses for the sold or closed operating units, adjustments to pension withdrawal liabilities, and professional fees incurred related to the restructuring process.

- Other disposition and related costs of $45 million. These costs consisted primarily of inventory markdowns for clearance for closed operations, disposition related costs recognized on a periodic basis and other costs, offset partially by gains on sales of conventional retail stores.

The charge for the first three quarters of 2001 relates to our business segments as follows: a $17 million charge relates to the distribution segment and income of $5 million relates to the retail segment. The balance relates to support services expenses.

The charges related to workforce reductions are as follows:

	AMOUNT ($ IN THOUSANDS)	HEADCOUNT
1999 Ending Liability	$ 9,602	660
2000 Activity		
Charge	53,906	5,610
Terminations	(26,180)	(1,860)
Ending Liability	37,328	4,410
2001 Quarter 1 thru 3 Activity		
Charge	12,632	260
Terminations	(30,003)	(4,650)
Ending Liability	$ 19,957	20

The ending liability of approximately $20 million is primarily comprised of union pension withdrawal liabilities, but also includes accruals for payments over time to associates already severed as well as accruals for associates still to be severed. The breakdown of the 260 headcount reduction recorded for the first three quarters of 2001 is: 215 from the distribution segment; 30 from the retail segment; and 15 from support services.

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Additionally, the strategic plan includes charges related to lease obligations which will be utilized as operating units or retail stores close, but ultimately reduced over remaining lease terms ranging from 1 to 20 years. The charges and utilization have been recorded to-date as follows:

	AMOUNT (IN THOUSANDS)
1999 Ending liability	$ 32,509
2000 Activity	
Charge	37,149
Utilized	(48,880)
Ending Liability	20,778
2001 Quarter 1 thru 3 Activity	
Charge	1,714
Utilized	(19,392)
Ending Liability	$ 3,100

Assets held for sale included in current assets at the end of the third quarter of 2001 were approximately $27 million, consisting of $17 million of distribution operating units and $10 million of retail stores.

We recorded a $101 million pre-tax charge in the third quarter of 2000 as a result of the strategic plan. The charge was included on several lines of the Consolidated Condensed Statements of Operations: $1 million was included in net sales related to rent income impairment due to division closings; $11 million was included in cost of sales and was primarily related to inventory markdowns for clearance for closed operating units and moving and training costs; $6 million was included in selling and administrative expense and equity investment results as disposition related costs recognized on a periodic basis; and the remaining $83 million was included in the impairment/restructuring line. The third quarter charge consisted of the following components:

o Impairment of assets of $81 million. The impairment components were $3 million for goodwill and $78 million for other long-lived assets. All of the goodwill charge was related to a conventional retail store acquisition in May of 1999.

o Restructuring charges of $2 million. The restructuring charges consisted primarily of severance related expenses due to the consolidation of certain administrative departments. The restructuring charges also consisted of operating lease liabilities and professional fees incurred related to the restructuring process.

o Other disposition and related costs of $18 million. These costs consisted primarily of inventory markdowns for clearance for closed operating units, disposition related costs recognized on a periodic basis and other costs.

The charge for the third quarter of 2000 relates to our business segments as follows: $8 million relates to the distribution segment and $77 million relates to the retail segment with the balance relating to support services expenses.

We recorded a pre-tax charge of $211 million in the first three quarters of 2000 as a result of the strategic plan. The charge was included on several lines of the Consolidated Condensed Statements of Operations: $2 million was included in net sales related primarily to rent income impairment due to division closings; $46 million was included in cost of sales and was primarily related to inventory markdowns for clearance for closed operating units, moving and training costs, and additional depreciation and amortization on assets to be disposed of but not yet held for sale; $16 million was included in selling and administrative expense and equity investment results as disposition related costs recognized on a periodic basis; and the remaining $146 million was included in the impairment/restructuring line related to impairment and restructuring charges as described below. The charge for the first three quarters consisted of the following components:

o Impairment of assets of $84 million. The impairment components were $3 million for goodwill and $81 million for other long-lived assets. All of the goodwill charge was related to an acquisition in May of 1999.

o Restructuring charges of $63 million. The restructuring charges consisted of severance related expenses and pension withdrawal liabilities for the closings of the York and Philadelphia distribution facilities which were announced during the first quarter of 2000 as part of an effort to grow in the northeast by consolidating distribution operations and expanding the Maryland facility. Additionally, the charge consisted of severance related expenses due to the consolidation of certain administrative departments announced during the second quarter of 2000. The restructuring charges also consisted of operating lease liabilities and professional fees incurred related to the restructuring process.

o Other disposition and related costs of $64 million. These costs consisted primarily of inventory markdowns for clearance for closed operations, additional depreciation and amortization on assets to be disposed of but not yet held for sale, disposition related costs recognized on a periodic basis and other costs.

The charge for the first three quarters of 2000 relates to our business segments as follows: $66 million relates to the distribution segment and $104 million relates to the retail segment with the balance relating to support services expenses.

Asset impairments were recognized in accordance with SFAS No. 121 - Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, and such assets were written down to their estimated fair values based on estimated proceeds of operating units to be sold or discounted cash flow projections. The operating costs of operating units to be sold or closed are treated as normal operations during the period they remain in use. Salaries, wages and benefits of employees at these operating units are charged to operations during the time such

employees are actively employed. Depreciation expense is continued for assets that the company is unable to remove from operations.

9. The Financial Accounting Standards Board (FASB) recently issued SFAS No. 142 -- Goodwill and Other Intangible Assets. One of the provisions of this standard is to require use of a non-amortization approach to account for purchased goodwill. Under that approach, goodwill and intangible assets with indefinite lives would not be amortized to earnings over a period of time. Instead, these amounts would be reviewed for impairment and expensed against earnings only in the periods in which the recorded values are more than implied fair value. We

are studying the impact that SFAS 142 will have on our financial statements and planning to implement it in fiscal year 2002, as required.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS
FLEMING COMPANIES, INC.

We have reviewed the accompanying condensed consolidated balance sheet of Fleming Companies, Inc. and subsidiaries as of October 6, 2001, and the related condensed consolidated statements of operations for the 12 and 40 weeks ended October 6, 2001 and September 30, 2000 and condensed consolidated statements of cash flows for the 40 weeks ended October 6, 2001 and September 30, 2000. These financial statements are the responsibility of the company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Fleming Companies Inc. and subsidiaries as of December 30, 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 14, 2001 (except for the information under long-term debt and contingencies included in the notes to consolidated financial statements as to which the date is March 22, 2001), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 30, 2000 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Dallas, Texas
November 12, 2001

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

We recorded net income for the third quarter of 2001 of $19 million and net income for the first three quarters of 2001, after an extraordinary charge of $3 million related to the early retirement of debt, of $18 million. Adjusted EBITDA for the third quarter of 2001 was $110 million and $354 million for the first three quarters of 2001. That represents a 3% increase in the third quarter and a 5% increase in the first three quarters of 2001 compared to the same time periods in 2000. Excluding the impact of retail operations divested, in transition, or in development, adjusted EBITDA increased 14.7% to $115 million from $101 million. "Adjusted EBITDA" is earnings before extraordinary items, interest expense, income taxes, depreciation and amortization, equity investment results, LIFO adjustments and one-time adjustments (e.g., strategic plan charges and specific litigation charges). Adjusted EBITDA should not be considered as an alternative measure of our net income, operating performance, cash flow or liquidity. It is provided as additional information related to our ability to service debt; however, conditions may require conservation of funds for other uses. Although we believe adjusted EBITDA enhances a reader's understanding of our financial condition, this measure, when viewed individually, is not necessarily a better indicator of any trend as compared to conventionally computed measures (e.g., net sales, net earnings, net cash flows, etc.). Finally, amounts presented may not be comparable to similar measures disclosed by other companies.

The following table sets forth the calculation of adjusted EBITDA:

	12 WEEKS ENDED		40 WEEKS ENDED	
	OCTOBER 6, 2001	SEPTEMBER 30, 2000	OCTOBER 6, 2001	SEPTEMBER 3 2000
Net income (loss) before extraordinary charge	$ 19	$ (46)	$ 21	$ (85)
Add back:				
Taxes on income (loss)	12	(28)	15	(54)
Depreciation/amortization	39	38	126	130
Interest expense	35	40	127	131
Equity investment results	1	2	1	6
LIFO adjustments	(2)	1	(3)	6
EBITDA	104	7	287	134
Add back non-cash strategic plan and one-time items *	(1)	84	(13)	96
EBITDA excluding non-cash strategic plan charges	103	91	274	230
Add back strategic plan and one-time items requiring cash	7	16	80	108
Adjusted EBITDA	110	107	354	338
Less retail operations in transition, in development, or discontinued	(5)	6	11	32

Adjusted EBITDA from core operations	$ 115	$ 101	$ 343	$ 306
	=====	=====	=====	=====

* Excludes amounts already added back for depreciation/amortization of $7 million for 40 weeks of 2000; interest expense of $3 million for the 40 weeks of 2001; and immaterial amounts for equity investment results.

The adjusted EBITDA amount represents cash flow from operations excluding unusual or infrequent items. In our opinion, adjusted EBITDA is the best starting point when evaluating our ability to service debt. In addition, we believe it is important to identify the cash flows relating to unusual or infrequent charges and strategic plan charges, which should also be considered in evaluating the company's ability to service debt.

We have substantially completed our strategic plan. Total net charges of approximately $20 million are estimated for the full year 2001. The remaining charges represent anticipated exit costs that cannot be expensed until incurred. Charges after 2001 are expected to be minimal.

The third quarter of 2001 included a pre-tax charge related to the strategic plan of $6 million ($4 million after-tax or $0.07 per share). The charge included non-cash impairment adjustments of asset values and cash costs for severance related and other expenses.

The third quarter of 2000 included a pre-tax charge related to the strategic plan of $101 million ($60 million after-tax or $1.53 per share). The charge included severance related expenses due to consolidation of certain administrative departments, operating lease liabilities, inventory

markdowns for clearance for closed operations, and impairment of asset values. We also recorded a $9 million gain from the sale of a facility, $10 million in charges relating to closing certain company-owned retail stores, and $2 million net income from litigation settlements, netting to less than $1 million of income ($1 million after-tax or $.02 per share). The full impact of the strategic plan charges, gain on sale of facility, charges relating to closing certain company-owned retail stores, and net income from litigation settlements was $100 million expense ($61 million after-tax or $1.53 per share which includes a $.03 per share impact due to converting from basic to diluted weighted average shares).

The first three quarters of 2001 included a pre-tax charge related to the strategic plan of $19 million ($11 million after-tax or $0.25 per share). The charge included non-cash impairment adjustments of asset values, inventory markdowns for clearance for closed operations, and cash costs for severance related and other expenses. We also recorded approximately $49 million in litigation settlement charges and net additional interest expense of approximately $2 million due to the early retirement of debt, netting to $50 million ($30 million after-tax or $.67 per share). The full impact of the strategic plan charges, litigation charges and net additional interest expense was $69 million ($41 million after-tax or $.92 per share). An extraordinary charge from the early retirement of debt of $6 million ($3 million after-tax or $.08 per share) was also recorded.

The first three quarters of 2000 included a pre-tax charge related to the strategic plan of $211 million ($125 million after-tax or $3.23 per share). The charge included severance related expenses due to consolidation of certain administrative departments, operating lease liabilities, inventory markdowns for clearance for closed operations, additional depreciation and amortization on assets to be disposed of but not yet held for sale, and impairment of asset values. We also recorded a $9 million gain from the sale of a facility, $10 million in charges relating to closing certain company-owned retail stores, and $2 million net income from litigation settlements, netting to less than $1 million of income ($1 million after-tax or $.02 per share). The full impact of the strategic plan charges, gain on sale of facility, charges relating to closing certain company-owned retail stores, and net income from litigation settlements was $210 million expense ($126 million after-tax or $3.25 per share which includes a $.01 per share impact due to converting from basic to diluted weighted average shares).

Adjusted EBITDA from core operations in the above table reflects results after excluding the impact of retail operations divested, in transition, and in development stages.

RESULTS OF OPERATIONS

Set forth in the following table is information regarding the company's net sales and certain components of earnings expressed as a percent of sales which are referred to in the accompanying discussion:

FOR THE 12 WEEKS ENDED	OCTOBER 6, 2001	SEPTEMBER 30, 2000
Net sales	100.00 %	100.00 %
Gross margin	6.79	9.49
Less:		
Selling and administrative	5.22	8.13
Interest expense	0.88	1.25
Interest income	(0.14)	(0.20)
Equity investment results	0.02	0.07
Impairment/restructuring charge	0.04	2.61
Litigation credit	--	(0.06)
Total expenses	6.02	11.80
Income (loss) before taxes	0.77	(2.31)
Taxes on income (loss)	0.30	(0.89)
Net income (loss)	0.47 %	(1.42)%

OCTOBER 6, SEPTEMBER 30,

FOR THE 40 WEEKS ENDED	2001	2000
Net sales	100.00 %	100.00 %
Gross margin	7.76	9.35
Less:		
Selling and administrative	6.33	8.26
Interest expense	1.09	1.22
Interest income	(0.18)	(0.23)
Equity investment results	0.01	0.05
Impairment/restructuring charge (credit)	(0.22)	1.35
Litigation charge (credit)	0.42	(0.02)
Total expenses	7.45	10.63
Income (loss) before taxes	0.31	(1.28)
Taxes on income (loss)	0.13	(0.50)
Income (loss) before extraordinary charge	0.18 %	(0.78)%

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NET SALES.

Net sales for the third quarter (12 weeks) of 2001 increased by $824 million, or 25.8%, to $4.0 billion from the same period in 2000. Year to date, net sales increased by $822 million, or 7.6%, to $11.6 billion from the same period in 2000.

Net sales for the distribution segment increased by 41.3% for the third quarter of 2001 to $3.5 billion compared to $2.5 billion in 2000. Year to date, net sales increased by 18.0% to $9.8 billion compared to $8.3 billion in 2000. Approximately one-fourth of the 40% sales growth in the third quarter was attributable to growth in distribution sales from a wide variety of new-channel and conventional customers. New-channel customers, including convenience stores, supercenters, limited assortments stores, drug stores, and self-distributing chains, are an important part of the our strategic growth plan and collectively represent approximately one-half of our distribution customer base. The remainder of the sales growth was attributable to the implementation of new business resulting from the recently announced Kmart alliance.

Kmart Corporation, our largest customer, accounted for 27% and 10% of our total net sales in the third quarter of 2001 and 2000, respectively. Sales to Kmart accounted for 18% and 10% of our total net sales for the year-to-date periods ended October 6, 2001, and September 30, 2000, respectively. We expect annual sales to Kmart for 2001 to be approximately $2.6 billion, with an increase to approximately $4.5 billion in 2002.

Retail segment sales for the third quarter of 2001 decreased $209 million, or 30.2%, to $484 million from the same period in 2000. Year to date, retail segment sales decreased $675 million, or 26.8%, in 2001 to $1.8 billion from the same period in 2000. The decrease in sales was due to the continued disposition of conventional retail stores in order to increase focus on our price-impact retail stores. During the first three quarters of 2001, we sold or closed our remaining 96 conventional retail stores and opened 10 Yes!Less stores and 10 price impact stores, including four remodeled former Sentry stores. Excluding the impact of retail operations in transition or divested, sales increased by 20.7%. Comparable store sales for the continuing operations were up 1.5 percent for the quarter.

GROSS MARGIN.

Gross margin for the third quarter of 2001 decreased by $30 million, or 9.9%, to $273 million from $303 million for the same period in 2000, and also decreased as a percentage of net sales to 6.79% from 9.49% for the same period in 2000. Year to date, gross margin decreased by $108 million, or 10.7%, to $.9 billion from $1.0 billion for the same period in 2000, and also decreased as a percentage of net sales to 7.76% from 9.35% for the same period in 2000. After excluding the strategic plan charges, gross margin for the third quarter of 2001 decreased by $31 million, or 10.1%, compared to the same period in 2000, and decreased as a percentage of net sales to 6.84% from 9.59% for the same period in 2000. Year to date, gross margin, after excluding the strategic plan charges, decreased by $118 million, or 11.2%, compared to the same period in 2000, and decreased as a percentage of net sales to 8.01% from 9.72% for the same period in 2000. The decrease in gross margin rate was an expected result of the change in sales mix. The sales of the distribution segment represent a larger portion of total company sales than

the retail segment and the distribution segment has lower margins as a percentage of sales versus the retail segment.

For the distribution segment, after excluding strategic plan charges, gross margin as a percentage of gross distribution sales declined by 56 basis points for the third quarter of 2001, as expected, reflecting the increase in Kmart business, which is lower margin, but improved by 3 basis points for the year-to date period compared to the same periods in 2000, reflecting the benefits of centralizing procurement and increasing warehouse productivity. For the retail segment, after excluding strategic plan charges, gross margin as a percentage of net retail sales decreased for the third quarter of 2001 by 130 basis points and decreased for the year-to-date period of 2001 by 29 basis points, compared to the same periods in 2000. The decreasing margin reflects our transition out of conventional retail and into price-impact retail which has lower shelf prices and gross margins.

For the distribution segment, the strategic plan charges decreased in 2001 for both the third quarter and year-to-date periods compared to the same periods in 2000 primarily due to reduced recruiting and training expenses in 2001 after completing most of the centralization of procurement in 2000, and additional depreciation and amortization in 2000 of assets to be disposed of but not yet held for sale. Strategic plan charges for the retail segment decreased in the third quarter of 2001 compared to the same period in 2000 and increased for the year-to-date period comparison. Both changes were primarily due to inventory markdowns for clearance for closed operations.

SELLING AND ADMINISTRATIVE EXPENSES.

Selling and administrative expenses for the third quarter of 2001 decreased by $50 million, or 19.3%, to $210 million from $260 million for the same period in 2000 and decreased as a percentage of net sales to 5.22% for 2001 from 8.13% in 2000. Year to date, selling and administrative expenses decreased by approximately $158 million, or 17.6%, to $736 million in 2001 from $894 million for the same period in 2000 and decreased as a percentage of net sales to 6.33%

for 2001 from 8.26% in 2000. After excluding the strategic plan charges and a $10 million charge related to closing certain company-owned retail stores, selling and administrative expenses for the third quarter of 2001 decreased by $37 million, or 15.1%, compared to the same period in 2000, and decreased as a percentage of net sales to 5.14% from 7.64% for the same period in 2000. Year to date, selling and administrative expenses, after excluding the strategic plan charges, decreased in 2001 by $146 million, or 16.8%, compared to the same period in 2000, and decreased as a percentage of net sales to 6.20% from 8.03% for the same period in 2000. The sales of the distribution segment represent a larger portion of total company sales than the retail segment, and the distribution segment has lower operating expenses as a percentage of sales than the retail segment.

For the distribution segment, after excluding strategic plan charges, selling and administrative expenses as a percentage of gross sales improved for the third quarter of 2001 by 28 basis points and year to date by 19 basis points, both compared to the same periods in 2000, due to leveraging the effect of sales growth and low cost pursuit initiatives. For the retail segment, after excluding

strategic plan charges and a $10 million charge relating to closing certain company-owned retail stores, selling and administrative expenses as a percentage of retail sales also improved for the third quarter of 2001 by 197 basis points and year to date by 194 basis points, both compared to the same periods in 2000, due to our shift in focus from conventional retail to price-impact retail, a format that has lower operating expense levels than conventional retail. The strategic plan charges for distribution were relatively flat. The strategic plan charges for retail were higher in the third quarter and year-to- date periods of 2001 compared to the same periods in 2000 due to costs associated with closing conventional retail stores.

Support services expense increased in the quarter and year-to-date periods of 2001 compared to the same periods of 2000 primarily due to centralizing certain administrative functions from the distribution and retail segments. Strategic plan charges were lower in 2001 due to reduced severance related expenses, moving costs, and professional fees in connection with carrying out our strategic plan.

OPERATING EARNINGS.

Operating earnings for the distribution segment increased significantly for the third quarter of 2001 to $100 million from $80 million for the same period of 2000. Year to date, operating earnings also increased from the same period in 2000, to $310 million in 2001 from $224 million in 2000. After excluding strategic plan charges and one-time items, operating earnings for the third quarter of 2001 increased by $23 million, or 28.7%, to $102 million from $79 million for the same period of 2000. Year to date, operating earnings, after excluding the strategic plan charges and one-time items, increased by $71 million, or 28.5%, to $319 million in 2001 from $248 million for the same period of 2000.

Operating earnings for the retail segment increased by $9 million to $15 million for the third quarter of 2001 from $6 million for the same period of 2000. Year to date, operating earnings increased $7 million to $42 million in 2001 from $35 million in 2000. After excluding the strategic plan charges and one-time items, operating earnings decreased by $2 million to $17 million in the third quarter of 2001 from $19 million for the same period of 2000 and increased by $15 million year to date to $73 million in 2001 from $58 million in 2000.

Support services expenses increased in the third quarter of 2001 compared to the same period of 2000 by $10 million to $52 million from $42 million. Year to date, support services expenses increased by $43 million to $185 million in 2001 from $142 million in 2000. After excluding strategic plan charges, support services expenses increased by approximately $14 million to $51 million in the third quarter of 2001 from $37 million for the same period of 2000 and increased by approximately $58 million year to date to $181 million in 2001 from $123 million in 2000.

Operating earnings net improvement is described in detail by segment in Net sales, Gross margin, and Selling and administrative expenses sections above.

INTEREST EXPENSE.

Interest expense for the third quarter of 2001 of $35 million decreased $5 million compared to the same period in 2000, primarily resulting from lower average interest rates. Year to date, interest

expense decreased approximately $5 million to $127 million in 2001 from $132 million in 2000, resulting from lower average interest rates. The $127 million in 2001 included $3 million of interest expense related to the early retirement of debt which was recorded during the first quarter of 2001.

INTEREST INCOME.

Interest income of approximately $5 million for the third quarter of 2001 was less than $1 million lower than the same period of 2000, and year-to-date interest income of $21 million in 2001 was $5 million lower than the same period in 2000. The reductions were primarily due to reduced customer and other interest-bearing receivable balances. The $21 million in 2001 included $1 million of interest income related to the early retirement of debt which was recorded during the first quarter of 2001.

EQUITY INVESTMENT RESULTS.

Our portion of results from equity investments improved by $1 million for the third quarter of 2001 to a net loss less than $1 million. Year to date, equity investment results improved by $5 million to reflect a loss less than $1 million in 2001 compared to a $6 million loss in 2000.

IMPAIRMENT/RESTRUCTURING CHARGE.

The pre-tax charge recorded in the Consolidated Condensed Statements of Operations (associated with the implementation of our strategic plan announced in 1998) was $6 million for the third quarter of 2001 compared to $101 million for the same period of 2000. The $6 million charge in 2001 was recorded with $1 million of charges reflected in the impairment/restructuring line and the balance reflected in other financial statement lines. The $101 million charge in 2000 was recorded with $83 million reflected in the impairment/restructuring line and the balance reflected in other financial statement lines.

Year to date, the pre-tax charge was $19 million for 2001 compared to $211 million for the same period of 2000. The $19 million charge in 2001 was recorded with $26 million of income reflected in the impairment/restructuring line and the balance reflected in other financial statement lines. The $211 million charge in 2000 was recorded with $147 million reflected in the impairment/restructuring line and the balance reflected in other financial statement lines. See "General" above and Note 8 in the notes to the consolidated condensed financial statements for further discussion regarding the strategic plan.

LITIGATION CHARGES.

During the first two quarters of 2001, we recorded litigation settlements and other related pre-tax expenses totaling $49 million related to agreements in principle to settle the Storehouse Markets, Inc., et al., Don's United Super, et.al., Coddington Enterprises, Inc., et.al, J&A Foods, Inc. et. al., R&D Foods, Inc. et.al., and Robandee United Super, Inc., et.al., and other cases. During the third quarter of 2000, we recorded $2 million of net income in settlements relating to other cases. See Note 6 in the notes to the consolidated condensed financial statements and Legal Proceedings for further discussion regarding these litigation charges.

TAXES ON INCOME.

The effective tax rates for the 40 weeks of 2001 and 2000 were 41.3% (before extraordinary charge) and 39.1%, respectively. These were both blended rates taking into account operations activity, strategic plan activity, write-offs of non-deductible goodwill and the timing of these items during the year. The tax amount for the third quarter of both years was derived using the 40 week tax amount with that year's estimated effective tax rate compared to the tax amount recorded for the first 28 weeks of the year.

EXTRAORDINARY CHARGE.

We reflected an extraordinary after-tax charge of $3 million ($6 million pre-tax) in the first quarter of 2001 due to the early retirement of debt. See Note 7 in the notes to the consolidated condensed financial statements for further discussion regarding the debt retirement.

CERTAIN ACCOUNTING MATTERS.

The Financial Accounting Standards Board (FASB) recently issued SFAS No. 142 -- Goodwill and Other Intangible Assets. One of the provisions of this standard is to require use of a non-amortization approach to account for purchased goodwill. Under that approach, goodwill and intangible assets with indefinite lives would not be amortized to earnings over a period of time. Instead, these amounts would be reviewed for impairment and expensed against earnings only in the periods in which the recorded values are more than implied fair value. We are studying the impact that SFAS 142 will have on our financial statements and planning to implement it in fiscal year 2002, as required. Goodwill amortization impacted the diluted per share amount for the third quarter of 2001, excluding the strategic plan charges, litigation charges, and net additional interest expense due to the early retirement of debt by $0.08 per share. Year to date in 2001, goodwill amortization impacted the diluted per share amount, excluding the strategic plan charges, litigation charges, and net additional interest expense due to the early retirement of debt, by $0.31 per share.

The FASB Emerging Issues Task Force (EITF) reached a consensus on EITF 00-25 - Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products. EITF 00-25 provides guidance on income statement classification on consideration paid to a reseller of a vendor's products. EITF 00-25 will be implemented by the end of 2001, as required. We anticipate EITF 00-25 will provide for certain reclassifications of revenues and cost of sales within our financial statements with no effect on gross margin or earnings.

The FASB recently issued SFAS No. 141 -- Business Combinations. We are planning to apply SFAS 141 to all business combinations initiated after June 30, 2001. The FASB recently issued SFAS No. 143 - Accounting for Asset Retirement Obligations. We are studying the impact that SFAS 143 has on our financial statements and planning to implement it in the fiscal year after June 15, 2002, as required. We have not determined the impact on our financial statements from adopting these new standards. The FASB recently issued SFAS No. 144 - Accounting for the Impairment or Disposal of Long-Lived Assets. We are studying, and have not yet determined, the impact of this statement on our financial statements.

LIQUIDITY AND CAPITAL RESOURCES

For the year-to-date period ended October 6, 2001, our principal sources of liquidity were borrowings under our credit facility and the proceeds from the sale of certain assets. Our principal source of capital, excluding shareholders' equity, was the issuance of bonds in the capital markets.

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.

Net cash expended by operating activities was $145 million for the three quarters ended October 6, 2001 compared to a $27 million source of cash for the same period in 2000. The use of cash was for working capital primarily due to a planned increase of approximately $150 million in inventory related to the additional Kmart business, as well as the investment in trade receivables for new and acquired customers.

Cash requirements related to the implementation and completion of the strategic plan (on a pre-tax basis) were $58 million for the three quarters ended October 6, 2001 and are currently expected to be $71 million for the full year 2001. We believe working capital reductions and increased earnings related to the successful implementation of the strategic plan will provide more than adequate cash flows to cover all of these costs.

NET CASH USED IN INVESTING ACTIVITIES.

Total investment-related activity resulted in a $138 million use of cash for the three quarters ended October 6, 2001 compared to a $7 million use of cash in the same period of 2000. Cash expended for the purchases of businesses totaled $121 million in the first three quarters of 2001 compared to $2 million in the same period of 2000 and cash expended for property and equipment totaled $169 million in the first three quarters of 2001 compared to $108 million in the same period of 2000. Capital expenditures of property and equipment are projected to be $225 million for the full year of 2001. The cash expenditures were partially offset by proceeds from asset sales.

NET CASH PROVIDED BY FINANCING ACTIVITIES.

Net cash generated by financing activities was $296 million for the first three quarters of 2001 compared to $22 million for the same period last year.

On March 23, 2001, we received approximately $50 million in proceeds from the sale of common stock to an affiliate of the Yucaipa Companies, which at the time represented an 8.7% ownership of Fleming's outstanding common stock. At that time we also issued a warrant to purchase additional shares of common stock to this entity.

On March 15, 2001, we sold $355 million of new 10 1/8% senior notes due 2008, and we deposited $315 million with the trustee to redeem all of the 10 5/8% senior notes due 2001, including an amount to cover accrued interest and the redemption premium. On April 16, 2001, our obligations under the indenture were discharged. The balance of the net proceeds was used to pay down our revolver loans. An extraordinary after-tax charge of approximately $3 million was recorded in connection with the early redemption. On March 15, 2001, we also sold $150 million of 5 1/4% convertible senior subordinated notes due 2009 with a conversion price of $30.27 per share. The net proceeds of $146 million were used to pay down our revolver loans.

At the end of the third quarter of 2001, outstanding borrowings under the credit facility totaled $129 million of term loans, $420 million of revolver loans, and $53 million of letters of credit.

On October 15, 2001, we sold an additional $150 million of our existing 10 5/8% senior subordinated notes due 2007. The proceeds were used to pay down our revolver loans. Pro forma for this sale, we would have had $277 million of additional borrowing capacity under the revolver as of October 6, 2001.

For the foreseeable future, our principal sources of liquidity and capital are expected to be cash flows from operating activities and our ability to borrow under our credit facility. In addition, lease financing may be employed for new retail stores and certain equipment. We believe these sources will be adequate to meet working capital needs, capital expenditures, strategic plan implementation costs and other capital needs in the normal course of business for the next 12 months. In the future, as part of our growth strategy, we may need to raise additional funds through public or private debt or equity financings in order to acquire additional retail stores or other third party businesses or to expand our services more rapidly. In addition, we may access such resources to refinance existing indebtedness.

CONTINGENCIES

From time to time we face litigation or other contingent loss situations resulting from owning and operating our assets, conducting our business or complying (or allegedly failing to comply) with federal, state and local laws, rules and regulations which may subject us to material contingent liabilities. In accordance with applicable accounting standards, we record as a liability amounts reflecting such exposure when a material loss is deemed by management to be both "probable" and "quantifiable" or "reasonably estimable." Furthermore, we disclose material loss contingencies in the notes to our financial statements when the likelihood of a material loss has been determined to be greater than "remote" but less than "probable." Such contingent matters are discussed in Note 6 in the notes to the consolidated condensed financial statements. An adverse outcome experienced in one or more of such matters, or an increase in the likelihood of such an outcome, could have a material adverse effect on the company. Also see Legal Proceedings.

FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that (a) project or offer guidance regarding earnings, revenues, or other financial results, (b) depend on future events for their accuracy, or (c) rely upon projections and assumptions which may prove to be inaccurate. These forward-looking statements and our business and prospects are subject to a number of factors that could cause actual results to differ materially, including: the ability to achieve the expected synergies and anticipated cost savings from the Kmart alliance; unanticipated transition and costs related to the Kmart alliance; the ability to obtain capital or obtain it on acceptable terms; unanticipated problems with product procurement; adverse effects of the changing industry environment and increased competition; sales declines and loss of customers; exposure to litigation and other contingent losses; failure to achieve the expected results of the strategic plan; the inability to integrate acquired companies and to achieve operating

improvements at those companies; increases in labor costs and disruptions in labor relations with union bargaining units representing our associates; and negative effects of our substantial indebtedness and the limitations imposed by restrictive covenants contained in our debt instruments. These and other risk factors are described in our Securities and Exchange Commission reports, including but not limited to the 10-K Report for the 2000 fiscal year. We undertake no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In order to help maintain liquidity and finance business operations, we obtain long-term credit commitments from banks and other financial institution lenders under which term loans and revolving loans are made. Such loans carry variable interest rates based on the London interbank offered interest rate ("LIBOR") plus a borrowing margin for different interest periods, such as one week, one month, and other periods up to one year. To assist in managing our debt maturities and diversify our sources of debt capital, we also use long-term debt which carries fixed interest rates. Additionally, we use interest rate swap agreements to manage our ratio of fixed-to-floating rate debt in a cost effective manner.

Changes in interest rates in the credit and capital markets and our improved credit ratings had a material impact on the fair values of our outstanding debt obligations. The table below presents a summary of our debt obligations. The table shows the principal amount of cash we expect to pay each year according to the scheduled maturities, as well as the average interest rates applicable to such maturities.

SUMMARY OF DEBT OBLIGATIONS

	FAIR VALUE AT 12/30/2000	FAIR VALUE AT 10/6/2001	MATURITIES OF PRINCIPAL 2001	2002	2003	
Debt with variable interest rates						
Principal payable	$ 427	$ 542	$ --	$ 40	$460	$
Average variable rate payable	8.1%	5.7%	Based on LIBOR plus a margin			
Debt with fixed interest rates						
Principal payable	$ 668	$1,022	$ --	$ --	$ --	$
Average fixed rate payable	10.6%	9.7%	5.6%	6.5%	5.1%	

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Class Action Suits. In 1996, we and certain of our present and former officers and directors were named as defendants in nine purported class action suits filed by certain stockholders. All cases were filed in the United States District Court for the Western District of Oklahoma and in 1997 were consolidated. The plaintiffs in the consolidated cases sought undetermined but significant damages, and asserted liability for our alleged "deceptive business practices," and our alleged failure to properly account for and disclose the contingent liability created by the David's Supermarkets case, a lawsuit we settled in April 1997 in which David's sued us for allegedly overcharging for products. The plaintiffs claimed that these alleged practices led to the David's case and to other material contingent liabilities, caused us to change our manner of doing business at great cost and loss of profit, and materially inflated the trading price of our common stock.

During 1999, the court dismissed the consolidated stockholder case without prejudice but gave the plaintiffs the opportunity to restate their claims, and they did so in amended complaints. We again filed motions to dismiss all claims. On February 4, 2000, the court dismissed the amended complaint with prejudice. The plaintiffs filed a notice of appeal and on September 7, 2001 the Tenth Circuit affirmed the district court decision. On September 21, 2001, the plaintiffs filed a petition for a full bench rehearing with the Tenth Circuit and such petition was denied by the court in October.

The class action noteholder case previously reported in our second quarter Form 10-Q was settled pursuant to a settlement agreement dated May 25, 2001 and such settlement became final on September 5, 2001.

Don's United Super (and related cases). On September 6, 2001, the parties executed a final settlement agreement in the Don's United Super, Coddington Enterprises, Inc., J&A Foods, Inc., R&D Foods, Inc., and Robandee United Super, Inc., cases. The settlement agreement includes a full release of us from liability to the plaintiffs in these cases; payments by us to the plaintiffs over a 16 month period; the transfer to us of a minority interest in several price-impact stores in Arizona; and lease concessions by us to certain plaintiffs. We recorded a $21 million after-tax charge in the second quarter of 2001 to reflect the total estimated cost of the settlement and other related expenses.

Welsh. In April 2000, the operators of two grocery stores in Texas filed an amended complaint in the United States District Court for the Western District of Texas, Pecos Division (Welsh v. Fleming Foods of Texas, L.P.). The amended complaint alleges product overcharges, breach of contract, fraud, conversion, breach of fiduciary duty, negligent misrepresentation and breach of the Texas Deceptive Trade Practices Act. The amended complaint seeks unspecified actual damages, punitive damages, attorneys' fees and pre-judgment and post-judgment interest. Pursuant

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to the order of the Judicial Panel on Multidistrict Litigation, this case has been transferred to the Western District of Missouri for pre-trial proceedings.

No trial date has been set in this case. We will continue to vigorously defend against this claim, but we cannot predict its outcome.

Other. Our facilities and operations are subject to various laws, regulations and judicial and administrative orders concerning protection of the environment and human health, including provisions regarding the transportation, storage, distribution, disposal or discharge of certain materials. In conformity with these provisions, we have a comprehensive program for testing, removal, replacement or repair of our underground fuel storage tanks and for site remediation where necessary. We have established reserves that we believe will be sufficient to satisfy the anticipated costs of all known remediation requirements.

We and others have been designated by the U.S. Environmental Protection Agency and by similar state agencies as potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, or similar state laws, as applicable, with respect to EPA-designated Superfund sites. While liability under CERCLA for remediation at these sites is generally joint and several with other responsible parties, we believe that, to the extent we are ultimately determined to be liable for the expense of remediation at any site, such liability will not result in a material adverse effect on our consolidated financial position or results of operations. We are committed to maintaining the environment and protecting natural resources and human health and to achieving full compliance with all applicable laws, regulations and orders.

We are a party to or threatened with various other litigation and contingent loss situations arising in the ordinary course of our business including disputes with the following parties: customers; owners of financially troubled or failed customers; suppliers; landlords; employees regarding labor conditions, wages, workers' compensation matters and alleged discriminatory practices; insurance carriers; and tax assessors. Some of the disputes involve substantial amounts.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

EXHIBIT NUMBER	
3.1	Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Form 10-Q for quarter ended April 17, 1999
3.2	By-Laws, incorporated by reference to Exhibit 3.2 to Form 10-Q for quarter ended April 17, 1999
4.16	Fourth Amendment dated as of September 7, 2001, to Credit Agreement dated July 25, 1997
4.17	Amendment No. 1 dated as of October 17, 2001 to Stock and Warrant Purchase Agreement by and between Fleming and U.S. Transportation, LLC dated February 6, 2001
4.18	Supplement, dated as of September 20, 2001, to the Indenture dated as of July 25, 1997, among Fleming, the Subsidiary Guarantors named therein and Manufacturers and Traders Trust Company, as Trustee, regarding 10-5/8% Senior Subordinated

Notes due 2007

4.19	Supplement, dated as of September 20, 2001, to the Indenture dated as of July 25, 1997, among Fleming, the Subsidiary Guarantors named therein and Manufacturers and Traders Trust Company, as Trustee, regarding 10-1/2% Senior Subordinated Notes due 2004
4.20	Indenture, dated as of October 15, 2001, among Fleming, the Subsidiary Guarantors named therein and Manufacturers and Traders Trust Company, as Trustee, regarding 10-5/8% Series C Senior Subordinated Notes due 2007
15	Letter from Independent Accountants as to Unaudited Interim Financial Information

(b) Reports on Form 8-K:

On October 15, 2001, we filed a Form 8-K which announced the issuance of up to $250 million of new subordinated notes in a private placement to refinance existing bank revolver borrowings and also announced the subsequent sale of $150 million of 10 5/8% senior subordinated notes as an add-on to our existing $250 million senior subordinated notes due 2007.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned.

FLEMING COMPANIES, INC.

November 14, 2001

/s/ MARK D. SHAPIRO

Mark D. Shapiro
Senior Vice President
Finance and Operations Control
(Duly Authorized Officer of Registrant
and Principal Accounting Officer)

INDEX TO EXHIBIT

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