

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:	)	Chapter 11
)	
DRUG FAIR GROUP, INC., <i>et al.</i> , ¹	)	Case No. 09-10897 (BLS)
)	
Debtors.	)	Joint Administration Requested
)	
)	

DEBTORS' MOTION FOR ORDER (A) APPROVING SALE PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH SALE OF CERTAIN OF THE DEBTORS' ASSETS PURSUANT TO SECTIONS 363 AND 365 OF THE BANKRUPTCY CODE; (B) SCHEDULING AN AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE OF CERTAIN OF THE DEBTORS' ASSETS; (C) APPROVING NOTICE OF RESPECTIVE DATE, TIME, AND PLACE FOR AUCTION AND FOR HEARING ON APPROVAL OF (I) SALE OF CERTAIN OF THE DEBTORS' ASSETS, (II) ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (D) GRANTING OTHER RELIEF

Drug Fair Group, Inc. and CDI Group, Inc., the debtors and debtors-in-possession herein (collectively, the "Debtors"), hereby submit this motion (the "Motion") pursuant to sections 105, 363, and 365 of title 11 of the United States Code, 11 U.S.C. § 101 *et seq.*, as amended (the "Bankruptcy Code"), and rules 2002, 6004, and 6006 of the Federal Rules of Bankruptcy Procedure (each a "Bankruptcy Rule," and collectively, the "Bankruptcy Rules"), for an order (A) approving the proposed sale procedures and bid protections substantially in the form attached hereto as **Exhibit "A"** (the "Sale Procedures") in connection with the Debtors' proposed sale of certain of their assets (the "Assets," as defined in paragraph 23 below), as a whole to one bidder or in parts to more than one bidder, pursuant to sections 363 and 365 of the Bankruptcy Code; (B) scheduling an auction for the sale of the Assets (the "Auction") and a hearing to consider approval of the results of such Auction (the "Sale Hearing") pursuant to that certain

¹ The Debtors in these cases, along with the last four digits of the federal tax identification number for each Debtor, are Drug Fair Group, Inc. f/k/a Community Distributors, Inc. (3660) and CDI Group, Inc. (9976).

Motion of the Debtors to (I) Sell Certain Assets Free and Clear of All Liens, Claims and Encumbrances, and (II) Assume and Assign Certain Executory Contracts and Unexpired Leases (the "Sale Motion"); (C) approving the Debtors' proposed notice, substantially in the form attached hereto as **Exhibit "B"** (the "Sale Notice"), of the respective date, time and place for the Auction and the Sale Hearing (at which the Debtors will seek approval of their proposed sale of the Assets and assumption and assignment of certain executory contracts and unexpired leases; and (D) granting such other relief as is fair and equitable (the "Sale Procedures Order," a proposed copy of which is annexed hereto as **Exhibit "C"**). In support hereof, the Debtors respectfully represent as follows:

INTRODUCTION

1. The Debtors, in consultation with the Pre-Petition First Lien Agent (defined below) and Pre-Petition Second Lien Agent (defined below) and in the exercise of their considered business judgment, have determined that the best way to maximize value for the benefit of their estates and creditors is to attempt an expeditious sale of their assets through one or more transactions.

2. In this regard, on March 17, 2008 the Debtors executed an Asset Purchase Agreement (the "Agreement") with Walgreen Eastern Co., Inc. (the "Buyer") providing for the sale of the assets to the Buyer and the Debtors' assumption and assignment to the Buyer of certain executory contracts and unexpired leases. The Debtors also seek to expose the Assets for competitive bidding through an Auction pursuant to the Sale Procedures.

3. Although Court approval of the proposed sale of the Assets has been sought separately by the Sale Motion, the Debtors presently seek certain ancillary relief in connection with this proposed sale. Specifically, the Debtors request that the Court enter the proposed Sale

Procedures Order (attached hereto as Exhibit "C"), which approves the Bid Protections, the Sale Procedures and the Sale Notice. The Debtors also request that the Court schedule the Sale Hearing to be conducted in connection with the Sale Motion.

BACKGROUND

A. The Chapter 11 Filings

4. On March 18, 2009 (the "Petition Date"), the Debtors each filed a voluntary petition in this Court for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to manage and operate their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

5. No official committee of general unsecured creditors (the "Committee") has been appointed in these cases by the Office of the United States Trustee to date.

6. 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) (M), (N) and (O). Venue of the Debtors' chapter 11 cases and this Motion is proper under 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 105(a), 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 6004 and 6006.

B. Overview of the Debtors' Corporate Structure and Business

7. The Debtors are comprised of two entities, CDI Group, Inc. ("CDI") and Drug Fair Group, Inc. ("Drug Fair"). All of the operations of the Debtors occur through Drug Fair. CDI holds 100% of the issued and outstanding stock of Drug Fair and has no independent operations. Drug Fair was founded in 1954 under the name Community Distributors, Inc. and changed its name to Drug Fair Group, Inc. in 2006.

8. In 2005, CDI acquired the stock of Community Distributors, Inc. CDI is owned by CDI Holding Corp. Sun CDI, LLC, which is owned by Sun Capital Partners, IV, LP, owns substantially all of the stock of CDI Holding Corp.

9. The Debtors are the largest regional drug store chain focused primarily on the northern & central New Jersey market and the twenty-second largest pharmacy chain in the United States. The Debtors operate two distinct divisions: (a) a 46 store chain of traditional drugstores primarily located in easily accessible neighborhoods and shopping centers under the name of "Drug Fair"; and (b) a 12 store chain primarily focused on general merchandise including health and beauty care products, housewares, greeting cards, stationery, candy and seasonal items under the name "Cost Cutters". Four of the Cost Cutters stores contain pharmacies referencing the "Drug Fair" banner.

10. The Debtors' employed approximately 1,475 employees, none of which are subject to a collective bargaining agreement.

11. The Debtors are headquartered in Somerset, New Jersey and have their warehouse on the premises. All of the Debtors' facilities, including its stores, are leased.

12. For the fiscal years ended July 28, 2007 and July 28, 2008 (unaudited), the Debtors recognized revenues of approximately \$307,081,000 and \$304,337,000, respectively, and reported a net loss of \$8,352,000 and \$22,868,000, respectively. As of July 26, 2007 and July 26, 2008 (unaudited), the Debtors' books and records reflected assets of approximately \$91,135,000 and \$90,677,000, respectively, and liabilities of \$100,945,000 and \$120,336,000, respectively, at net book values.

C. The Debtors' Debt Structure

13. The Debtors major pre-petition indebtedness includes, *inter alia*, the following:

(a) (i) a Loan and Security Agreement dated as of September 30, 2004 (as amended and in effect, the “Pre-Petition Credit Agreement”) with, among others, Bank of America, N.A. (successor by merger to LaSalle Retail Finance, a Division of LaSalle Business Credit, LLC, as agent for LaSalle Bank Midwest National Association f/k/a Standard Federal Bank National Association), as Agent (in such capacity, the “Pre-Petition First Lien Agent”) for certain “Revolving Credit Lenders” (as defined therein) (the “Pre-Petition First Lien Lenders”, and together with the Pre-Petition First Lien Agent, collectively, the “Pre-Petition First Lien Secured Parties”), and (ii) the “Loan Documents” (as defined in the Pre-Petition Credit Agreement) (collectively, the “Pre-Petition First Lien Loan Documents”), pursuant to which the Pre-Petition First Lien Secured Parties extended to the Debtors a working capital facility providing for revolving credit loans of up to \$60,000,000 and letters of credit of up to \$5,000,000; (b) a Loan Agreement dated as of September 30, 2004 (as amended and in effect, the “Pre-Petition Second Lien Credit Agreement”) with, among others, Fortress Credit Corp., as Agent (in such capacity, the “Pre-Petition Second Lien Agent”) for certain “Lenders” (as defined therein) (together with the Pre-Petition Second Lien Agent, collectively, the “Pre-Petition Second Lien Secured Parties”) pursuant to which the Pre-Petition Second Lien Secured Parties provided a term loan to the Debtors of \$20 million; (c) unsecured obligations to Cardinal Health of approximately \$17.9 million; (d) approximately \$22.1 million in additional trade debt; and (e) approximately \$2.9 million in unsecured obligations under promissory notes. CDI guaranteed the obligations of Drug Fair under the Pre-Petition First Lien Loan Documents and Pre-Petition Second Lien Credit Agreement.

14. The Debtors granted the Pre-Petition First Lien Agent, for its benefit and the benefit of the Pre-Petition First Lien Lenders, liens on and security interests in substantially all of the Debtors' assets to secure their performance under the Pre-Petition Credit Agreement. The Pre-Petition First Lien Agent, pursuant to the Pre-Petition First Lien Loan Documents and related documents, asserts duly perfected and valid first priority liens on and security interests in substantially all of the Debtors' assets.

15. The Debtors granted the Pre-Petition Second Lien Agent, for its benefit and the benefit of the Pre-Petition Second Lien Lenders, liens on and security interests in substantially all of the Debtors' assets to secure their performance under the Pre-Petition Second Lien Credit Agreement. The Pre-Petition Second Lien Agent, pursuant to the Pre-Petition Second Lien Credit Agreement and related documents, asserts duly perfected and valid second priority liens on and security interests in substantially all of the Debtors' assets, subject to the terms of the "Intercreditor Agreement" (as defined in the Pre-Petition Credit Agreement).

D. Events Leading to the Filing

16. The Debtors' revenue began to suffer a significant reduction in the first quarter of 2008 due to a variety of factors including competition in both prescription sales and general merchandise.

17. Throughout 2008, the Debtors instituted a number of initiatives focused on improving operating efficiencies and decreasing fixed costs through eliminating redundant headcount, streamlining processes, and reducing investments in inventory. Nevertheless, the Debtors began to default on their covenants in their Pre-Petition Credit Agreement and Pre-Petition Second Lien Credit Agreement beginning October 2008.

18. As of the Petition Date, the Debtors lack the funds necessary to meet projected short-term cash needs due to a lack of availability under the Pre-Petition Credit Agreement and Pre-Petition Second Lien Credit Agreement and lower than expected cash flow from operations.

19. The Pre-Petition First Lien Lenders agreed to continue to fund the Debtors on a daily basis while the Debtors attempted to find a potential buyer and/or investor in conjunction with either an out of court restructuring or through a bankruptcy proceeding. The Debtors' continuing liquidity problems forced the Debtors to file for chapter 11 protection.

RELIEF REQUESTED

20. By this Motion, the Debtors respectfully request, pursuant to sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, and 6006, entry of an order: (A) approving the Sale Procedures in connection with the Debtors' proposed sale of the Assets, as a whole to one bidder or in parts to one or more bidders, pursuant to sections 363 and 365 of the Bankruptcy Code; (B) scheduling the Auction; (C) scheduling the Sale Hearing in connection with the Sale Motion; (C) approving the Auction and Sale Hearing Notice; and (E) granting such other relief as is fair and equitable.

PROPOSED SALE OF THE ASSETS

A. Description of the Acquired Assets and Assets

21. The Assets to be sold to the Buyer, as provided in the Agreement² include, *inter alia*:

(a) Any and all owned personal property located at the Operate Location Pharmacies, including all furniture, fixtures, equipment, vehicles, leasehold improvements and signage;

(b) Any and all prescriptions, prescription files and records, customer lists and patient profiles, including refill status reports and insurance coverages, any files

² A true and correct copy of the Agreement is attached to the Sale Motion.

or records maintained electronically, any files or records added between the date of this Agreement and the Closing Date, in each case related to the Operate Location Pharmacies;

- (c) The inventory located at any Operate Location Pharmacies;
- (d) All improvements, fixtures, and fittings thereon, and other appurtenants located at any Operate Location Pharmacies (such as appurtenant rights in and to public streets) including prepaid rent, rent credits and tenant improvement credits and allowances paid or made with respect to the Premises;
- (e) To the extent transferable, all Permits and similar rights obtained from Governmental Bodies primarily used in or related to the ownership or operation of any Operate Location Pharmacies;
- (f) Copies of all other books and records of Seller relating primarily to the Assets, properties and operations of the Operate Location Pharmacies;
- (g) Any guarantees, warranties, indemnities and similar rights relating to the Assets;
- (h) All rights in, to and under the Assumed Contracts; and
- (i) Any other mutually agreeable assets related to the Operate Location Pharmacies.

B. The Debtors' Solicitation and Marketing Efforts

22. On January 12, 2009, the Debtors retained RAS Management Advisors, LLC ("RAS") for the purpose of assisting the Debtors in evaluating financial and strategic options and subsequently thereafter, on February 5, 2009 the Debtors appointed Timothy Boates of RAS as Chief Restructuring Officer ("CRO"). With the help and support of RAS and the CRO, the Debtors explored certain strategic alternatives in order to maximize their value, including potential sales of the Debtors' Assets.

23. RAS and the Debtors prepared due diligence materials intended for distribution to prospective buyers of the Assets. RAS worked with the Debtors to develop a list of suitable

potential buyers to be contacted on a discreet and confidential basis, after approval by the Debtors.

24. RAS then contacted approximately 31 potential strategic buyers, out of which 23 executed confidentiality agreements and requested additional information, 2 visited the Debtors' headquarters and met with management and conducted due diligence.

25. The Debtors received various offers for substantially all of their assets, either in whole or in parts. After consultation with the Pre-Petition First Lien Agent and Pre-Petition Second Lien Agent, and in the exercise of their considered business judgment, the Debtors selected the Buyer pursuant to the Agreement as the higher and best purchaser of the Assets, subject to higher and better offers pursuant to the Sale Procedures.

C. The Asset Sale Agreement

26. The Debtors propose to sell the Assets (a) to the Buyer pursuant to the Agreement or (b) in whole or part, to the highest and best successful bidder(s) ("Successful Bidder(s)") at the Auction, as determined by the Debtors in accordance with the terms of the Sale Procedures Order and the Sale Procedures and in consultation with the debtor-in-possession lenders ("DIP Lenders"), the Pre-Petition First Lien Agent, the Pre-Petition Second Lien Agent and as ultimately approved by the Bankruptcy Court. The Debtors shall provide a copy of this Motion to (i) any party, who is identified by the Debtors as a potential purchaser and other parties that are identified by third parties to the Debtor; (ii) the Office of the United States Trustee for Region 3; (iii) the 20 largest unsecured creditors for each Debtor and counsel to the official committee of unsecured creditors (the "Committee"), if one is appointed in these cases; (iv) counsel for the DIP Lenders; (v) counsel for the Pre-Petition First Lien Agent; (vi) counsel for the Pre-Petition Second Lien Agent; and (vii) parties-in-interest who have requested notice in

these cases pursuant to Bankruptcy Rule 2002. However, prior to the Auction, the Debtors reserve the right to amend or otherwise change the terms of the Agreement in such a manner as the Debtors deem to be in the best interests of the Debtors' estates and as shall be agreed to, in writing, by the Debtors and Buyer.

27. As set forth in greater detail in the Agreement, the Debtors' estates will receive approximately \$54 million together with adjustments set forth in the Agreement (being the cash consideration payable by the Buyer under the Agreement) for the Assets (the "Purchase Price"). Additionally, the Debtors will assume and assign to Buyer certain executory contracts and unexpired leases set forth in the Agreement (the "Designated Contracts").

D. The Buyer

28. The Buyer is Walgreen Eastern Co., Inc., an affiliate of Walgreen Co., which is a national, publicly-traded drug store chain with over 6,000 drugstores in 49 states, the District of Columbia and Puerto Rico. The Buyer has no connection with the Debtors, its shareholders, officers or directors. Upon information and belief, and based on information provided to or obtained by the Debtors, the Buyer has the financial wherewithal to fulfill its obligations under the Agreement.

E. The Sale Procedures

29. In accordance with Bankruptcy Rule 6004(f)(1), sales of property outside the ordinary course of business may be by private sale or by auction. The Debtors believe that good cause exists to expose the Assets to sale at auction and to approve the procedures proposed therefor. An auction conducted substantially in accordance with the Sale Procedures will enable the Debtors to obtain the highest and best offers for the Assets, thereby maximizing the value of the estates.

30. Consistent with its obligations under the Agreement, the Debtors will permit existing interested parties and any new prospective purchasers to perform reasonable due diligence with respect to the Assets and will assist them with such efforts, including providing such potential purchasers with reasonable access to the Debtors' books, records, facilities, customers and executives. This process will culminate in an Auction prior to the Sale Hearing, at which time either the Buyer or the Successful Bidder(s) shall be approved.

31. While all interested bidders should read the Sale Procedures (attached hereto as Exhibit "A") in their entirety, set forth below is a summary of such procedures, which summary is qualified in its entirety by the Sale Procedures:

(a) No later than two (2) days following entry of the Sale Procedures Order, the Debtors shall file and cause the Auction and Sale Hearing Notice, as defined in the Sale Procedures Order, to be sent by first-class mail, postage prepaid, to (a) all potential purchasers previously identified by the Debtors, (b) the Office of the United States Trustee for Region 3, (c) counsel to the Committee, if any; (d) counsel to the DIP Lenders; (e) counsel to the Pre-Petition First Lien Agent; (f) counsel to the Pre-Petition Second Lien Agent; (g) the parties in interest who have requested notice in these cases pursuant to Bankruptcy Rule 2002, (h) the parties to the Debtors' executory contracts and unexpired leases that may be subject to assumption and assignment or rejection, (i) all government agencies required to receive notice of proceedings under the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and (j) the parties on the Creditor Matrices.

(b) The Debtors shall consider bids for all of the Assets in a single bid to a single bidder or in multiple bids for the Assets or parts of the Assets to multiple bidders. The Assets shall be sold free and clear of all Liens and Encumbrances (except Permitted Encumbrances) in each case as defined in the Agreement.

(c) Any Qualified Bidder desiring to submit a bid for all or certain of the Assets (a "Bid") and participate in the Auction shall deliver its Bid in writing on or before a date to be set by the Court (the "Bid Deadline") to Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, Attn: Domenic E. Pacitti, Esq.; (iii) counsel to the Committee; (iv) counsel to the Pre-Petition First Lien Agent and the DIP Lenders, Riemer & Braunstein LLP, Three Center Plaza, 6th Floor, Boston, MA 02108, Attn: Donald Rothman, Esq.; (v) counsel to the Pre-Petition Second Lien Agent, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, New York 10019, Attention: Robert M. Novick, Esq.; (vi) counsel to Buyer, Sidley Austin, LLP,

One South Dearborn, Chicago, IL 60603, Attn: Chris E. Abbinante, Esq. and Paul S. Caruso, Esq.; and (vii) the United States Trustee for Region 3, Office of the U.S. Trustee, 844 King Street, Suite 2313, Lockbox 35, Wilmington, DE 19801-3519; Attn: Richard Schepacarter, Esq.

Promptly upon their receipt of any Bid, the Debtors shall provide copies thereof to the Buyer.

A Bid for all or part of the Assets shall consist of (a) an executed version of the Agreement with marked alterations with conditions at least as favorable to the Debtors as contained in the Agreement (an "Alternate Agreement"), (b) an earnest money deposit in the amount of 10% of the cash consideration of such Bid (the "Earnest Money Down Payment") in the form of a certified check or wire transfer payable to Debtors' counsel, as escrow agent, and (c) shall not provide for a break-up fee or expense reimbursement (a "Qualified Bid"). The Agreement with Buyer constitutes a "Qualified Bid" for all purposes under the Sale Procedures and Buyer is deemed a Qualified Bidder.

A Bid must specify the amount the bidder is willing to pay for the Assets contained in the Bid, and no Bid or combination of Bids shall under any circumstances, be (i) deemed to be higher and better than the bid of the Buyer or (ii) accepted by the Debtors, unless, *inter alia*, any Bid or combination of Bids for all or a portion of the Assets of the Debtors (or any combination of bids that the Debtors propose to accept, in the aggregate) have a value, as determined in the reasonable judgment of the Debtors, that exceeds the sum of (x) \$54 million together with adjustments set forth in the Agreement (being the cash consideration payable by the Buyer under the Asset Purchase Agreement), (y) the Break-Up Fee and (z) the Expense Reimbursement by no less than \$500,000. A Bid, other than the Agreement, must also (i) specify the portion of consideration to be paid in cash and the portion to be paid in any other form of value; (ii) provide information concerning any consideration to be provided in a form other than cash to permit the Debtors to accurately assess the value of such consideration; (iii) provide sufficient indicia that such Qualified Bidder or representative is legally empowered, by power of attorney or otherwise, and financially capable to (a) bid on behalf of the prospective bidder, and (b) complete and sign, on behalf of the bidder, a binding and enforceable asset sale agreement; (iv) not contain any contingencies to the validity, effectiveness, and/or binding nature of the offer, including, without limitation, contingencies for financing, due diligence, or inspection; (v) identify with particularity each and every executory contract or unexpired lease the assumption and assignment of which is a condition to closing; and (vi) authorize the Debtors to immediately share the Adequate Assurance Package (defined below) with the Debtors' landlords.

(d) If closing on a Bid is conditioned on the assumption and assignment of any executory contracts or unexpired leases, the Bid must include sufficient information to permit the Court, the Debtors, and the applicable lessors and

contracting parties to determine the proposed assignee's ability to comply with section 365 of the Bankruptcy Code (to the extent applicable), including providing adequate assurance of such assignee's ability to perform in the future (the "Adequate Assurance Package").

(e) If one or more Qualified Bids other than Buyer's is received by the Bid Deadline, the Debtors shall notify all Qualified Bidders of the Auction which will be conducted at the offices of Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, or at another location as may be timely disclosed by the Debtors on a date determined by the Bankruptcy Court (the "Auction Date"). Prior to the commencement of the Auction, the Debtors shall announce what bid or combination of bids the Debtors consider to be the highest and best Qualified Bid(s). All Qualified Bidders shall appear in person at the Auction, or through a duly authorized representative. If multiple Qualified Bids satisfying all Auction requirements are received, each party shall have the right to continue to improve its bid at the Auction. In the event that a Qualified Bid or Bids is made and Buyer makes subsequent bids at an auction, or otherwise, Buyer may "credit bid" the Break-Up Fee and the Expense Reimbursement. Bidding increments for the Assets at the Auction shall be in aggregate minimum monetary increments that would, if accepted by the Debtors, result in the Debtors receiving aggregate consideration for all of the Assets of not less than \$500,000 in excess of the consideration provided for in the highest then pending offer or Bid.

At the conclusion of the Auction, and subject to Court approval following the Auction, the highest and best bid or bids shall be selected by the Debtors in consultation with the DIP Lenders, Pre-Petition First Lien Agent, and Pre-Petition Second Lien Agent (the "Successful Bid or Bids" and "Successful Bidder" or "Successful Bidders").

Within 24 hours of the adjournment of the Auction, the Successful Bidder or Successful Bidders that made the Successful Bid or Successful Bids shall complete and sign all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which such bid or bids were made.

(f) Objections to the relief requested by the Sale Motion including as relating to assumption and assignment of executory contracts and unexpired leases other than as qualified below shall be set forth in writing and shall specify with particularity the grounds for such objections or other statements of position and served on (i) the Bankruptcy Court; (ii) Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, Attn: Domenic E. Pacitti, Esq.; (iii) counsel to the Committee; (iv) counsel to the Pre-Petition First Lien Agent and the DIP Lenders, Riemer & Braunstein LLP, Three Center Plaza, 6th Floor, Boston, MA 02108, Attn: Donald Rothman, Esq.; (v) counsel to the Pre-Petition Second Lien Agent, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, New York 10019, Attention: Robert M. Novick, Esq.; (vi) counsel to Buyer, Sidley Austin, LLP, One South Dearborn,

Chicago, IL 60603, Attn: Chris E. Abbinante, Esq. and Paul S. Caruso, Esq.; and (vii) the United States Trustee for Region 3, Office of the U.S. Trustee, 844 King Street, Suite 2313, Lockbox 35, Wilmington, DE 19801-3519; Attn: Richard Schepacarter, Esq. (collectively, the "Service List").

(g) An evidentiary hearing on the relief requested in the Sale Motion and to confirm the results of the Auction or approval of the Agreement to Buyer (the "Sale Hearing") will be held before the Bankruptcy. The sale or sales of the Assets will be subject to the entry of an order of the Bankruptcy Court approving the sale or sales.

(h) The second highest Bidder or group of Bidders shall be announced at the Auction and confirmed at the Sale Hearing as a "back up" bidder or bidders ("Back-Up Bidder" or "Back-Up Bidders") to acquire the Assets should the Successful Bidder or Successful Bidders at Auction fail to close on the sale.

The Back-Up Bidder or Back-Up Bidders shall continue to be bound by their respective Agreements and keep their Earnest Money Down Payment in escrow and agree to close their Agreements within fifteen days after the entry of an order approving the Successful Bid or Successful Bids. For the avoidance of any doubt, the obligation of the Buyer to keep its offer to purchase the Assets open under the circumstances in which the Buyer is not selected as the Successful Bidder shall be governed by the terms of the Agreement.

(i) The Debtors and their professionals shall direct and preside over the Auction and the Debtors shall maintain a transcript of all bids made and announced at the Auction, including all Overbids (as defined herein) and the highest Bid.

Bidding at the Auction shall begin with Seller announcing the highest or otherwise best Qualified Bid (the "Opening Bid"). Any bid made at the Auction subsequent to the announcement of the Opening Bid shall be in minimum increments of at least \$500,000 higher than the previous bid or bids and shall comply with all of the conditions for a Qualified Bid set forth herein (an "Overbid"). The Auction shall continue in one or more rounds of bidding and shall conclude after each participating bidder has had the opportunity to submit an Overbid with full knowledge and written confirmation of the then-existing highest bid or bids. For the purpose of evaluating the value of the consideration provided by Overbids, the Debtors shall give effect to the Break-Up Fee.

All Qualified Bidders who have submitted a Qualified Bid shall be entitled to be present for the announcement of all Overbids with the understanding that the true identity of each bidder shall be fully disclosed to all other bidders and that all material terms of each Overbid will be fully disclosed to all other bidders throughout the entire Auction.

32. The Debtors believe that the foregoing Sale Procedures provide an appropriate framework for selling the Assets in a uniform fashion and will enable the Debtors to review, analyze and compare all bids received to determine which bid is, or bids are, in the best interests of the Debtors' estates and creditors. Therefore, the Debtors respectfully request that this Court approve the Sale Procedures.

F. Timing of the Auction and Sale Hearing

33. Pursuant to the Agreement, the Debtors are required to obtain approval of the Sale Procedures Motion on or before April 6, 2009 and to obtain entry of the Sale Order on or before thirty-five (35) days after entry of the Sale Procedures Order. The debtor-in-possession financing agreement requires that the Sale Procedures Order be entered fifteen (15) days from the Petition Date and a Sale Order with in forty-five (45) days of the Petition Date.

34. Consequently, the Debtors respectfully request that the Auction and Sale Hearing be scheduled as soon as possible, but at minimum to comply with the scheduling set forth of the Agreement and in the debtor-in-possession financing agreement.

G. The Sale Notice and Notice of Motion

35. Under Bankruptcy Rule 2002(a) and (c), the Debtors are required to notify their creditors of the proposed sale of the Assets, including a disclosure of the time and place of the Auction, the terms and conditions of the sale, and the deadline for filing any objections thereto. The Sale Notice (a copy of the substantial form of which is attached hereto as Exhibit "B") contains the type of information required under Bankruptcy Rule 2002(c), and also includes information on the Sale Procedures and the procedures for the submission of bids. This information will enable interested parties to participate in the Auction and at the Sale Hearing if

they so chose. The Debtors accordingly request that this Court approve the form and content of the Sale Notice.

36. The Debtors propose to serve the Sale Notice, within two (2) days of the entry of the Sale Procedures Order, by first-class mail, postage prepaid, to (a) all potential purchasers previously identified by the Debtors, (b) the Office of the United States Trustee for Region 3, (c) counsel to the Committee, if any; (d) counsel to the DIP Lenders; (e) counsel to the Pre-Petition First Lien Agent; (f) counsel to the Pre-Petition Second Lien Agent; (g) the parties in interest who have requested notice in these cases pursuant to Bankruptcy Rule 2002, (h) the parties to the Designated Contracts, and (i) all government agencies required to receive notice of proceedings under the Bankruptcy Rules.

37. The Debtors submit that (a) the notice to be provided through the Sale Notice and this Motion and (b) the method of service proposed herein constitutes good and adequate notice of the sale of the Assets and the proceedings to be had with respect thereto (including, but not limited to, the Auction and the Sales Hearing). Therefore, the Debtors respectfully request that this Court approve the foregoing notice procedures.

H. Bid Protections Are Fair And Reasonable

38. As set forth above, and in other pleadings filed with the Court, the Debtors have been marketing the Assets and will continue to do so. While the Debtors have determined in their reasonable business judgment that an auction sale of certain of the Assets at this time is the best method to assure that the Debtors receive the highest value for the Assets, such an Auction would be of little value absent the Buyer setting the minimum purchase price for the Assets under the Agreement. Subject to the terms of the Agreement, the Debtors will continue to negotiate with potential purchasers and will subject the Agreement to higher and better offers.

39. The Debtors hereby request that the Court approve certain bidding protections to the Buyer that are customary in similar circumstances (collectively, the "Bid Protections"), including: (a) a break-up fee (the "Break-Up Fee") in the amount of \$1,620,000, which amount shall be earned upon entry of the Order approving such Alternate Transaction and shall be paid upon consummation of such Alternate Transaction and (b) an amount equal to all of the out-of-pocket expenses, up to a total of \$600,000, incurred by Buyer or its Affiliates in connection with the transactions contemplated by this Agreement, including all HSR Act filing fees (the "Expense Reimbursement"), which amount shall be paid immediately upon entry of the order approving such Alternate Transaction, in each case, without further order of the Bankruptcy Court; (c) an initial overbid for all or a portion of the assets of the Debtors (or any combination of bids that the Debtors propose to accept, in the aggregate) have a value, as determined in the reasonable judgment of the Debtors, that exceeds the sum of (x) \$54 million together with adjustments set forth in the Agreement (being the cash consideration payable by the Buyer under the Agreement, (y) the Break-Up Fee and (z) the Expense Reimbursement by no less than \$500,000 (collectively, the "Initial Overbid"); and (d) in the event that an Initial Overbid is made and Buyer makes subsequent bids at an auction, or otherwise, Buyer may "credit bid" the Break-Up Fee and the Expense Reimbursement. Bidding increments for the Assets at the Auction shall be in aggregate minimum monetary increments that would, if accepted by the Debtors, result in the Debtors receiving aggregate consideration for all of the Assets of not less than \$500,000 in excess of the consideration provided for in the highest then pending offer or Bid. The Debtors submit that cause exists to approve the Bidding Protections because they are fair and reasonable under the circumstances here. The Break-Up Fee and Expense Reimbursement shall be afforded super-priority administrative expense priority under sections 503(b) and 507(a)(2) of the

Bankruptcy Code in the Chapter 11 Cases and shall be payable from the proceeds of the closing of a sale to a Competing Bidder or Bidders.

40. As set forth in the Sale Motion, there are several compelling business justifications for the proposed asset sale pursuant to the Agreement. Most importantly, the Agreement enables the Debtors to preserve the going concern value of most of their Assets. Accordingly, there are compelling reasons to approve the instant Sale Procedures Motion.

41. The Debtors believe that the payment of the Break-Up Fee and Expense Reimbursement and the establishment of sale procedures are both reasonable and necessary to induce the Buyer to enter into the transactions encompassed by the Agreement and to obtain the highest price possible for the Assets.

42. The payment of a Break-Up Fee is normal and customary in transactions of this nature. Such fees have frequently been approved in connection with asset sales in other chapter 11 cases. Moreover, without the agreement to this fee, the Debtors believe that it would have no initial offer for the Assets from any bidder. Court approval of the Break-Up Fee and Expense Reimbursement is, therefore, in the best interests of the Debtors, their estates and their creditors.

43. Payment of a Break-Up Fee as part of a sale process is a generally accepted practice. Break-Up Fees encourage an initial purchaser to invest the time, effort and money necessary to consummate the purchase of a debtor's assets, despite the possibility that such purchaser may not ultimately acquire the property. As such, it is an important tool to be used to encourage bidding. The determination of whether a Break-Up Fee or expenses should be allowed is made based on whether the fees and expenses are necessary to preserve the value of the estate. In re O'Brien Environmental Energy, Inc., 181 F.3d 527, 534 (3d Cir. 1999). The considerations that underlie a debtor's business judgment to pay the Break-Up Fee are relevant to

the Court's determination of the request. Id. Indeed, many courts have evaluated Break-Up Fee arrangements under the business judgment rule standard. Cottle v. Storer Communications, Inc., 849 F.2d 570 (11th Cir. 1988); CRTF Corp. v. Federated Dep't Stores, 683 F.Supp. 422 (S.D.N.Y. 1988); In re Integrated Resources, Inc., 147 B.R. 650, 657 (S.D.N.Y. 1992), appeal dismissed by 3 F.3d 49 (2d Cir. 1993).

44. As to the propriety of approval of the Break-Up Fee, it is well-established that “[a] bankruptcy court should uphold a break-up fee which was not tainted by self-dealing and was the product of arm’s-length negotiations.” In re Integrated Resources, Inc., 147 B.R. at 658. In the instant case, the proposed Break-Up Fee is the product of good faith, arm’s-length negotiations between the Debtors and Buyers. The Break-Up Fee is 3% of the consideration to the Debtors pursuant to the Agreement. It is the Debtor's business judgment that the Break-Up Fee and Expense Reimbursement are fair and reasonable in the perspective of the time, effort, cost and expense that Buyer has incurred in negotiating the Agreement and the aggregate consideration to be paid by Buyer. If other offers for the Assets are received, it will be because Buyer has served as a “stalking horse” for such offers.

45. The Break-Up Fee of 3% is in the middle of the spectrum of Break-Up Fees approved by bankruptcy courts in Chapter 11 cases, particularly when compared to sales of a similar magnitude. See e.g., In re Montgomery Ward Holding Corp., et al., Case No. 97-1409 (PJW) (Bankr. D. Del., June 15, 1998) (Court approved Break-Up Fee of 2.7%, or \$3,000,000, in connection with \$110,000,000 sale of real estate assets); In re Medlab, Inc., Case No. 97-1893 (PJW) (Bankr. D. Del., April 28, 1998) (Court approved Break-Up Fee of 3.12%, or \$250,000, in connection with \$8,000,000 sale transaction); In re Ameriserve Food Distributions, Inc., et al., Case No. 00-358 (PJW) (Bankr. D. Del., April 3, 2000) (Court approved topping fee of \$250,000

in connection with \$38,500,000 sale of assets); In re Anchor Container Corp. et al., Case Nos. 96-1434 and 96-1516 (PJW) (Bankr. D. Del. Dec. 20, 1996) (Court approved Break-Up Fee of 2.43%, or \$8,000,000, in connection with \$327,900,000 sale of substantially all of debtors' assets); In re FoxMeyer Corp. et al., Case No. 96-1329 (HSB) through 96-1334 (HSB) (Bankr. D. Del., Oct. 9, 1996) (Court approved Break-Up Fee of 7.47%, or \$6,500,000, in connection with \$87,000,000 sale of substantially all of debtors' assets); In re Edison Brothers Stores, Inc. et al., Case No. 95-1354 (PJW) (Bankr. D. Del., Dec. 29, 1995) (Court approved Break-Up Fee of 3.5%, or \$600,000, in connection with \$17,000,000 sale of debtors' entertainment division); In re Industrial General Corp., Case No. 95-895 (PJW) (Bankr. D. Del.) (Court approved Break-Up Fee of 3.57%, or \$500,000, in connection with \$14,000,000 sale transaction); In re Buddy L, Inc., Case No. 95-23S (HSB) (Bankr. D. Del.) (Court approved Break-Up Fee of 1.6%, or \$800,000, in connection with \$50,000,000 sale of debtors' toy division); In re Continental Airlines, Inc., Case No. 90-932 (HSB) (Bankr. D. Del.) (Court approved Break-Up Fee of 2.4%, or \$1,500,000, in connection with \$61,000,000 sale transaction); see also Integrated Resources, 147 B.R. at 648; In re Crowthers McCall Pattern, Inc., 113 B.R. 877, 879 (Bankr. S.D.N.Y. 1990); In re 995 Fifth Ave. Assocs., L.P., 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989). In general, Break-Up Fees encourage an interested party, *i.e.*, Buyer, to expend money, time and effort to negotiate with a debtor, notwithstanding that the transaction is subject to the risks presented by a pending chapter 11 case and uncertainty as to the approval of the transaction by the Bankruptcy Court. The Break-Up Fee and Expense Reimbursement are intended to compensate the initial bidder for serving as a "stalking horse" and, thereby, encouraging the participation of other bidders for the assets to be sold.

46. The Agreement is subject to higher and better offers. The Debtors will consider higher and better offers and advise potential buyers of the Assets. If higher and better offers emerge, they will be considered with reference and by comparison to the terms of the Agreement. Thus, there will be no loss or prejudice to the estate or its creditors if this Motion is approved.

NO PRIOR REQUEST

47. No prior request for the relief sought herein has been requested from this Court or any other court.

NOTICE

48. Notice of this Motion has been provided to the following parties: (a) the Office of the United States Trustee; (b) counsel to the DIP Lenders; (c) counsel to the Pre-Petition First Lien Agent; (d) counsel to the Pre-Petition Second Lien Agent; (e) the Debtors' 30 largest unsecured creditors; (f) all known parties asserting a lien or security interest in the Assets; (g) all parties to the Designated Contracts; (h) all parties requesting notice under Bankruptcy Rule 2002; (i) the Internal Revenue Service; and (f) the United States Attorney.

49. The Debtors submit that this Motion does not present any novel issues of law requiring briefing beyond the citation of authorities contained herein. Therefore, pursuant to Rule 7.1.2 of the Local Rules of Civil Practice and Procedure of the United States District Court for the District of Delaware (the "Local District Court Rules"), incorporated by reference into Del. Bankr. LR 1001-1(b), the Debtors respectfully request that the Court set aside the briefing schedule set forth in Rule 7.1.2(a) of the Local District Court Rules.

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested in this Motion and grant the Debtors such other and further relief as this Court deems just and proper.

Dated: March 19, 2009
Wilmington, Delaware

KLEHR, HARRISON, HARVEY,
BRANZBURG & ELLERS, LLP

By:

/s/ Domenic E. Pacitti

Domenic E. Pacitti, Esq. (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Sally E. Veghte, Esq. (DE Bar No. 4762)
919 Market Street, Suite 1000
Wilmington, DE 19801
Telephone: (302) 426-1189
Facsimile: (302) 426-9193
dpacitti@klehr.com
myurkewicz@klehr.com
sveghte@klehr.com

and

Carol Ann Slocum, Esq.
457 Haddonfield Road
Cherry Hill, NJ 08002
Telephone: (856) 486-7900
Facsimile: (856) 486-4875
cslocum@klehr.com

Proposed Counsel for the Debtors
and Debtors-in-Possession

EXHIBIT A

SALE PROCEDURES

SALE PROCEDURES¹

The following procedures (the "Sale Procedures") shall govern the sale at auction (the "Auction") of certain assets set forth in Section A below (the "Assets") of Drug Fair Group, Inc. (along with its affiliated debtors, collectively, the "Debtors") in a single sale to a single purchaser or in several sales to more than one purchaser, pursuant to the Debtors' Motion for Order: (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain of the Debtors' Assets Pursuant to Sections 363 and 365 of the Bankruptcy Code; (B) Scheduling an Auction and Hearing to Consider Approval of the Sale of Certain of the Debtors' Assets; (C) Approving Notice of Respective Dates, Times, and Places for Auction and for Hearing on Approval of (i) Sale of Assets, and (ii) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (D) Granting Other Relief (the "Sale Procedures Motion"), filed in the United States Bankruptcy Court for the District of Delaware (the "Court") on March 18, 2009. These Sale Procedures have been approved and authorized by an order of the Honorable _____, United States Bankruptcy Judge, dated _____, 2009 (the "Sale Procedures Order") in the chapter 11 cases of the Debtors, which cases were commenced on March [], 2009 (the "Petition Date").

A. Assets to be Sold

The Debtors shall consider bids for all of the Assets in a single bid to a single bidder or in multiple bids for the Assets or parts of the Assets to multiple bidders. The Assets shall be sold free and clear of all Liens and Encumbrances (except Permitted Encumbrances) in each case as defined in the Agreement. The Assets to be sold to Walgreens Eastern Co., Inc. ("Buyer") include, *inter alia*,

- (a) Any and all owned personal property located at the Operate Location Pharmacies, including all furniture, fixtures, equipment, vehicles, leasehold improvements and signage;
- (b) Any and all prescriptions, prescription files and records, customer lists and patient profiles, including refill status reports and insurance coverages, any files or records maintained electronically, any files or records added between the date of this Agreement and the Closing Date, in each case related to the Operate Location Pharmacies;
- (c) The inventory located at any Operate Location Pharmacies;
- (d) All improvements, fixtures, and fittings thereon, and other appurtenants located at any Operate Location Pharmacies (such as appurtenant rights in and to public streets) including prepaid rent, rent credits and tenant improvement credits and allowances paid or made with respect to the Premises;

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the Sale Procedures, or the Agreement, as applicable, each as defined below.

- (e) To the extent transferable, all Permits and similar rights obtained from Governmental Bodies primarily used in or related to the ownership or operation of any Operate Location Pharmacies;
- (f) Copies of all other books and records of Seller relating primarily to the Assets, properties and operations of the Operate Location Pharmacies;
- (g) Any guarantees, warranties, indemnities and similar rights relating to the Assets;
- (h) All rights in, to and under the Assumed Contracts; and
- (i) Any other mutually agreeable assets related to the Operate Location Pharmacies.

B. Mailing the Sale Notice

No later than two (2) days following entry of the Sale Procedures Order, the Debtors shall file and cause the Sale Hearing Notice, as defined in the Sale Procedures Order, to be sent by first-class mail, postage prepaid, to (a) all potential purchasers previously identified by the Debtors, (b) the Office of the United States Trustee for Region 3, (c) counsel to the Committee, if any; (d) counsel to the DIP Lenders; (e) counsel to the Pre-Petition First Lien Agent; (f) counsel to the Pre-Petition Second Lien Agent; (g) the parties in interest who have requested notice in these cases pursuant to Bankruptcy Rule 2002, (h) the parties to the Debtors' executory contracts and unexpired leases that may be subject to assumption and assignment or rejection, and (i) all government agencies required to receive notice of proceedings under the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

Any party in interest that wishes to receive a copy of the Sale Motion shall make such request in writing to: Epiq Bankruptcy Solutions, LLC, [] and Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, Attn: Domenic E. Pacitti, Esq.

C. Indication of Interest

The Debtors shall send a form of confidentiality agreement to any person who responds to the Auction and Sale Hearing Notice indicating an interest in participating in the Auction and requesting information about the Assets and who complies with all the conditions set forth herein.

D. Confidentiality Agreement and Selection of Qualified Bidders

Potential purchasers shall be required to complete and execute a confidentiality agreement acceptable to the Debtors and their advisors, and shall provide the Debtors with their financial qualifications and such other information as the Debtors may reasonably request (which information may be shared by the Debtors with the Pre-Petition First Lien Agent and Pre-Petition Second Lien Agent). The Debtors shall qualify potential purchasers for continuing with the sales process. The Debtors shall promptly notify potential purchasers who have returned the

confidentiality agreement and who have satisfactory financial qualifications and have submitted a "Qualified Bid" (as defined below) that they have been selected as a qualified bidder (each, a "Qualified Bidder" and collectively, the "Qualified Bidders").

E. The Asset Sale Agreement and Due Diligence

The Debtors shall send to each Qualified Bidder a copy of the Agreement. The Debtors will provide reasonable access to the Debtors' books, records and executives to the Qualified Bidders for the purpose of conducting due diligence.

F. Submission of Bids

Any Qualified Bidder desiring to submit a bid for all or certain of the Assets (a "Bid") and participate in the Auction shall deliver its Bid in writing on or before _____, 2009 (the "Bid Deadline") to Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, Attn: Domenic E. Pacitti, Esq.; (iii) counsel to the Committee, _____, Esq., at _____; (iv) counsel to the Pre-Petition First Lien Agent and the DIP Lenders, Riemer & Braunstein LLP, Three Center Plaza, 6th Floor, Boston, MA 02108, Attn: Donald Rothman, Esq.; (v) counsel to the Pre-Petition Second Lien Agent, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, New York 10019, Attention: Robert M. Novick, Esq.; (vi) counsel to Buyer, Sidley Austin, LLP, One South Dearborn, Chicago, IL 60603, Attn: Chris E. Abbinante, Esq. and Paul S. Caruso, Esq.; and (vii) the United States Trustee for Region 3, Office of the U.S. Trustee, 844 King Street, Suite 2313, Lockbox 35, Wilmington, DE 19801-3519; Attn: Richard Schepacarter, Esq.

Promptly upon their receipt of any Bid, the Debtors shall provide copies thereof to the Buyer.

A Bid for all or part of the Assets shall consist of (a) an executed version of the Agreement with marked alterations with conditions at least as favorable to the Debtors as contained in the Agreement (an "Alternate Agreement"), (b) an earnest money deposit in the amount of 10% of the cash consideration of such Bid (the "Earnest Money Down Payment") in the form of a certified check or wire transfer payable to Debtors' counsel, as escrow agent, and (c) shall not provide for a break-up fee or expense reimbursement (a "Qualified Bid"). The Agreement with Buyer constitutes a "Qualified Bid" for all purposes under the Sale Procedures and Buyer is deemed a Qualified Bidder.

A Bid must specify the amount the bidder is willing to pay for the Assets contained in the Bid, and no Bid or combination of Bids shall under any circumstances, be (i) deemed to be higher and better than the bid of the Buyer or (ii) accepted by the Debtors, unless, *inter alia*, any Bid or combination of Bids for all or a portion of the Assets of the Debtors (or any combination of bids that the Debtors propose to accept, in the aggregate) have a value, as determined in the reasonable judgment of the Debtors, that exceeds the sum of (x) \$54 million together with adjustments set forth in the Agreement (being the cash consideration payable by the Buyer under the Asset Purchase Agreement, dated as of March 17, 2009, between the Debtors and Buyer the "Agreement"), (y) the Break-Up Fee and (z) the Expense Reimbursement by no less than

\$500,000. A Bid, other than the Agreement, must also (i) specify the portion of consideration to be paid in cash and the portion to be paid in any other form of value; (ii) provide information concerning any consideration to be provided in a form other than cash to permit the Debtors to accurately assess the value of such consideration; (iii) provide sufficient indicia that such Qualified Bidder or representative is legally empowered, by power of attorney or otherwise, and financially capable to (a) bid on behalf of the prospective bidder, and (b) complete and sign, on behalf of the bidder, a binding and enforceable asset sale agreement; (iv) not contain any contingencies to the validity, effectiveness, and/or binding nature of the offer, including, without limitation, contingencies for financing, due diligence, or inspection; (v) identify with particularity each and every executory contract or unexpired lease the assumption and assignment of which is a condition to closing; and (vi) authorize the Debtors to immediately share the Adequate Assurance Package (defined below) with the Debtors' landlords.

G. Assumption and Assignment of Executory Contracts and Unexpired Leases

If closing on a Bid is conditioned on the assumption and assignment of any executory contracts or unexpired leases, the Bid must include sufficient information to permit the Court, the Debtors, and the applicable lessors and contracting parties to determine the proposed assignee's ability to comply with section 365 of the Bankruptcy Code (to the extent applicable), including providing adequate assurance of such assignee's ability to perform in the future (the "Adequate Assurance Package").

Any Bid that does not comply with the foregoing requirements may or may not be considered by the Debtors in consultation with the Agent and counsel to the Committee.

Except as otherwise provided in the second paragraph of Section F above and with respect to sharing the Adequate Assurance Package with the Debtors' landlords, all Bids shall be kept confidential with access restricted to the Debtors, the Committee (if any), the DIP Lenders, the Pre-Petition First Lien Agent, Pre-Petition Second Lien Agent and their respective professionals. Bids may, however, be revealed to any other party at the option of the Debtors, but in any event shall be announced prior to the commencement of the Auction. The Debtors may request additional information from a bidder in order 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 as a precondition to participating further in the Auction.

H. The Auction and Selection of the Successful Bid or Bids

If one or more Qualified Bids other than Buyer's is received by the Bid Deadline, the Debtors shall notify all Qualified Bidders of the Auction which will be conducted at the offices of Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, or at another location as may be timely disclosed by the Debtors on _____, __, 2009, at 10:00 a.m. (the "Auction Date"). Prior to the commencement of the Auction, the Debtors shall announce what bid or combination of bids the Debtors consider to be the highest and best Qualified Bid(s). All Qualified Bidders shall appear in person at the Auction, or through a duly authorized representative. If multiple Qualified Bids satisfying all

Auction requirements are received, each party shall have the right to continue to improve its bid at the Auction. In the event that a Qualified Bid or Bids is made and Buyer makes subsequent bids at an auction, or otherwise, Buyer may "credit bid" the Break-Up Fee and the Expense Reimbursement. Bidding increments for the Assets at the Auction shall be in aggregate minimum monetary increments that would, if accepted by the Debtors, result in the Debtors receiving aggregate consideration for all of the Assets of not less than \$500,000 in excess of the consideration provided for in the highest then pending offer or Bid.

At the conclusion of the Auction, and subject to Court approval following the Auction, the highest and best bid or bids shall be selected by the Debtors in consultation with the DIP Lenders, Pre-Petition First Lien Agent, and Pre-Petition Second Lien Agent (the "Successful Bid or Bids" and "Successful Bidder" or "Successful Bidders").

Within 24 hours of the adjournment of the Auction, the Successful Bidder or Successful Bidders that made the Successful Bid or Successful Bids shall complete and sign all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which such bid or bids were made.

If the Debtors do not receive a Qualified Bid or combination of Qualified Bids that, after consultation with the DIP Lenders, Pre-Petition First Lien Agent and Pre-Petition Second Lien Agent, the Debtors deem is higher and better than the Agreement of Buyer, than no Auction will be conducted and the Debtors will proceed to the Sale Hearing to approve the Agreement.

I. Objections

Objections to the relief requested by the Sale Motion including as relating to assumption and assignment of executory contracts and unexpired leases other than as qualified below shall be set forth in writing and shall specify with particularity the grounds for such objections or other statements of position and served by 4:00 p.m. on _____, _____, 2009 on (i) the Court; (ii) Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, Attn: Domenic E. Pacitti, Esq.; (iii) counsel to the Committee, _____, Esq., at _____; (iv) counsel to the Pre-Petition First Lien Agent and the DIP Lenders, Riemer & Braunstein LLP, Three Center Plaza, 6th Floor, Boston, MA 02108, Attn: Donald Rothman, Esq.; (v) counsel to the Pre-Petition Second Lien Agent, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, New York 10019, Attention: Robert M. Novick, Esq.; (vi) counsel to Buyer, Sidley Austin, LLP, One South Dearborn, Chicago, IL 60603, Attn: Chris E. Abbinante, Esq. and Paul S. Caruso, Esq.; and (vii) the United States Trustee for Region 3, Office of the U.S. Trustee, 844 King Street, Suite 2313, Lockbox 35, Wilmington, DE 19801-3519; Attn: Richard Schepacarter, Esq. (collectively, the "Service List").

J. Court Approval

An evidentiary hearing on the relief requested in the Sale Motion and to confirm the results of the Auction or approval of the Agreement to Buyer (the "Sale Hearing") will be held before the Honorable _____, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, 824 Market Street, _____th Floor, Courtroom No.

___, Wilmington, Delaware 19801, on _____, _____, 2009 at ___:___ .m. or as such time thereafter as counsel may be heard. The sale or sales of the Assets will be subject to the entry of an order of the Bankruptcy Court approving the sale or sales.

K. Closing

The closing of all sales of the Assets shall occur within eleven (11) days after entry of the Sale Order, unless waived by the Buyer. The Sale Order shall provide for an earlier date in accordance with Bankruptcy Rule 6004(g).

L. Failure to Consummate Purchase

If the entity or entities that make or makes the highest and best bid or bids fails to consummate the purchase of the Assets, and such failure to consummate the purchase is the result of a breach by the Successful Bidder(s), the Earnest Money Down Payment of the Successful Bidder(s), other than the Buyer (whose Earnest Money Down Payment shall be governed by the Agreement and the Escrow Agreement referred to therein), shall be forfeited to the Debtors and the Debtors specifically reserve the right to seek all available damages from such defaulting Successful Bidder(s).

M. Return of Earnest Down Payments

Subject to Section N below, if Successful Bids have been selected and sales of the Assets to Successful Bidder or Bidders have been approved by the Court, the Earnest Down Payments of the Qualified Bidders, other than the Buyer (whose Earnest Money Down Payment shall be governed by the Escrow Agreement and the Escrow Agent referred to herein), who are not successful bidders shall be returned.

N. Back-Up Bidder

The second highest Bidder or group of Bidders shall be announced at the Auction and confirmed at the Sale Hearing as a "back up" bidder or bidders ("Back-Up Bidder" or "Back-Up Bidders") to acquire the Assets should the Successful Bidder or Successful Bidders at Auction fail to close on the sale.

The Back-Up Bidder or Back-Up Bidders shall continue to be bound by their respective Agreements and keep their Earnest Money Down Payment in escrow and agree to close their Agreements within fifteen days after the entry of an order approving the Successful Bid or Successful Bids. For the avoidance of any doubt, the obligation of the Buyer to keep its offer to purchase the Assets open under the circumstances in which the Buyer is not selected as the Successful Bidder shall be governed by the terms of the Agreement.

O. Break-Up Fee and Expense Reimbursement

If the Buyer becomes entitled to the payment of the Break-Up Fee and/or the Expense Reimbursement pursuant to the terms of the Agreement, such Break-Up Fee and the Expense

Reimbursement shall be deemed allowed superpriority administrative expenses with priority over any and all claims of a kind specified in section 503(b) and 507(a)(2) of the Bankruptcy Code.

P. Bid Protections

Recognizing Buyer's expenditure of time, energy and resources, the Debtors have agreed to provide certain bidding protections to Buyer. Specifically, the Debtors have determined that the Agreement will further the goals of the Sale Procedures by establishing a floor against which all other Bids will be evaluated. As a result, Seller has agreed that if Buyer is not the Successful Bidder, the Debtors must, in certain circumstances enumerated in the Agreement, pay to Buyer the Break-Up Fee and Expense Reimbursement. The payment of the Break-Up Fee and Expense Reimbursement shall be governed by the provisions of the Agreement and the Sale Procedures Order. In addition, the Debtors have agreed to permit Buyer to review any Qualified Bids as soon as practicable after the Debtors have made a determination that any Bid constitutes a Qualified Bid.

Q. Auction

The Debtors and their professionals shall direct and preside over the Auction and the Debtors shall maintain a transcript of all bids made and announced at the Auction, including all Overbids (as defined herein) and the highest Bid

Bidding at the Auction shall begin with Seller announcing the highest or otherwise best Qualified Bid (the "Opening Bid"). Any bid made at the Auction subsequent to the announcement of the Opening Bid shall be in minimum increments of at least \$500,000 higher than the previous bid or bids and shall comply with all of the conditions for a Qualified Bid set forth herein (an "Overbid"). The Auction shall continue in one or more rounds of bidding and shall conclude after each participating bidder has had the opportunity to submit an Overbid with full knowledge and written confirmation of the then-existing highest bid or bids. For the purpose of evaluating the value of the consideration provided by Overbids, the Debtors shall give effect to the Break-Up Fee.

All Qualified Bidders who have submitted a Qualified Bid shall be entitled to be present for the announcement of all Overbids with the understanding that the true identity of each bidder shall be fully disclosed to all other bidders and that all material terms of each Overbid will be fully disclosed to all other bidders throughout the entire Auction.

EXHIBIT B
SALE NOTICE

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:	)	Chapter 11
)	
DRUG FAIR GROUP, INC., <i>et al.</i> , ¹	)	Case No. 09-10897 (BLS)
)	
Debtors.	)	Joint Administration Requested
)	

NOTICE OF SALE PROCEDURES, AUCTION DATE, AND SALE HEARING

PLEASE BE ADVISED that, on March [], 2009, pursuant to a motion, dated March [], 2009 (the "Sale Procedures Motion"), filed by Drug Fair Group, Inc. and CDI Group, Inc. and its affiliated debtors and debtors-in-possession (collectively, the "Debtors"), the United States Bankruptcy Court for the District of Delaware (the "Court") entered an Order (the "Sale Procedures Order") approving certain Sale Procedures (the "Sale Procedures") in connection with the proposed sale by the Debtors of certain their assets (the "Assets") to one or more bidders, at an auction (the "Auction") to be conducted at the offices of Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, or at another location timely disclosed by the Debtors to Qualified Bidders (as defined herein), on _____, _____, 2009 at 10:00 a.m. (the "Auction Date"). A copy of the Sale Procedures and Sale Motion can be obtained by requesting same from Debtors' counsel at the address set forth below.

PLEASE BE FURTHER ADVISED that, pursuant to the Sale Procedures, any bidder desiring to submit a bid at the Auction (a "Bid") shall be subject to the requirements in the Bid Procedures, and shall among other things, send a letter indicating its interest in bidding addressed to the Debtors and their counsel, execute a confidentiality agreement and provide the requisite financial and other information (a "Qualified Bidder").

¹ The Debtors in these cases, along with the last four digits of the federal tax identification number for each Debtor, are Drug Fair Group, Inc. f/k/a Community Distributors, Inc. (3660) and CDI Group, Inc. (9976).

PLEASE BE FURTHER ADVISED that all Bids for the Assets shall be submitted in accordance with the Sale Procedures and shall be submitted in writing to Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, Attn: Domenic E. Pacitti, Esq., with an additional copy to the Debtors, Drug Fair Group, Inc., 800 Cottontail Lane, Somerset, New Jersey 08873, Attn: Timothy Boates, such that the Bid is actually received not later than _____, _____, 2009 at 12:00 noon.

PLEASE BE FURTHER ADVISED that, pursuant to the Sale Procedures, objections to the Debtors' sale of the Assets shall be set forth in writing and shall state with particularity the grounds for such objections or other statements of position and shall be served by 4:00 p.m. on _____, _____, 2009, on (i) the Court; (ii) Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, Attn: Domenic E. Pacitti, Esq.; (iii) counsel to the Committee, _____, Esq., at _____; (iv) counsel to the Pre-Petition Lenders and the DIP Lenders, Riemer & Braunstein LLP, Three Center Plaza, 6th Floor, Boston, MA 02108, Attn: Donald Rothman, Esq.; (v) counsel to Buyer, Sidley Austin, LLP, One South Dearborn, Chicago, IL 60603, Attn: Chris E. Abbinante, Esq. and Paul S. Caruso, Esq.; and (vi) the United States Trustee for Region 3, Office of the U.S. Trustee, 844 King Street, Suite 2313, Lockbox 35, Wilmington, DE 19801-3519; Attn: _____, Esquire (the "Notice Parties").

PLEASE BE FURTHER ADVISED that the Court has scheduled _____, _____, 2009, at _____:00 _____m. (or such time thereafter as counsel may be heard) as the date for a hearing (the "Sale Hearing") to consider entry of an order authorizing and approving (i) the sale or sales of the Assets free and clear of all liens, claims, and encumbrances, pursuant to the asset sale agreement or agreements as entered into by the Debtors pursuant to the Sale Procedures for

the sale or sales of the Assets as a whole or in parts; (ii) the assumption and assignment of certain executory contracts and unexpired leases in connection with the sale or sales of the Assets; and (iii) the exemption of the sale or sales from stamp or other similar taxes. The Sale Hearing may, however, be adjourned from time to time by announcement at the Sale Hearing in open Court, without notice.

PLEASE BE FURTHER ADVISED that objections, if any, that relate to the proposed assumption and assignment of executory contracts and unexpired leases (a "Designated Contract") (including, but not limited to, any objections relating to the validity of the cure amount as determined by the Debtors or to otherwise assert that any amounts, defaults, conditions, or pecuniary losses must be cured or satisfied under any of the assigned executory contracts or unexpired leases as of the Sale Hearing Date, not including accrued but not yet due obligations, in order for such contract to be assumed and/or assigned) (a "Cure Objection") shall be filed and served so as to be actually received by the Notice Parties, by _____, 4:00 p.m. (the "Cure Objection Deadline").

PLEASE BE FURTHER ADVISED that, except as limited herein, unless a Cure Objection is filed and served by a party to a Designated Contract or a party interested in an Designated Contract by the Cure Objection Deadline, all interested parties who have received actual or constructive notice hereof shall be deemed to have waived and released any right to assert a Cure Objection and to have otherwise consented to the assumption and assignment of the Designated Contract and shall be forever barred and estopped from asserting or claiming against the Debtors, the Successful Bidder or any other assignee of the relevant Designated Contract that any additional amounts are due or defaults exist, or conditions to assignment must be satisfied, under such assigned contract for any period prior to the Sale Hearing Date.

PLEASE BE FURTHER ADVISED that Cure Objections shall set forth the cure amount the Objector asserts is due, the specific types and dates of the alleged defaults, pecuniary losses, and conditions to assignment, and the support therefor.

PLEASE BE FURTHER ADVISED that hearings with respect to Cure Objections may be held (a) at the Sale Hearing, or (b) at such other date as the Court may designate, provided that if the subject Designated Contract is assumed and assigned, the cure amount asserted by the objecting party (or such lower amount as may be fixed by the Court) shall be deposited with and held in a segregated account by the Debtors or such other person as the Court may direct pending further order of the applicable Court or mutual agreement of the parties. A properly filed and served Cure Objection shall reserve such party's rights against the Debtors (but not against any purchaser of the Assets) respecting the Cure Obligation, but shall not constitute an objection to the relief generally requested in the Motion.

PLEASE BE FURTHER ADVISED that the Debtors reserve the right, and have been authorized by the Court, to reject at and as of the Sale Hearing any executory contract or unexpired lease not to be assumed and assigned.

PLEASE BE FURTHER ADVISED that all requests for information concerning the Assets or Sale Procedures should be in writing directed to Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, Attn: Domenic E. Pacitti, Esq.

Dated: March 19, 2009
Wilmington, Delaware

KLEHR, HARRISON, HARVEY,
BRANZBURG & ELLERS, LLP

By:

/s/ Domenic E. Pacitti

Domenic E. Pacitti, Esq. (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Sally E. Veghte, Esq. (DE Bar No. 4762)
919 Market Street, Suite 1000
Wilmington, DE 19801
Telephone: (302) 426-1189
Facsimile: (302) 426-9193
dpacitti@klehr.com
myurkewicz@klehr.com
sveghte@klehr.com

and

Carol Ann Slocum, Esq.
457 Haddonfield Road
Cherry Hill, NJ 08002
Telephone: (856) 486-7900
Facsimile: (856) 486-4875
cslocum@klehr.com

Proposed Counsel for the Debtors
and Debtors-in-Possession

EXHIBIT C
SALE PROCEDURES ORDER

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:	)	Chapter 11
)	
DRUG FAIR GROUP, INC., <i>et al.</i> , ¹	)	Case No. 09-10897 (BLS)
)	
Debtors.	)	Joint Administration Requested
)	
)	
)	

ORDER: (A) APPROVING SALE PROCEDURES AND BIDDING PROTECTIONS IN CONNECTION WITH SALE OF CERTAIN OF THE DEBTORS' ASSETS PURSUANT TO SECTIONS 363 AND 365 OF THE BANKRUPTCY CODE; (B) SCHEDULING AN AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE OF CERTAIN OF THE DEBTORS' ASSETS; (C) APPROVING NOTICE OF RESPECTIVE DATE, TIME AND PLACE FOR AUCTION AND FOR HEARING ON APPROVAL OF (I) SALE OF CERTAIN OF THE DEBTORS' ASSETS, (II) ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (D) GRANTING RELATED RELIEF

Drug Fair Group, Inc., and its affiliate debtors, the debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the "Debtors"), having requested by motion dated March 18, 2009 (the "Sale Procedures Motion"),² among other things, the entry of an order pursuant to sections 105, 363, and of title 11 of the United States Code, 11 U.S.C. §101 et seq., as amended (the "Bankruptcy Code") and Rules 2002, 6004, and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"): (A) approving sale procedures and bidding protections substantially in the form attached thereto as **Exhibit "A"** (the "Sale Procedures") to be employed in connection with the

¹ The Debtors in these cases, along with the last four digits of the federal tax identification number for each Debtor, are Drug Fair Group, Inc. f/k/a Community Distributors, Inc. (3660) and CDI Group, Inc. (9976).

² Capitalized terms not defined herein shall have the meaning ascribed to them in the Sale Procedures Motion or the Agreement (as defined below); provided, however the meanings ascribed in the Agreement shall be controlling.

proposed sale of certain of the Debtors' assets (the "Assets"), as a whole to one bidder or in parts to more than one bidder, pursuant to sections 105, 363 and 365 of the Bankruptcy Code; (B) the Break-Up Fee and Expense Reimbursement as provided for in the Asset Purchase Agreement between Walgreens Eastern Co., Inc. and Drug Fair Group, Inc. (the, "Agreement") that is attached as Exhibit C to the Sale Procedures Motion; (C) scheduling an auction (the "Auction") and hearing to consider approval of the sale or sales of the Assets (the "Sale Hearing"); (C) approving notice substantially in the form attached thereto as **Exhibit "B"** of respective dates, times, and places for the Auction and Sale Hearing (the "Sale Notice") for approval of (i) sale of assets, and (ii) assumption and assignment of certain executory contracts and unexpired leases; and a hearing having been held on _____, _____, 2009, to consider the relief requested in the Sale Procedures Motion (the "Sale Procedures Hearing"); and upon the proceedings at the Sale Procedures Hearing; and after considering all objections, if any, to the relief requested in the Sale Procedure Motion (the "Objections"); and it appearing that, under the circumstances here present, good, sufficient and timely notice of the relief sought and granted in this order has been given and that good and sufficient cause existed to conduct the Sale Procedures Hearing; and it further appearing that no other or further notice need be given; and after due deliberation and sufficient cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:

A. This Court has jurisdiction over the Sale Procedures Motion, the transactions contemplated by the Agreement any other ancillary documents and agreements related thereto and the Sale Procedures pursuant to 28 U.S.C. §§ 157(b)(1) and 1334(a), and this matter is a core proceeding pursuant to 28 U.S.C. § 1157(b)(2)(A) and

(N) and (O). Venue of these cases and the Sale Procedures Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

B. The Debtors have articulated good and sufficient reasons for, and the best interest of their estates will be served by, this Court granting certain of the relief requested in the Sale Procedures Motion, including approval of: (i) the Sale Procedures; (ii) allowance and payment of the Breakup Fee and the Expense Reimbursement; (iii) the procedures described below for the determination of the amounts necessary to cure any defaults under executory contracts and unexpired leases (the “Cure Costs”) so as to permit the assumption and assignment under section 365 of the Bankruptcy Code of the Designated Contracts; and (iv) the form of notice attached hereto as Exhibit B (the “Sale Notice”).

C. The Sale Notice (including, without limitation, notice of the sale of the Assets and the proposed assumption and assignment of Designated Contracts as set forth in the Agreement) and the Sale Procedures, as set forth in the Sale Procedures Motion, is good, appropriate, adequate and sufficient, and is reasonably calculated to provide all interested parties with timely and proper notice of the Sale and the Sale Procedures, and no other or further notice is required for the Sale of the Assets, and the assumption and assignment of the Designated Contracts, or the Sale Procedures, as set forth herein and in the Sale Procedures Motion.

D. The Breakup Fee and the Expense Reimbursement, as set forth in Section 7.3 of the Agreement (together, the “Bid Protections”), to be allowed and paid under the circumstances described in accordance with Section 11.1 and 11.2 of the Agreement and as described herein to Buyer are: (i) actual and necessary costs and

expenses of preserving the Debtors' estates, within the meaning of section 503(b) of the Bankruptcy Code; (ii) commensurate to the real and substantial benefits conferred upon the Debtors' estates by Buyer; (iii) reasonable and appropriate in light of the size and nature of the transaction contemplated by the Agreement and comparable transactions, the commitments that have been made and the efforts that have been and will be expended by Buyer; and (iv) necessary to induce Buyer to continue to pursue the transaction and to continue to be bound by the Agreement.

F. The Bid Protections were negotiated by the Debtors and Buyer in good faith and at arm's length.

G. Moreover, the Bid Protections are an essential inducement and condition relating to Buyer's entry into, and continuing obligations under, the Agreement. Unless it is assured that the Bid Protections will be available, Buyer is unwilling to remain obligated to consummate the Sale or otherwise be bound under the Agreement. The Bid Protections induced Buyer to submit a bid that will serve as a minimum or floor bid on which the Debtors, their creditors and other bidders can rely. Buyer has provided a material benefit to the Debtors and their creditors by increasing the likelihood that the best possible purchase price for the Assets will be received. Accordingly, the Bid Protections are reasonable and appropriate and represent the best method for maximizing value for the benefit of the Debtors' estates.

NOW, THEREFORE, IT IS HEREBY:

ORDERED, that the Sale Procedures Motion is GRANTED; and it is further

ORDERED, that the Objections, if any, to the Sale Procedures Motion are overruled in their entirety; and it is further

ORDERED, that Sale Procedures are hereby approved in their entirety; the Debtors may sell the Assets by conducting the Auction in accordance with the Sale Procedures, and it is further

ORDERED, that the Sale Procedures shall govern and control the marketing and sale process for the Assets and the Debtors are authorized to take any and all actions necessary or appropriate to ensure their implementation; and it is further

ORDERED, that the form of Sale Notice is approved in all respects; all parties in interest shall receive or be deemed to have received good and sufficient notice of all relief sought in the Sale Procedures Motion, including but not limited to, entry of this Order, the proposed sale of the Assets, the Auction, the Sale Motion, the estimated Cure Costs and proposed assumption and assignment of the Designated Contracts identified in the Agreement, the Sale Hearing, and all proceedings to be held thereon; and it is further

ORDERED, the no later than two (2) days following entry of the this Order, the Debtors shall file and cause the Sale Hearing Notice to be sent by first-class mail, postage prepaid, to (a) all potential purchasers previously identified by the Debtors, (b) the Office of the United States Trustee for Region 3, (c) counsel to the Committee, if any; (d) counsel to the DIP Lenders; (e) counsel to the Pre-Petition First Lien Agent; (f) counsel to the Pre-Petition Second Lien Agent; (g) the parties in interest who have requested notice in these cases pursuant to Bankruptcy Rule 2002, (h) the parties to the Debtors' executory contracts and unexpired leases that may be subject to assumption and assignment or rejection, and (i) all government agencies required to receive notice of proceedings under the Bankruptcy Rules;

ORDERED, that any party desiring to submit a bid for the Assets shall submit such bid in writing on or before _____, 2009 (the "Bid Deadline") to Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, Attn: Domenic E. Pacitti, Esq.; (iii) counsel to the Committee, _____, Esq., at _____; (iv) counsel to the Pre-Petition First Lien Agent and the DIP Lenders, Riemer & Braunstein LLP, Three Center Plaza, 6th Floor, Boston, MA 02108, Attn: Donald Rothman, Esq.; (v) counsel to the Pre-Petition Second Lien Agent, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, New York 10019, Attention: Robert M. Novick, Esq.; (vi) counsel to Buyer, Sidley Austin, LLP, One South Dearborn, Chicago, IL 60603, Attn: Chris E. Abbinante, Esq. and Paul S. Caruso, Esq.; and (vii) the United States Trustee for Region 3, Office of the U.S. Trustee, 844 King Street, Suite 2313, Lockbox 35, Wilmington, DE 19801-3519; Attn: Richard Schepacarter, Esq.; and it is further

ORDERED that the Debtors be, and they hereby are, authorized and directed to provide the Buyer with the Bid Protections, such that the Debtors be, and they hereby are, ordered and directed to (without any further application to or order of this Court): (a) pay to the Buyer pursuant to and in accordance with the terms of the Agreement a break-up fee (the "Break-Up Fee") in the amount of \$1,620,000 in accordance with the Agreement, (b) reimburse the Buyer up to \$600,000 of documented fees and out-of-pocket expenses (the "Expense Reimbursement") incurred by the Buyer since February 27, 2009, (c) establish the following bidding protections: for purposes of determining whether a higher and better bid or bids has been proffered with respect to the Assets, any such bid must be deemed by the Debtors to be (i) higher and better than the bid of the Buyer or (ii) such bid for all or a

portion of the assets of the Debtors (or any combination of bids that the Debtors propose to accept, in the aggregate) has a value, as determined in the reasonable judgment of the Debtors, that exceeds the sum of (x) \$54 million together with the adjustments set forth in the Agreement (being the cash consideration payable by the Buyer under the Asset Purchase Agreement, dated as of March 17, 2009, between the Debtors and Buyer the "Agreement"), (y) the Break-Up Fee, and (z) the Expense Reimbursement by an amount not less than \$500,000. The Break-Up Fee and the Expense Reimbursement shall: (a) be allowed superpriority administrative claims, senior to any and all other administrative expense claims other than the claims of the Debtors' DIP Lenders arising under the Debtors post-petition financing facility or claims falling within any "carveout" under such facility as defined in any final Order approving such financing; (b) if an order is entered approving an Alternate Transaction, the Buyer shall be granted a lien on the Earnest Money Down Payment of such Successful Bidder or Successful Bidders (if any) subject to the rights of such Successful Bidder or Successful Bidders in the Earnest Money Down Payment; (c) and the Break-Up Fee and the Expense Reimbursement shall be paid in accordance with the terms of the Agreement. In the event that a Qualified Bid, Competing Bid or Competing Bids are made at the Auction and Buyer makes subsequent bids at the Auction, or otherwise, Buyer may "credit bid" the Break-Up Fee and the Expense Reimbursement. The Buyer shall not be deemed to waive the right to payment of the Break-Up Fee or Expense Reimbursement by bidding or re-bidding at the Auction. Bidding increments for the Assets at the Auction shall be in aggregate minimum monetary increments that would, if accepted by the Debtors, result in the Debtors receiving

aggregate consideration for all of the Assets of not less than \$500,000 in excess of the consideration provided for in the highest then pending offer; and it is further

ORDERED, that the Debtors shall hold the Auction in accordance with the Sale Procedures at the offices of Klehr, Harrison, Harvey, Branzburg & Ellers, LLP, 919 Market Street, Suite 1000, Wilmington, DE 19801, or at another location as shall be timely disclosed by the Debtors to all of the Qualified Bidders (as defined in the Sale Procedures Motion), on _____, _____, 2009 at 10:00 a.m. Any person seeking to participate as a bidder at the Auction shall comply with the Sale Procedures; and it is further

ORDERED, that, except as otherwise set forth below, objections, if any, to the relief sought in the Sale Motion shall be served in accordance with the Auction and Hearing Notice such that each objection is actually received by the Debtors' counsel by _____, _____, 2009 at 4:00 p.m.; and it is further

ORDERED, that the Sale Hearing Date shall be _____, _____, 2009 at _____:00 p.m. or as soon thereafter as counsel may be heard; and it is further

ORDERED that the Debtors are hereby authorized to conduct the sale or sales of the Assets without the necessity of complying with any state or local bulk transfer laws or requirements; and it is further

ORDERED that that objections, if any, that relate to the proposed assumption and assignment of the Designated Contracts (including, but not limited to, any objections relating to the validity of the cure amount as determined by the Debtors or asserting that any amounts, defaults, conditions, or pecuniary losses must be cured or satisfied under any of the assigned executory contracts or unexpired leases as of the Sale Hearing Date, not including accrued but not yet due obligations, in order for such contract to be assumed

and/or assigned) (a "Cure Objection") shall be filed and served so as to be actually received by the Debtors' counsel, by _____, _____, 2009, at 4:00 p.m. (the "Cure Objection Deadline"); and it is further

ORDERED that, except as limited herein, unless a Cure Objection is timely filed and served by a party to a Designated Contract or a party interested in a Designated Contract by the Cure Objection Deadline, all interested parties who have received actual or constructive notice hereof shall be deemed to have waived and released any right to assert a Cure Objection and to have otherwise consented to the assumption and assignment of the Designated Contract and shall be forever barred and estopped from asserting or claiming against the Debtors, the Successful Bidder or any other assignee of the relevant Designated Contract that any additional amounts are due or defaults exist, or conditions to assumption and assignment must be satisfied, under such assigned contract for the period prior to the Sale Hearing Date; and it is further

ORDERED, that this Order shall not be deemed to have established the cure obligation for any Designated Contract as to which a party thereto timely files a Cure Objection with the Court and serves such objection so as to be received by the Debtors' counsel not later than the Cure Objection Deadline; and it is further

ORDERED, that Cure Objections shall set forth the cure amount the objector asserts to be due, the specific types and dates of the alleged defaults, pecuniary losses, and conditions to assignment, and the support therefor; and it is further

ORDERED, that hearings with respect to Cure Objections may be held (a) at the Sale Hearing or (b) at such other date as the Court may designate, provided that if the subject Designated Contract is assumed and assigned, the cure amount asserted by the

objecting party (or such lower amount as may be fixed by the Court) shall be deposited with and held in a segregated account by the Debtors or such other person as the Court may direct pending further order of the applicable Court or mutual agreement of the parties; and it is further

ORDERED, that a properly filed and served Cure Objection shall reserve such party's rights against the Debtors (but not against any purchaser of the Assets) respecting the Cure Costs, but shall not constitute an objection to the remaining relief generally requested in the Motion; and it is further

ORDERED, that the failure of any person or entity to timely file its objection shall be a bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Sale Procedures Motion, or the consummation and performance of the Sale, if any (including the transfer free and clear of Liens and Encumbrances in and to the Assets transferred as part of the Sale); and is further

ORDERED, that this Order shall become effective immediately upon signature hereof; and it is further

ORDERED, that the Court shall retain jurisdiction over any matter or dispute arising from or relating to the implementation of this Order.

Dated: March __, 2009
Wilmington, Delaware

The Honorable Brendan L. Shannon
United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:	)	Chapter 11
)	
DRUG FAIR GROUP, INC., <i>et al.</i> , ¹	)	Case No. 09-10897 (BLS)
)	
Debtors.	)	Joint Administration Requested
)	
	)	Objection Deadline: March __, 2009 at
	)	4:00 p.m.
		Hearing Date: March __, 2009 at
		__:___.m.

**NOTICE OF DEBTORS' MOTION FOR ORDER (A) APPROVING
SALE PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH
SALE OF CERTAIN OF THE DEBTORS' ASSETS PURSUANT TO SECTIONS
363 AND 365 OF THE BANKRUPTCY CODE; (B) SCHEDULING AN
AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE OF
CERTAIN OF THE DEBTORS' ASSETS; (C) APPROVING NOTICE OF RESPECTIVE
DATE, TIME, AND PLACE FOR AUCTION AND FOR HEARING ON APPROVAL
OF (I) SALE OF CERTAIN OF THE DEBTORS' ASSETS, (II) ASSUMPTION
AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND
UNEXPIRED LEASES; AND (D) GRANTING OTHER RELIEF**

PLEASE TAKE NOTICE, that on March 19, 2009, the above-captioned Debtors filed their **Motion for Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain of the Debtors' Assets Pursuant to Sections 363 and 365 of the Bankruptcy Code; (B) Scheduling an Auction and Hearing to Consider Approval of the Sale of Certain of the Debtors' Assets; (C) Approving Notice of Respective Date, Time, and Place for Auction and for Hearing on Approval of (i) Sale of Certain of the Debtors' Assets, and (ii) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (D) Granting Other Relief** (the "Motion") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE, that any responses to the Motion must be in writing and filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Third Floor, Wilmington, DE 19801, and served upon the undersigned, so as to be received on or before **4:00 p.m. on March __, 2009.**

PLEASE TAKE FURTHER NOTICE, THAT, IF AN OBJECTION IS PROPERLY FILED AN SERVED IN ACCORDANCE WITH THE ABOVE PROCEDURES, A HEARING WILL BE HELD ON MARCH __, 2009 AT _____.M. BEFORE THE HONORABLE

¹ The Debtors in these cases, along with the last four digits of the federal tax identification number for each Debtor, are Drug Fair Group, Inc. f/k/a Community Distributors, Inc. (3660) and CDI Group, Inc. (9976).

_____, UNITED STATES BANKRUPTCY JUDGE FOR THE DISTRICT OF DELAWARE, 824 MARKET STREET, COURT ROOM #__, _____ FLOOR, WILMINGTON, DELAWARE 19801. ONLY OBJECTIONS MADE IN WRITING AND TIMELY FILED WILL BE CONSIDERED BY THE BANKRUPTCY COURT AT SUCH HEARING.

IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: March 19, 2009
Wilmington, Delaware

KLEHR, HARRISON, HARVEY,
BRANZBURG & ELLERS, LLP

By:

/s/ Domenic E. Pacitti

Domenic E. Pacitti, Esq. (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Sally E. Veghte, Esq. (DE Bar No. 4762)
919 Market Street, Suite 1000
Wilmington, DE 19801
Telephone: (302) 426-1189
Facsimile: (302) 426-9193
dpacitti@klehr.com
myurkewicz@klehr.com
sveghte@klehr.com

and

Carol Ann Slocum, Esq.
457 Haddonfield Road
Cherry Hill, NJ 08002
Telephone: (856) 486-7900
Facsimile: (856) 486-4875
cslocum@klehr.com

Proposed Counsel for the Debtors
and Debtors-in-Possession