

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.)	Jointly Administered
)	Related to Docket No. 431


ORDER APPROVING COMMUTATION AND RELEASE AGREEMENT BETWEEN DEBTORS AND HARTFORD FIRE INSURANCE COMPANY

Upon consideration of the stipulation (annexed hereto as Exhibit 1, the "Agreement") between the Debtors² and Hartford Fire Insurance Company ("Hartford"); and it appearing that the relief requested thereon is in the best interests of the Debtors, their creditors, and all parties-in-interest; and after due deliberation thereon; and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED, AND DECREED that:

1. The Agreement annexed hereto as Exhibit 1 is APPROVED.
2. This order shall be effective immediately.
3. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order and the Agreement.

Dated: September 28, 2009
Wilmington, Delaware



The Honorable Brendan L. Shannon
United States Bankruptcy Judge

¹ The Debtors in these cases, together with the last four digits of the federal tax identification number of each Debtor, are Drug Fair Group, Inc. f/k/a Community Distributors, Inc. (3660) and CDI Group, Inc. (9976).
² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

EXHIBIT 1

COMMUTATION AND RELEASE AGREEMENT

This COMMUTATION AND RELEASE AGREEMENT, effective as of September 16, 2009, at 12:01 a.m., is entered into by Hartford Fire Insurance Company (hereinafter referred to as "Hartford"), and Drug Fair Group, Inc. f/k/a Community Distributors, Inc. and CDI Group, Inc., and their bankruptcy estates (hereinafter collectively referred to as the "Insured");

WHEREAS, Hartford and Insured have entered into insurance contracts listed on Exhibit A (hereinafter, the "Policies");

WHEREAS, the Policies contained retrospective rating and/or deductible provisions which required Insured to reimburse Hartford for certain amounts paid under the Policies;

WHEREAS, Hartford is holding a Letter of Credit in the total amount of \$1,349,000.00 (the "Letter of Credit") as well as \$114,923.00 in Loss Deposits (the "Loss Deposits") provided by the Insured to secure its obligations under the Policies.

WHEREAS, Hartford and Insured have agreed to fully and finally settle, commute and discharge any and all of the Insured's obligations and liabilities under the retrospective rating provisions of the Policies, and enter into releases relating thereto;

NOW, THEREFORE, intending to be legally bound hereby, and in consideration of the covenants, assumptions, promises, payments, agreements and other good and valuable consideration recited herein, the receipt and sufficiency of which is hereby acknowledged, the parties agree to the following:

ARTICLE I - PAYMENT

- ~~1. Insured will pay to Hartford the sum of \$711,995.00 as a settlement amount (the "Settlement Amount") plus \$261,796.18 to satisfy its current outstanding obligation (the "Outstanding Obligation") upon the approval of this Agreement by a final non-appealable order (a "Final Order") of the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Settlement Amount and the Outstanding Obligation shall be paid out of the proceeds from Hartford's draw on the Letter of Credit (which is currently scheduled to occur on or prior to September 30, 2009) and forfeiture by the Insured of the Loss Deposits. Within five (5) business days of the approval of this Agreement by the Final Order, Hartford shall pay to the Insured the remainder of the proceeds from the Letter of Credit (\$490,131.82).~~

ARTICLE II - RELEASE

1. Simultaneous with the payment of the Settlement Amount and Outstanding Obligation by Insured to Hartford, Insured, on behalf of itself and its parent, affiliates, subsidiaries, predecessors, successors, assigns, and each of their past, present and future officers, directors, shareholders, employees, agents, and legal representatives (collectively, the "Insured Entities"), hereby releases, acquits and forever discharges Hartford, its parent, affiliates, subsidiaries, predecessors, successors, assigns, and their past, present and future officers, directors, shareholders, employees, agents, and legal representatives (collectively, the "Hartford Entities") from any and all claims, debts, demands, causes of action, liabilities, obligations, costs, disbursements, fees, attorneys' fees, expenses, damages, and injuries of every kind, nature, and description whether arising at law or in equity, which the Insured Entities (collectively or separately) ever had, now have, or hereinafter may have against the Hartford Entities (collectively or separately), including, without limitation, any and all claims, debts, demands, causes of action, liabilities, obligations, costs, disbursements, fees, attorney's fees, expenses, damages, and injuries of every kind, nature, make and description based on, relating to, or arising out of the handling or settlement of claims under the Policies, or the calculation and payment of premium or other amounts due under the provisions of the Policies or any other agreements relating to the Policies.

Notwithstanding the above, Hartford shall continue to provide coverage under the Policies and to handle, settle and pay (subject to the last sentence in paragraph II.2 herein) for claims under the terms of the Policies. However, the Insured agrees that Hartford will assume sole control of management of all claims subject to this Agreement in accordance with the terms of the Policies.

2. Simultaneous with the payment of the Settlement Amount and Outstanding Obligation by Insured to Hartford, Hartford, on behalf of itself and its predecessors, successors, assigns, and their past, present, and future officers, directors, shareholders, employees, agents, and legal representatives, hereby releases, acquits, and forever discharges Insured, its predecessors, successors, assigns, and their past, present, and future officers, directors, shareholders, employees, agents and legal representatives from, any and all claims, debts, demands, causes of action, liabilities, obligations, costs, premiums, disbursements, fees, attorneys' fees, expenses, damages, and injuries of every kind, nature, and description based on, relating to, or arising out of the payment of premium or other amounts due under the Policies or the retrospective rating provisions of the Policies. The release provisions of this paragraph shall not, however, apply to any claims covered by the Policies which are known by or have been reported to the Insured at the date of the execution of this Agreement, but have not been reported to Hartford.

ARTICLE III - REPRESENTATIONS AND WARRANTIES

The parties to this Agreement hereby represent and warrant that:

1. All judicial, statutory, regulatory, administrative, and/or ministerial actions necessary for the execution, delivery, and performance of this Agreement by each party have been or will be duly taken, and other than approval by the Bankruptcy Court, no further action, consent, or approval of any person, entity, court, or other governmental authority is required by either party for the lawful execution or delivery of this Agreement or the lawful performance and consummation of the transactions contemplated herein.
2. The individual executing this Agreement on behalf of each party has the full legal right, power, and authority to execute and deliver the Agreement on behalf of such party, subject to the approval of this Agreement by the Bankruptcy Court in the case of the Insured.
3. The parties represent to each other that they have not assigned to third parties any claims intended to be released by this Agreement.
4. Hartford and Insured further agree and stipulate that they have completely read, fully understand, and voluntarily accept the terms of this Agreement, and that:
 - a. by entering into this Agreement, neither Hartford nor Insured is making any representations as to any fact or circumstance other than those contained within this Agreement;
 - b. other than in d, below, neither Hartford nor Insured is relying upon the other, nor upon any person, third party, or anything other than its own independent knowledge and judgment and the advice of its own counsel in entering into this Agreement; and
 - c. Hartford and Insured acknowledge that there is a risk that subsequent to execution of this Agreement certain facts, circumstances, or legal decisions may be discovered, established or adjudicated which were different from, less than, or greater than that believed or known by one of the parties hereto at the time of the execution of this Agreement. It is further understood that with the exception of d below, Hartford and Insured hereby assume such risk and agree that this Agreement shall apply under any such different or unanticipated conditions.
 - d. Insured hereby represents to Hartford that there are no known or reported claims for which coverage under the Policies may apply that the Insured has not reported to Hartford.

ARTICLE IV - GENERAL CONDITIONS

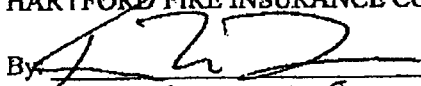
1. This Agreement shall become binding and shall inure to the benefit of all parties hereto and their respective predecessors, successors and assigns (including without limitation, any receiver, conservator, rehabilitator, liquidator, provisional liquidator, trustee or other statutory successor or quasi-statutory successor) upon its full and complete execution, provided however, that the Insured's execution must be subsequently approved by the Bankruptcy Court. The parties each may elect to void this Agreement should a Final Order approving this Agreement not be obtained by October 30, 2009. Notwithstanding the foregoing, all parties agree to use reasonable efforts to obtain a Final Order approving this Agreement as promptly as possible.
2. This Agreement constitutes the entire understanding by and between the parties hereto concerning the subject matter hereof, superseding all negotiations, prior discussions, representations, promises, and understandings, oral or written, expressed or implied, made prior to or contemporaneous with its execution. This Agreement may only be modified or amended by a written agreement, entered into subsequent to the date of the Agreement and duly executed by the parties hereto.
3. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, the remaining provisions shall remain in full force and effect.
4. Waiver by any of the parties of any term, provision, or condition of this Agreement shall not be construed to be a waiver of any other term, provision, or condition hereof, nor shall such waiver be deemed a waiver of any subsequent breach of the same term, provision, or condition. The failure of any party to enforce any of the provisions herein shall not be construed to be a waiver of the right of such party to enforce any such provisions.
5. ~~The parties to this Agreement are entering into it in good faith, at arm's length, and in the regular course of business and are in agreement that the Agreement is valid and enforceable in all respects. However, in the event that any court of competent jurisdiction or governmental agency renders an order, ruling, or other determination declaring the Agreement or any material provision of this Agreement null and void, it is mutually agreed by Hartford and Insured that each of them shall be restored to the position they were in just prior to entering into this Agreement.~~
6. Each party agrees that it shall, from time to time, upon the reasonable request of the other party, execute and deliver any further documents which may be required to fully implement the intent of this Agreement.
7. This Agreement may be executed and delivered in multiple counterparts, each of which, when so executed and delivered, shall be an original, but which together

shall constitute one of the same instrument and Agreement. The parties hereto agree that transmission by facsimile, or other electronic means, of an executed counterpart will be deemed due and sufficient delivery of such counterpart, and a photocopy of an executed counterpart sent by facsimile transmission may be treated by the parties as a duplicate original.

IN WITNESS WHEREOF the parties hereto have executed this Commutation and Release Agreement as of the date(s) set forth below.

Dated on this 16th day of September, 2009

HARTFORD FIRE INSURANCE COMPANY

By: 
Name: KEVIN M FINN
Title: VICE PRESIDENT

Dated on this _____ day of _____, 2009

DRUG FAIR GROUP, INC. f/k/a Community Distributors, Inc. and CDI Group, Inc.,
their parents, affiliates and subsidiaries, and their bankruptcy estates

By: _____
Name: Timothy Boates
Title: Chief Restructuring Officer

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IN WITNESS WHEREOF the parties hereto have executed this Commutation and Release Agreement as of the date(s) set forth below.

Dated on this _____ day of _____, 2009

HARTFORD FIRE INSURANCE COMPANY

By: _____

Name:

Title:

Dated on this 16th day of September, 2009

DRUG FAIR GROUP, INC. f/k/a Community Distributors, Inc. and CDI Group, Inc.,
their parents, affiliates and subsidiaries, and their bankruptcy estates

By:



Name: Timothy Boates

Title: Chief Restructuring Officer

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EXHIBIT A

POLICIES FOR DRUG FAIR GROUP, INC.

10/1/02-07/31/09

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