

SECURITIES AND EXCHANGE COMMISSION

FORM T-3

Initial application for qualification of trust indentures

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FILER

FRANKS NURSERY & CRAFTS INC

CIK: **38792** | IRS No.: **381561374** | State of Incorporation: **MI** | Fiscal Year End: **1231**
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-3
FOR APPLICATIONS FOR QUALIFICATION OF INDENTURES
UNDER THE TRUST INDENTURE ACT OF 1939

FRANK'S NURSERY & CRAFTS, INC.
(NAME OF APPLICANT)

580 KIRTS BLVD., SUITE 300
TROY, MICHIGAN 48084
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

SECURITIES TO BE ISSUED UNDER THE INDENTURE TO BE QUALIFIED:

TITLE OF CLASS -----	AMOUNT -----
SENIOR CONVERTIBLE PAY-IN-KIND NOTES DUE 2008	\$120,000,000 MAXIMUM AGGREGATE PRINCIPAL AMOUNT

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:
UPON THE EFFECTIVE DATE (AS HEREINAFTER DEFINED) UNDER THE PLAN
(AS HEREINAFTER DEFINED),
PRESENTLY ANTICIPATED TO BE ON OR ABOUT JULY 31, 2005.

NAME AND ADDRESS OF AGENT FOR SERVICE:

MICHAEL MCBRIDE
VICE PRESIDENT/ LEGAL AND
REAL ESTATE AND SECRETARY
580 KIRTS BLVD., SUITE 300
TROY, MICHIGAN 48084
(248) 712-7000

WITH A COPY TO:
ALAN HYMAN, ESQ.
PROSKAUER ROSE LLP
1585 BROADWAY
NEW YORK, NEW YORK 10036-8299
(212) 969-3000

FRANK'S NURSERY & CRAFTS, INC. HEREBY AMENDS THIS APPLICATION FOR QUALIFICATION ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVENESS UNTIL (i) THE 20TH DAY AFTER THE FILING OF AN AMENDMENT THAT SPECIFICALLY STATES THAT IT SHALL SUPERSEDE THIS APPLICATION FOR QUALIFICATION OR (ii) SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTION PURSUANT TO SECTION 307(C) OF THE TRUST INDENTURE ACT OF 1939, MAY DETERMINE UPON THE WRITTEN REQUEST OF THE APPLICANT.

GENERAL

1. GENERAL INFORMATION

(a) The applicant, Frank's Nursery & Crafts, Inc. (the "Applicant"), is a corporation. Pursuant to the Plan (as defined below), the Applicant's name will be changed as of the Effective Date to FNC Realty Corporation.

(b) The Applicant is organized under the laws of the State of Delaware.

2. SECURITIES ACT EXEMPTION APPLICABLE

On September 8, 2004, the Applicant filed a voluntary petition under Chapter 11 of the United States Code, as amended (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). Such proceedings were administered under Case No. 04-15826 (PCB). The Applicant filed with the Bankruptcy Court, among other things, a Second Amended Plan of Reorganization dated April 22, 2005 (as may be further amended, with schedules and exhibits thereto, the "Plan").

The Applicant intends to issue, on the effective date of the Plan (the "Effective Date"), and under the terms and subject to the conditions set forth in the Second Amended Disclosure Statement pertaining to the Plan (the "Disclosure Statement"), Senior Convertible Pay-in-Kind Notes due 2008 (the "Senior Notes") in an aggregate principal amount of up to \$120,000,000. The Senior Notes will bear interest per annum at a rate of 7%. Interest on the Senior Notes will be paid semi-annually. The Senior Notes will be issued pursuant to an Indenture (the "Indenture") to be qualified under this Form T-3. The Disclosure Statement and the Plan are included as Exhibits T3E-1 and T3E-2, respectively, to this Application.

The Senior Notes are being offered by the Applicant in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), afforded by Section 1145 of Title 11 of the Bankruptcy Code. Generally, Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a bankruptcy plan of reorganization from registration under the Securities Act and under equivalent state securities and "Blue Sky" laws if the following requirements are satisfied: (i) the securities are issued by the debtor (or its successor) under a plan of reorganization; (ii)

the recipients of the securities hold a claim against the debtor, an interest in the debtor or a claim for an administrative expense against the debtor; and (iii) the securities are issued in exchange for the recipient's claim against or interest in the debtor or are issued "principally" in such exchange and "partly" for cash or property. The Applicant believes that the issuance of the Senior Notes under the Plan will satisfy such requirements of Section 1145(a)(1) of the Bankruptcy Code and, therefore, such issuance is exempt from the registration requirements referred to above.

The Plan contemplates, among other things, the restructuring of the outstanding debt of the Debtors, in part through the issuance by the Applicant of the Senior Notes. The Senior Notes will mature July, 2008. The Senior Notes will be issued as of the Effective Date as defined in the Plan (the "Effective Date"). For a more complete description of the Senior Notes, reference is made to Item 8 of this Application and to the Indenture.

AFFILIATIONS

3. AFFILIATIONS

The following lists set forth all subsidiaries (direct and indirect) of the Applicant as of the date of this Application all of which are wholly-owned by the Applicant unless otherwise indicated.

SUBSIDIARIES OF APPLICANT

JURISDICTION OF ORGANIZATION

None.

Certain directors and executive officers of the Applicant may be deemed to be "affiliates" of the Applicant by virtue of their positions with the Applicant. See Item 4, "Directors and Executive Officers." Certain holders of

the Applicant's common stock may be deemed to be "affiliates" of the applicant by virtue of holding more than 10% of the voting securities of the Applicant. See Item 5, "Principal Owners of Voting Securities."

MANAGEMENT AND CONTROL

4. DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names of, and all offices held by, all current directors and executive officers of the Applicant.

NAME	MAILING ADDRESS	OFFICE OR POSITION
Michael McBride	580 Kirts Blvd.,	Vice President - Legal and Real

Suite 300
Troy, Michigan 48084

Estate

Linda Cote 580 Kirts Blvd., Vice President - Liquidation
Suite 300
Troy, Michigan 48084

Mark von Mayrhauser 580 Kirts Blvd., Vice President - Liquidation
Suite 300
Troy, Michigan 48084

Richard Montag c/o Frank's Director
Nursery & Crafts, Inc.
580 Kirts Blvd.,
Suite 300
Troy, Michigan 48084

Joseph Nusim c/o Frank's Director
Nursery & Crafts, Inc.
580 Kirts Blvd.,
Suite 300
Troy, Michigan 48084

Gerald Hellerman c/o Frank's Director
Nursery & Crafts, Inc.
580 Kirts Blvd.,
Suite 300
Troy, Michigan 48084

It is anticipated that as of the Effective Date, the Board of Directors of the Applicant will consist of 5 members to be designated by the Plan Investors (as such term is defined in the Plan) and it is presently contemplated that the three existing directors of the Applicant will be members of the Board of Directors following the Effective Date. It is also anticipated that on the Effective Date, the officers of the Applicant immediately prior to the Effective Date shall serve as the officers of the Applicant and after the Effective Date, the officers of the Applicant shall be determined by the new Board of Directors of the Applicant.

5. PRINCIPAL OWNERS OF VOTING SECURITIES

Presented below is certain information regarding each person owning 10% or more of the voting securities of the Applicant as of April 22, 2005.

NAME AND COMPLETE MAILING ADDRESS	TITLE OF CLASS OWNED	AMOUNT OWNED (SHARES)	PERCENTAGE OF VOTING SECURITIES OWNED
Kimco Realty Corporation (1)	Common Stock	5,997,432	29.71%

3333 New Hyde park Road
New Hyde Park, New York 11042

Third Avenue Management LLC (2)	Common Stock	2,490,538	12.46%
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767 Third Avenue, 5th Floor
New York, New York 10017

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Ramius Capital Group, LLC (3)	Common Stock	2,926,715	14.64%
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666 Third Avenue, 26th Floor
New York, New York 10017

Notes:

(1) Includes 5,937,388 shares owned by Kimco Realty Services, Inc. and 60,044 shares owned by Kimco Realty Corporation.

(2) Includes 2,350,695 shares held by Third Avenue Trust on behalf of Third Avenue Value Fund Series and 139,843 shares held by Third Avenue Trust on behalf of Third Avenue Real Estate Value Fund Series.

(3) Includes 2,759,677 shares owned by RCG Carpathia Master Fund, Ltd., 134,351 shares owned by Ramius Securities, LLC and 32,687 shares owned by SphinX Distressed (RCG Carpathia), Segregated Portfolio.

Presented below is certain information regarding each person expected, on the basis of present holdings, commitments and information, to own 10% or more of the Applicant voting securities to be outstanding as of the Effective Date. As of the date hereof, the Applicant is unable to determine the exact number of shares or percentage of voting securities that will be owned by the persons listed below.

NAME AND COMPLETE MAILING ADDRESS (A)	TITLE OF CLASS OWNED
Kimco Realty Corporation 3333 New Hyde park Road New Hyde Park, New York 11042	Common Stock
Third Avenue Management LLC 767 Third Avenue, 5th Floor	Common Stock

Ramius Capital Group, LLC
666 Third Avenue, 26th Floor Common Stock
New York, New York 10017

(A) As of the date hereof, it is anticipated that each of the holders set forth above will hold shares of common stock of the Applicant in the names of the entities set forth in the notes above.

UNDERWRITERS

6. UNDERWRITERS

(a) No person acted as an underwriter of any securities of the Applicant within the last three years prior to the date of the filing of this Application, which were outstanding on the date of this Application.

(b) No person is acting as principal underwriter of the Senior Notes proposed to be issued pursuant to the Indenture.

CAPITAL SECURITIES

7. CAPITALIZATION

(a) (1) The following table sets forth, as of April 22, 2005, information as to each authorized class of securities of the Applicant:

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT OUTSTANDING
Common Stock, par value \$0.001 per share	50,000,000 shares	19,984,516 shares

(2) The following table sets forth information as to each authorized class of securities of the Applicant, as of the Effective Date:

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT OUTSTANDING
Common Stock, par value \$0.001 per share	275,000,000 shares	45,600,000 shares (i)

payable on account of any Senior Note or otherwise under the Indenture, when and as the same shall become due and payable, whether at maturity or at a date fixed for prepayment or by acceleration or declaration or otherwise and such default shall have continued for a period of thirty (30) days after notice thereof to the Applicant; (2) if default shall be made in the due and punctual payment of any interest on any Senior Note or otherwise under the Indenture, when and as such interest shall become due and payable and such default shall have continued for a period of five (5) days after notice thereof to the Applicant; (3) if default shall be made in the performance or observance of any covenant, agreement or provision contained in the Indenture or in any instrument or document delivered to the Holders in connection with or pursuant to the Indenture; and such default shall have continued for a period of thirty (30) days after notice thereof to the Applicant (specifying that the continuance of such default shall constitute an "Event of Default" thereunder) from the Trustee; (4) if the Applicant shall (i) default in the payment of any principal, interest or premium with respect to any indebtedness for borrowed money or any obligation which is the substantive equivalent thereof (including, without limitation, obligations under conditional sales contracts, finance leases and the like) which, together with all other such indebtedness as to which a default shall be continuing, shall exceed two hundred fifty thousand dollars (\$250,000) in the aggregate, or under any agreement or instrument under or pursuant to which any such Indebtedness or obligation may have been issued, created, assumed or guaranteed by the Applicant and such default shall continue for more than the period of grace, if any, therein specified or (ii) default in the performance or observance of any other term, condition or agreement contained in any such obligation or in any agreement relating thereto if the effect thereof is to cause, or permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due prior to its stated maturity; (5) if the Applicant shall generally not be paying its debts as they become due; file a petition or seek relief under or take advantage of any insolvency law; make an assignment for the benefit of its creditors; commence a proceeding for the appointment of a receiver, trustee, liquidator, custodian or conservator of itself or of the whole or substantially all of its property; file a petition or an answer to a petition under any chapter of Title 11 of the U.S. Code (the "Bankruptcy Code") or file a petition or seek relief under or take advantage of any other similar law or statute of the United States of America, any state thereof or any foreign country; (6) if a court of competent jurisdiction shall enter an order, judgment or decree appointing or authorizing a receiver, trustee, liquidator, custodian or conservator of the Applicant or of the whole or substantially all of its property, or enter an order for relief against the Applicant in any case commenced under any chapter of the Bankruptcy Code or grant relief under any other similar law or statute of the United States of America, any state thereof or any foreign country; or if, under the provisions of any law for the relief or aid of debtors, a court of competent jurisdiction or a receiver, trustee, liquidator, custodian or conservator shall assume custody or control or take possession of the Applicant or of the whole or substantially all of its property; or if there is commenced against the Applicant any proceeding for any of the foregoing relief or if a petition is filed against the Applicant under any chapter of the Bankruptcy Code or under any other similar law or statute of the United States of America or any state thereof or any foreign country and such proceeding or petition remains

undismissed for a period of sixty (60) days; or if the Applicant consents to, approves of or acquiesces in any such proceeding or petition; or (7) if any judgment against the Applicant or any attachment or execution against any of its property for any amount in excess of one hundred thousand dollars (\$100,000) remains unpaid, unstayed, undismissed or unbonded for a period of more than sixty (60) days.

Under the Indenture, if a default or event of default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each noteholder notice of the default or event of default within 90 days after it occurs. Except in the case of a default or event of default in payment of principal or interest on the Senior Notes, the Trustee may withhold the notice if and so long as a committee of its officers in good faith determines it to be in the best interests of the holders of the Senior Notes to do so.

AUTHENTICATION AND DELIVERY OF SENIOR NOTES; APPLICATION OF PROCEEDS.

The Senior Notes shall be executed on behalf of the Applicant by an officer of the Applicant. Such signature can be either manual or facsimile. If an officer whose signature is on a Senior Note no longer holds that office at the time the Trustee authenticates the Senior Note or at any time thereafter, the Senior Note shall be valid nevertheless.

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A Senior Note shall not be valid until the Trustee manually signs the certificate of authentication on the Senior Note. Such signature shall be conclusive evidence that the Senior Note has been authenticated under the Indenture. The Senior Notes shall be issuable only in registered form without coupons and only in denominations of whole dollar integrals. The Trustee shall issue Senior Notes upon a request by the Applicant. The Trustee may appoint an authenticating agent acceptable to the Applicant to authenticate Senior Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Senior Notes whenever the Trustee may do so.

RELEASE OR RELEASE AND SUBSTITUTION OF PROPERTY

Not applicable.

SATISFACTION AND DISCHARGE OF THE INDENTURE

The Applicant may terminate its obligations under the Senior Notes and the Indenture (other than certain specified obligations) if there shall have been cancelled by the Trustee or delivered to the Trustee for cancellation all Senior Notes theretofore authenticated and delivered (other than any Senior Notes that are asserted to have been destroyed, lost or stolen and that shall have been replaced as provided in the Indenture) and the Applicant has paid all sums payable by it under the Indenture or deposited all required sums with the

Trustee.

After such delivery the Trustee upon request shall acknowledge in writing the discharge of the Applicant's obligations under the Senior Notes and the Indenture (other than certain specified obligations).

STATEMENT AS TO COMPLIANCE

The Applicant shall deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate (one of the signers of which shall be the principal executive officer, principal financial officer or principal accounting officer of the Applicant) complying with Section 314(a)(4) of the Trust Indenture Act stating that a review of the activities of the Applicant during such fiscal year has been made under the supervision of the such signing officer with a view to determining whether the Applicant has kept, observed, performed and fulfilled its obligations under the Indenture and further stating, as to each such officer signing such certificate, that to the best of his or her knowledge the Applicant, has kept, observed, performed and fulfilled each and every covenant contained in the Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions thereof or under the Indenture (determined without regard to any period of grace or requirement of notice provided under the Indenture), or, if a default or event of default shall have occurred, describing all or such defaults or events of default of which he or she may have knowledge and what action the Applicant is taking or proposes to take with respect thereto.

The Applicant will, so long as any of the Senior Notes are outstanding, deliver to the Trustee, forthwith upon any officer's becoming aware of any default or event of default, an officers' certificate specifying the nature and extent of the same in reasonable detail and what action the Applicant is taking or proposes to take with respect thereto.

9. OTHER OBLIGORS

Other than the Applicant, no person is an obligor of with respect to the Senior Notes.

CONTENTS OF APPLICATION FOR QUALIFICATION. This Application for qualification comprises:

(a) Pages numbered 1 to 9, consecutively; and

(b) The following Exhibits in addition to those filed as part of the statement of eligibility and qualification of such trustee:

Exhibit T3A

Certificate of Incorporation of the Applicant (incorporated herein by reference to Exhibit 3.1 to the Applicant's Quarterly Report on Form 10-Q for the quarterly period ended August 11, 2002) (File no. 033-43504-01).

Exhibit T3B By-Laws of the Applicant (incorporated herein by reference to Exhibit 3.2 to the Applicant's Annual Report on Form 10-K for the fiscal year ended period ended January 25, 2004) (File no. 000-50158).

Exhibit T3C** Form of Indenture by and among the Applicant and Trustee, for the Senior Convertible Pay-in-Kind Notes due 2008.

Exhibit T3D Not Applicable.

Exhibit T3E-1* Second Amended Disclosure Statement for the Amended Plan of Reorganization of the Applicant dated April 22, 2005, as amended.

Exhibit T3E-2* Second Amended Plan of Reorganization for the Applicant dated April 22, 2005, as amended.

Exhibit T3F** Cross Reference sheet showing the location in the Indenture of the provisions inserted therein pursuant to Sections 310 through 318(a), inclusive, of the Trust Indenture Act of 1939.

Exhibit T3G * Statement of eligibility and qualification of the Trustee on Form T-1.

 * Filed herewith
 ** To be filed by Amendment

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the applicant, Frank's Nursery & Crafts, Inc., a corporation organized and existing under the laws of the State of Delaware, has duly caused this Application to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the City of New York and State of New York, on the 29th day of April, 2005.

(Seal)

FRANK'S NURSERY & CRAFTS, INC.

By: /s/ Michael McBride

Name: Michael McBride
Title: Vice President/ Legal and
Real Estate and Secretary

Attest:

/s/ Susan M. Miller

PROSKAUER ROSE LLP
Counsel for the Debtor
and Debtor-in-Possession
1585 Broadway
New York, New York 10036
(212) 969-3000
Alan B. Hyman (AH-6655)
Jeffrey W. Levitan (JL-6155)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE: (Chapter 11)

FRANK'S NURSERY & CRAFTS, INC.,

Case No. 04-15826 (PCB)

DEBTOR.

SECOND AMENDED DISCLOSURE STATEMENT PURSUANT TO
SECTION 1125 OF THE BANKRUPTCY CODE FOR THE
SECOND AMENDED PLAN OF REORGANIZATION OF THE DEBTOR

Dated: April 22, 2005
New York, New York

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I. INTRODUCTION AND SUMMARY

A. OVERVIEW

Frank's Nursery & Crafts, Inc., the above-captioned debtor and debtor-in-possession (the "Debtor"), transmits this Second Amended Disclosure Statement pursuant to Section 1125(b) of Title 11, United States Code, 11 U.S.C. SS. 101 ET SEQ. (the "Bankruptcy Code") and Rule 3017 of the Federal Rules of Bankruptcy Procedure ("Bankruptcy Rules"), in connection with its Second Amended Plan of Reorganization dated April 22, 2005 (as same may be further amended, the "Plan") in order to provide adequate information to enable holders of Interests that are impaired and entitled to vote under the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan.

The Plan provides a means by which the Debtor will be reorganized under Chapter 11 of the Bankruptcy Code, and sets forth the treatment of all Claims against and Interests in the Debtor. In summary, the Plan is predicated on the Debtor retaining approximately 40 parcels of real estate which are anticipated to be developed as retail locations over a three year period, subject to market conditions. Funding for the Plan will be provided by certain existing

shareholders of the Debtor. As set forth more fully below, the Plan provides for payment in full of all unsecured claims plus post-petition interest (accordingly, it is not necessary to solicit acceptances or rejections of the Plan by unsecured creditors), shareholders holding 5,000 shares or less will receive \$.75 per existing share in cash and shareholders holding more than 5,000 shares will receive either \$.75 per existing share in cash, or may exchange their existing shares for shares in Reorganized FNC, subject to dilution, and receive the right to invest in Reorganized FNC on substantially the same terms as the Plan funders./1/

THE DEBTOR HAS NEGOTIATED THE TERMS OF THE PLAN WITH CERTAIN MAJOR EQUITY HOLDERS, ITS POST-PETITION LENDER AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS IN THIS CHAPTER 11 CASE.

Attached as Exhibits to this Disclosure Statement are copies of the following:

- o Second Amended Plan of Reorganization dated April 22, 2005 (Exhibit A);
- o Order of the Bankruptcy Court dated April 22, 2005 (the "Disclosure Statement Approval Order"), which among other things, approves the Disclosure Statement and establishes certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan (Exhibit B);
- o Frank's Nursery & Crafts, Inc. Liquidation Analysis (Exhibit C);

1 A HOLDER OF AN EQUITY INTEREST MAY ONLY EXERCISE ITS RIGHT TO INVEST IN REORGANIZED FNC IF SUCH HOLDER IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D OF THE SECURITIES ACT OF 1933 AND HOLDS MORE THAN 100,000 SHARES OF OLD COMMON STOCK.

- o Frank's Nursery & Crafts, Inc., 2005-2008 Financial Projections (Exhibit D); and
- o Investment Agreement (Exhibit E);

The Disclosure Statement Approval Order, a copy of which is annexed hereto as Exhibit B, sets forth the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating Ballots. Detailed voting instructions also accompany each Ballot. Each holder of an Interest entitled to vote on the Plan should read the

Disclosure Statement, the Plan, the Disclosure Statement Approval Order and the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain, among other things, important information concerning the classification of Claims and Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept or reject the Plan may be made except pursuant to Section 1125 of the Bankruptcy Code.

B. SUMMARY OF CLASSIFICATION AND TREATMENT UNDER THE PLAN

In general, and as more fully described herein, the Plan effectuates a restructuring of the Debtor's assets. The Plan (i) divides Claims and Interests into two categories (consisting of Administrative Expense Claims and Priority Tax Claims) and 6 classes, (ii) sets forth the treatment afforded to each category and class, and (iii) provides the means by which the Debtor will be reorganized under Chapter 11 of the Bankruptcy Code. The following table sets forth a summary of the treatment of each type of Claim and Interest under the Plan (a more detailed description of the Plan is set forth in Section IV of this Disclosure Statement entitled "Overview of The Plan")./2/

Class	Type of Claim or Interest	Treatment of Allowed Claims of Interests	Recovery
---	Administrative Expense Claims	To be paid in full, in Cash, in such amounts as (1) are incurred in the ordinary course of business by the Debtor, when and as such Administrative Expense Claims become due and owing, (2) are Allowed by the Bankruptcy Court upon the later of the Effective Date or as soon thereafter as practicable, the date of a Final Order allowing such Administrative Expense Claims, or any other date specified in such order, or (3) may be agreed upon between the holders of such Administrative Expense Claims and the Debtor or	100%

2 This summary contains only a brief and simplified description of the classification and treatment of Claims and Equity Interests under the Plan. It does not describe every provision of the Plan. Accordingly, reference should be made to the entire Disclosure Statement (including exhibits) and the Plan for a complete description of the classification and treatment of Claims and Equity Interests.

Class	Type of Claim or Interest	Treatment of Allowed Claims of Interests	Estimated Recovery
		Reorganized FNC, as the case may be.	
---	Priority Tax Claims	To be paid in full, in Cash, upon the later of (1) the Effective Date or as soon thereafter as practicable, (2) the date upon which there is a Final Order allowing such Claim as an Allowed Priority Tax Claim, (3) the date that such Allowed Priority Tax Claim would have been due if the Chapter 11 Cases had not been commenced, or (4) upon such other terms as may be agreed to between the Debtor and the holder of any Allowed Priority Tax Claim; PROVIDED, HOWEVER, that the Debtor may, at its option, in lieu of payment in full of Allowed Priority Tax Claims on the Effective Date, make Cash payments respecting Allowed Priority Tax Claims deferred in accordance with Section 1129(a)(9) of the Bankruptcy Code.	100%
1	Priority Claims	NOT IMPAIRED (NOT ELIGIBLE TO VOTE ON PLAN). Each holder of an Allowed Priority Claim shall receive, in full and final satisfaction of such Allowed Priority Claim, Cash in an amount equal to such Allowed Priority Claim on the later of (i) the Effective Date and (ii) the date such Priority Claim becomes an Allowed Priority Claim, or as soon thereafter as practicable, unless the holder of an Allowed Priority Claim and the Debtor (or Reorganized FNC, as the case may be), agree to a different treatment thereof.	100%
2	Kimco Secured Claims	NOT IMPAIRED (NOT ELIGIBLE TO VOTE ON PLAN). On the Effective Date, Kimco shall receive, in full and final satisfaction of the Kimco Secured Claims, Cash in an amount equal to such Allowed Kimco Secured Claims.	100%
3	General Secured Claims	NOT IMPAIRED (NOT ELIGIBLE TO VOTE ON PLAN). To the extent not satisfied by the Debtor in the ordinary course of business prior to the Effective Date, at the option of Reorganized FNC, a holder of an Allowed General Secured Claim (i) shall retain its lien and such holder's Allowed General Secured Claim shall be reinstated and rendered unimpaired in	100%

accordance with Section 1124(2) of the Bankruptcy Code or (ii) shall receive Cash in an amount equal to such holder's Allowed General Secured Claim, including any interest on such holder's Allowed General Secured Claim required to be paid pursuant to Section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such General Secured Claim becomes an Allowed General Secured Claim PROVIDED, HOWEVER, that Reorganized FNC shall make such Cash payment to the holder of any Allowed General Secured Claim that is entitled to a premium or penalty on the payment of its claim prior to its stated maturity if such holder waives and releases the Debtor from any liability associated with pre-payment of such Allowed General Secured Claim. The Confirmation Order shall provide that the Debtor shall make

Class	Type of Claim or Interest	Treatment of Allowed Claims of Interests	Estimated Recovery
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all monthly payments that become due and owing prior to the Effective Date on account of General Secured Claims. In the event that an Allowed General Secured Claim is reinstated, the holder of the Allowed General Secured Claim shall retain its lien and such reinstatement shall not affect the holder's ability to assert any rights or remedies prescribed by the applicable loan documents upon any future event of default, including but not limited to late charges, default interest, pre-payment penalties, and defeasance payments. On the Effective Date or the date that any payment is due, Reorganized FNC shall (x) pay any undisputed portion of a General Secured Claim and (y) establish an interest bearing escrow account with respect to any disputed amounts pending agreement between the parties or a Final Order of the Bankruptcy Court. The Debtor shall file an objection to any portion of a General Secured Claim that it disputes within 60 days of the

Effective Date if an agreement has not been previously reached between the parties as to the amount of the claim.

4	General Unsecured Claims	NOT IMPAIRED (NOT ELIGIBLE TO VOTE ON PLAN). On the Effective Date, or as soon thereafter as practicable, each holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction of such Allowed General Unsecured Claim, a Cash payment equal to the Allowed amount of such Claim, plus post-petition interest at a rate of 2.10% per annum for the period from the Petition Date through the Effective Date.	100%, plus post-petition interest
5	Equity Interests	IMPAIRED (ELIGIBLE TO VOTE ON PLAN). On the Effective Date, each of the shares of Old Common Stock shall be cancelled, annulled and extinguished and the holders of Allowed Equity Interests shall be entitled to receive, at the option of each such holder, either (i) a Cash payment equal to \$.75 per share for each of such holder's shares of Old Common Stock, in full and final satisfaction of such Allowed Equity Interest or (ii) (x) shares of New FNC Common Stock equal to the number of shares of Old Common Stock held by such holder (which are subject to dilution) and (y) the Equity Participation Right, PROVIDED, HOWEVER, that a holder of an Equity Interest may only exercise the Equity Participation Right if such holder is an accredited investor within the meaning of Regulation D of the Securities Act of 1933 and holds 100,000 shares of Old Common Stock or more. Any holder of an Equity Interest that does not elect treatment on the ballot accompanying the Disclosure Statement, shall be deemed to have elected to receive Cash in an amount equal to \$.75 per share for each of such holder's shares of Old Common Stock.	\$.75 per share or retain interest in Reorganized FNC

Class	Type of Claim or Interest	Treatment of Allowed Claims of Interests	Estimated Recovery
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6 Convenience Interests IMPAIRED (ELIGIBLE TO VOTE ON PLAN). On the Effective Date, each of the shares of Old Common Stock shall be cancelled, annulled and extinguished and each holder of an Allowed Convenience Interest shall receive, in full and final satisfaction of such Allowed Convenience Interest, a Cash payment equal to \$.75 per share for each of such holder's shares of Old Common Stock. \$.75 per share

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE BANKRUPTCY COURT AS CONTAINING INFORMATION OF A KIND, AND IN SUFFICIENT DETAIL, TO ENABLE HOLDERS OF INTERESTS TO MAKE AN INFORMED JUDGMENT IN VOTING TO ACCEPT OR REJECT THE PLAN. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION OR RECOMMENDATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN, THE PLAN DOCUMENTS, AND CERTAIN FINANCIAL INFORMATION. WHILE THE DEBTOR BELIEVES THAT THESE SUMMARIES ARE FAIR AND ACCURATE AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. FURTHERMORE, ALTHOUGH THE DEBTOR HAS MADE EVERY EFFORT TO BE ACCURATE, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT, UNLESS OTHERWISE INDICATED, BEEN THE SUBJECT OF AN AUDIT BY AN OUTSIDE ACCOUNTING FIRM. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY, OR DISCREPANCY BETWEEN THE TERMS AND PROVISIONS IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS IN THE PLAN, THE PLAN DOCUMENTS, OR THE FINANCIAL INFORMATION INCORPORATED THEREIN BY REFERENCE, THE PLAN SHALL GOVERN FOR ALL PURPOSES. ALL HOLDERS OF INTERESTS SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN AND THE EXHIBITS TO THIS DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND INTERESTS, AND OTHER PARTIES-IN-INTEREST REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN UNLESS SO SPECIFIED. WHILE THE DEBTOR HAS MADE EVERY EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES COULD REASONABLY BE EXPECTED TO AFFECT

MATERIALLY THE VOTE ON THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT THAT CERTAIN EVENTS, SUCH AS THOSE MATTERS DISCUSSED IN SECTION IX BELOW ENTITLED "RISK FACTORS," DO OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES

LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAWS. PERSONS OR ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST, OR SECURITIES OF, THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

IN ACCORDANCE WITH THE BANKRUPTCY CODE, THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS SUCH COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

WITH RESPECT TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT AND THE INFORMATION CONTAINED HEREIN SHALL NOT BE CONSTRUED AS AN ADMISSION OR STIPULATION, BUT RATHER AS STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS PURSUANT TO RULE 408 OF THE FEDERAL RULES OF EVIDENCE.

C. VOTING AND CONFIRMATION PROCEDURES

Accompanying this Disclosure Statement are copies of the following documents:

(i) the Plan, which is annexed hereto as Exhibit A;

(ii) the Disclosure Statement Approval Order, which is annexed hereto as Exhibit B, (a) approving this Disclosure Statement as containing adequate information pursuant to Section 1125 of the Bankruptcy Code, (b) approving the forms of Ballots to be executed by holders of impaired Interests for voting on the Plan and (c) approving the notice of and fixing the time for (1) submitting acceptances of or rejections to the Plan and making elections required under the Plan, (2) the hearing to consider confirmation of the Plan and (3) filing objections to confirmation of the Plan; forms of Ballots to be executed by holders of impaired Interests for voting to accept or reject the Plan.

The forms of Ballots, and the related materials delivered together herewith, are being furnished, for purposes of soliciting votes on the Plan, to holders of (i) Equity Interests in Class 5 and (ii) Convenience Interests in Class 6. HOLDERS OF EQUITY INTERESTS IN CLASS 5 THAT WISH TO EXERCISE THE EQUITY PARTICIPATION RIGHT TO INVEST IN THE NEW SENIOR NOTES AND THE NEW FNC

COMMON STOCK MUST INDICATE SUCH ELECTION ON THE BALLOT DELIVERED HEREWITH. In addition, this Disclosure Statement is also being made available to holders of claims in Classes 1, 2, 3, and 4 (who are deemed to accept the Plan), and other entities, solely for informational purposes.

1. WHO MAY VOTE ON THE PLAN

Pursuant to the provisions of the Bankruptcy Code, ONLY impaired classes of claims or equity interests are entitled to vote to accept or reject a plan of reorganization. A class which is not "impaired" (also referred to as "unimpaired") under a plan is deemed to have accepted such plan and does not vote.

A class is "impaired" under the Bankruptcy Code UNLESS the legal, equitable, and contractual rights of the holders of claims or equity interests in such class are not modified or altered. For purposes of the Plan, holders of Equity Interests in Class 5 and holders of Convenience Interests in Class 6 are impaired and are entitled to vote on the Plan. Holders of Priority Claims in Class 1, holders of Kimco Secured Claims in Class 2, holders of General Secured Claims in Class 3, and holders of General Unsecured Claims in Class 4 are unimpaired; therefore such Classes are deemed to accept the Plan and are not entitled to vote.

2. VOTING PROCEDURES

All votes to accept or reject the Plan must be cast by using the form of Ballot enclosed with this Disclosure Statement. No votes other than ones using such Ballots will be counted except to the extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has fixed the close of business, on April 22, 2005 (the "Voting Record Date") as the record date for the determination of holders of record of Claims and Interests who are entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) where applicable, vote to accept or reject the Plan. After carefully reviewing the Plan and this Disclosure Statement, including the attached exhibits and the Plan Documents, please indicate your acceptance or rejection of the Plan on the appropriate Ballot and return such Ballot in the enclosed envelope, or by mail, courier or hand delivery to:

Frank's Nursery & Crafts, Inc.,
c/o Bankruptcy Services, LLC
757 Third Avenue, 3rd Avenue
New York, New York 10017
(646) 282-2500

BALLOTS MUST BE RECEIVED ON OR BEFORE 4:00 P.M. (NEW YORK CITY TIME) ON JUNE 3, 2005 (THE "VOTING DEADLINE"). ANY BALLOT WHICH (I) IS NOT EXECUTED, (II) IS EXECUTED BY THE HOLDER OF AN ALLOWED INTEREST BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN, (III) HAS BOTH THE ACCEPTANCE AND REJECTION BOXES CHECKED OR (IV) IS SENT BY FAX, SHALL NOT BE COUNTED. IF YOU ARE A BENEFICIAL HOLDER OF A SECURITY HELD BY A NOMINEE, PLEASE NOTE THAT BALLOTS MUST BE RETURNED BY HAND, MAIL, OR OVERNIGHT TRANSMISSION TO YOUR NOMINEE IN SUFFICIENT TIME FOR IT TO BE

FORWARDED BY YOUR NOMINEE TO THE DEBTOR'S BALLOTING AGENT BY THE VOTING DEADLINE.

If you have any questions regarding the procedures for voting on the Plan, please contact the Debtor's balloting agent, Bankruptcy Services, LLC, at the above address and telephone number. IF YOU HOLD OLD COMMON STOCK IN THE DEBTOR THROUGH A BROKER-DEALER OR OTHER INTERMEDIARY, PLEASE CONTACT YOUR BROKER-DEALER OR OTHER INTERMEDIARY FOR PROCEDURES ON VOTING TO ACCEPT OR REJECT THE PLAN.

II. DESCRIPTION OF DEBTOR AND EVENTS LEADING TO COMMENCEMENT OF CHAPTER 11 CASE

A. OVERVIEW OF THE DEBTOR AND ITS BUSINESS OPERATIONS

Prior to the Petition Date, the Debtor operated the largest chain (as measured by sales) in the United States of specialty retail stores devoted to the sale of lawn and garden products and offered one of the widest selections of live plants in the industry, in addition to an assortment of other products including, fertilizers, mulches, garden tools, planting accessories, decorative planters and other related merchandise. The Debtor was also a leading retailer of Christmas decor merchandise, artificial flowers and arrangements, garden and floral crafts and home decorative products. As of the Petition Date, the Debtor employed approximately 2,800 individuals and operated 169 retail stores in 14 states under the name Frank's Nursery, 61 of which were owned by the Debtor and 108 of which were leased. As of August 8, 2004, the Debtor, on a book-value basis, had aggregate assets and liabilities of approximately \$123,829,000 and approximately \$140,460,000, respectively.

B. CHAPTER 11 PROCEEDING OF PREDECESSORS-IN-INTERESTS TO THE DEBTOR

On February 19, 2001, the predecessors-in-interest to the Debtor filed voluntary Chapter 11 petitions in the United States Bankruptcy Court for the District of Maryland under Case Nos. 01-52415 and 01-52416 (the "Prior Chapter 11 Proceeding"). A plan of reorganization in the Prior Chapter 11 Proceeding was confirmed on or about May 7, 2002 pursuant to which the two debtor entities were merged into a newly formed corporation and the surviving entity was Frank's Nursery & Crafts, Inc., the Debtor in this Chapter 11 case. Pursuant to the confirmed plan of reorganization, each holder of a general unsecured claim received either (i) its pro rata share of 20 million shares of common stock in the reorganized debtor or (ii) cash equal to 10% of the allowed amount of such holder's claim. Exit financing was provided under the plan pursuant to two separate facilities with Congress Financial Corporation ("Congress") and Kimco Capital Corporation ("Kimco") as described in more detail below.

C. PRE-PETITION CAPITAL STRUCTURE

As noted above, prior to the Petition Date, the Debtor obtained financing pursuant to the exit financing facilities provided under the plan of

reorganization in the Prior Chapter 11 Proceeding. The Debtor's primary indebtedness consisted of borrowings under (a) a revolving credit facility (the "Congress Pre-Petition Facility") with Congress and (b) a term loan and revolving credit facility (the "Kimco Pre-Petition Facility") with Kimco. The Congress Pre-

Petition Facility was a \$50 million revolving credit facility (which included \$25 million of availability for letters of credit) secured by a first priority lien on substantially all of the Debtor's assets, except for certain assets on which Kimco had a first priority lien. As of August 30, 2004, there were approximately \$6.5 million in borrowings outstanding under the Congress Pre-Petition Facility and outstanding letters of credit aggregating \$10.3 million. The Kimco Pre-Petition Facility was an approximately \$75 million credit facility which included a term loan in the principal amount of \$15 million and a revolving credit facility in the amount of \$60 million. The Kimco Pre-Petition Facility was secured by a first priority lien on certain of the Debtor's owned real property and leasehold interests and a second priority lien on the Debtor's inventory and other assets. As of September 7, 2004, there were approximately \$62 million in borrowings outstanding under the Kimco Pre-Petition Facility including the term loan.

As described in Section III.E.2. below, pursuant to a final order dated September 29, 2004, Kimco Securities Corporation ("Kimco Securities"), an affiliate of Kimco, provided the Debtor with a \$27.5 million debtor-in-possession financing facility (the "DIP Loan Facility"), which was utilized to satisfy all outstanding obligations under the Congress Pre-Petition Facility and provide the Debtor with additional working capital. Pursuant to an order of the Bankruptcy Court dated February 4, 2005, the Debtor and Kimco Securities entered into a First Amendment to the DIP Loan Facility pursuant to which Kimco Securities provided the Debtor with a term loan in the amount of \$7.5 million. See Section III.E.2 below, for a further discussion of the amendment to the DIP Loan Facility. The DIP Loan Facility provides for proceeds from the asset sales of the Debtor to be used to satisfy amounts outstanding under the Kimco Pre-Petition Facility. As of March 25, 2005, the Debtor had repaid all amounts under the Kimco Pre-Petition Facility and the outstanding amounts owing under the DIP Loan Facility aggregated approximately \$41.2 million. It is anticipated that outstanding amounts under the DIP Loan Facility will increase to approximately \$47.7 million as of July 31, 2005.

The Debtor's common stock is currently listed on the Over-the-Counter Bulletin Board under the symbol "FNCN.OB." As of the Petition Date, approximately 17.8 million shares of Old Common Stock of the Debtor were outstanding. Since the Petition Date, the Debtor distributed an additional approximately 2.2 million shares of Old Common Stock to holders of general unsecured claims from the Prior Chapter 11 Proceeding. Since the Petition Date, because of its liquidating posture, the Debtor has not filed required reports

with the Securities and Exchange Commission.

On the effective date of the plan of reorganization in the Prior Chapter 11 Proceeding and thereafter, (a) certain employees, officers and directors of the Debtor, (b) Cypress Merchant Banking Partners LP, an equityholder of the predecessors-in-interest to the Debtor and (c) Kimco and Third Avenue Management, LLC received warrants and options to purchase Old Common Stock with exercise prices ranging from \$.65 to \$1.99 per share. As of the Petition Date, there were an aggregate of approximately 12.5 million unexercised warrants and options to purchase Old Common Stock outstanding. See Section IV.G.4 below respecting the assumption of unexercised warrants and stock options.

D. CIRCUMSTANCES SURROUNDING THE CHAPTER 11 FILING

After the conclusion of the Prior Chapter 11 Proceeding, the Debtor continued to sustain losses from operations as a result of, among other things, a general weakness in economic conditions and a steady decline in customer traffic, unfavorable weather patterns causing a decline in all markets, a general decline in the traditional live Christmas tree business and the reduction or elimination of payment terms from certain vendors and internal supply chain and logistical problems, resulting in delayed shipments and out-of-stock situations.

To address these financial difficulties, prior to the Petition Date, the Debtor undertook various actions to improve future operations including (a) substantial administrative workforce reductions at the Debtor's headquarters, (b) closure of a distribution center in Harrisburg, Pennsylvania, (c) closure of an under-performing store location and (d) other expense reduction initiatives including renegotiation of various leases and vendor agreements. In addition, during 2003 and 2004, the Debtor entered into a number of amendments to the Congress Pre-Petition Facility and the Kimco Pre-Petition Facility, which amendments, among other things, eliminated or amended certain financial covenants in the Congress Pre-Petition Facility, and in the most recent amendment with Kimco, provided access to overline advances under the Kimco Pre-Petition Facility for certain accounting periods.

Despite these measures, the Debtor's financial difficulties continued. Due to the significant underperformance of a large number of the Debtor's retail store locations, the Debtor determined that the continuation of its business operations with the current configuration of all locations was not feasible. Therefore, the Debtor, with the assistance of its advisors, developed a restructuring plan which included, among other things, the closing of a substantial number of underperforming retail locations and the restructuring of the Debtor's remaining business operations through a Chapter 11 proceeding. The Debtor made every effort to obtain the financing necessary to implement the restructuring plan, but these efforts were unsuccessful.

The convergence of these factors, coupled with the Debtor's continued liquidity crisis, compelled the Debtor to file this Chapter 11 proceeding to facilitate an orderly liquidation of the Debtor's unsustainable store operations.

III. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE

The Debtor has used the Chapter 11 process to conduct going-out-of business sales at each of its retail locations (the "GOB Sales"), conduct a lease auction, and maximize the value of its assets associated with its store operations all for the benefit of its estate and creditors. On April 6, 2005, the Debtor filed the Plan which the Debtor has determined will maximize the value of the Debtor's estate for the benefit of its creditors and equityholders.

A. OVERVIEW OF CHAPTER 11 AND COMMENCEMENT OF CHAPTER 11 CASE

On September 8, 2004 (the "Petition Date"), the Debtor filed the instant Chapter 11 Case. The Debtor's Chapter 11 case was assigned to the Honorable Prudence Carter Beatty, Bankruptcy Judge for the Southern District of New York. Since the Petition Date, the Debtor has continued to operate its business and manage its properties as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and equity interest holders. In addition to permitting rehabilitation of a debtor, another goal of Chapter 11 is to promote the optimization of the debtor's assets and equality of treatment for similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a Chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing of the debtor's bankruptcy petition. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its property as a debtor-in-possession.

The consummation of a plan of reorganization is the principal objective of a Chapter 11 reorganization case. Confirmation of a plan of reorganization by a bankruptcy court makes such plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the confirmation order discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations

specified under the confirmed plan. Before soliciting acceptances of the proposed plan, however, Section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtor is submitting this Disclosure Statement to holders of Claims against and Interests in the Debtor as required by Section 1125 of the Bankruptcy Code.

The following is a brief description of some of the more material events that have occurred to date during the Chapter 11 Case.

B. FIRST DAY ORDERS

On the Petition Date or shortly thereafter, the Bankruptcy Court entered several orders authorizing the Debtor to pay various pre-petition claims and granting other relief necessary to help the Debtor stabilize its business operations pending completion of the GOB Sales. These orders were designed to allow the Debtor to continue business operations with minimum disruption and to ease the strain on the Debtor's relationships with its employees, customers and other parties. Included among the orders entered by the Court on or shortly after the Petition Date were orders authorizing the Debtor to: (i) pay pre-petition payroll, business expenses and other employee-related obligations; (ii) continue and maintain its pre-petition consolidated cash management system, pre-petition bank accounts, and to use pre-petition business forms; (iii) pay pre-petition sales and use taxes; and (iv) pay pre-petition claims relating to carrier charges, custom duties and shipping charges.

C. PROFESSIONAL RETENTIONS

The Bankruptcy Court entered orders authorizing the Debtor to retain, among others, the law firm of Proskauer Rose LLP, 1585 Broadway, New York, New York 10036, (212) 969-

3000, Attn: Alan B. Hyman, Esq. and Jeffrey W. Levitan, Esq. as bankruptcy and reorganization counsel./3/

The Bankruptcy Court also authorized the Debtor to retain Keen Realty, LLC ("Keen") 60 Cutter Mill Road, Suite 407, Great Neck, New York 11021-3104, Attn: Harold Bordwin as special real estate consultants to the Debtor. Keen has over 23 years of experience working with retailers to restructure their real estate and lease portfolios and providing a broad range of services including valuing, marketing and disposing of excess real estate and leases as well as negotiating lease modifications, rental reductions and lease terminations, during which time Keen has performed services for clients which have involved over 225 million square feet of retail real estate space and, in the past five years alone, has performed services involving over \$1.3 billion in transactions. Keen has also

served as real estate brokers and special real estate consultants in many complex bankruptcy cases.

Pursuant to an order of the Bankruptcy Court dated September 10, 2004, the Debtor also was authorized to retain and employ certain professionals in the ordinary course of business.

D. APPOINTMENT OF CREDITORS' COMMITTEE AND PROFESSIONALS

On September 15, 2004, the United States Trustee appointed a seven (7) member Official Committee of Unsecured Creditors in this Chapter 11 (the "Creditors' Committee") case pursuant to Section 1102 of the Bankruptcy Court to represent the interest of all holders of unsecured claims. The six (6) present members of the committee are: (i) Abacus Advisors Group, LLC, (ii) Simon Property Group, (iii) Monrovia Growers, (iv) Keen Limited, (v) American Greetings, and (vi) Ferry Morse Seed Company. Thereafter, the Court entered orders authorizing the Committee to retain (i) the law firm of Otterbourg, Steindler, Houston and Rosen, P.C. as counsel to the Creditors' Committee, (ii) the law firm of Jaspan Schlesinger Hoffman, LLP as conflicts counsel to the Creditors' Committee and (iii) the firm of Mesirow Financial Consulting, as restructuring advisors to the Creditors' Committee.

E. POST-PETITION FINANCING

As noted above, prior to the Petition Date, the Debtor's operations were hampered by, among other things, sustained losses from operations as a result of, among other things, a general weakness in economic conditions and a steady decline in customer traffic, live Christmas tree business and the reduction or elimination of payment terms from certain vendors and internal supply chain and logistical problems, resulting in delayed shipments and out-of-stock situations. Accordingly, on the Petition Date, one of the most important issues addressed by the Debtor was obtaining access to an adequate post-petition working capital facility to enable it to continue to operate its business. In that regard, the Debtor analyzed a debtor-in-possession financing

3 In light of the initial liquidating posture of the case, the Debtor, in consultation with the Creditors' Committee, determined that the retention of FTI Consulting, Inc. ("FTI") was only required for the initial period of the Debtor's Chapter 11 case. Therefore, FTI was retained by the Debtor only through October 10, 2004.

proposal from Kimco Securities Corporation, an affiliate of Kimco, as well as other potential alternatives. The Debtor determined that it was in the best interests of its creditors and estate to seek authorization and approval of a

\$27.5 million post-petition financing facility (the "DIP Loan Facility") from Kimco Securities. As noted in Section II.B. above, prior to the Petition Date, Kimco held a first priority security interest in substantially all of the Debtor's real property interests and Congress held a first priority security interest in substantially all of the Debtor's inventory. Going forward, it was determined to be in the best interest of the Debtor's estate to obtain financing from a single lender, and accordingly the Debtor negotiated with Congress to pay off all outstanding amounts under the Congress Pre-Petition Facility with proceeds of the DIP Loan Facility.

1. APPROVAL OF DEBTOR-IN-POSSESSION FINANCING

On the Petition Date, the Debtor filed an application seeking authorization for the Debtor to obtain a \$27.5 million DIP Loan Facility from Kimco Securities. On September 10, 2004, the Bankruptcy Court entered an interim order approving the terms of the DIP Loan Facility on a preliminary basis and authorizing the Debtor implement such facility on an interim basis pending a final hearing. A final hearing was held on September 29, 2004, following which the Bankruptcy Court entered a final order (the "Final Order") authorizing the Debtor to obtain post-petition financing pursuant to the DIP Loan Facility on a permanent basis.

The DIP Loan Facility matures on the earlier of September 8, 2005 or the Effective Date of the Plan and accrues interest at a per annum rate equal to the ABR/4/ plus 1%. Pursuant to the Final Order, until all amounts due under the DIP Loan Facility are satisfied in full, the Debtor is required to remit to Kimco all cash collateral arising from, or constituting proceeds of the pre-petition collateral constituting inventory or accounts receivable to be applied to the Kimco Pre-Petition Facility until such indebtedness is satisfied in full. The Final Order also provides that, as adequate protection, (a) the Debtor shall pay to Kimco, interest on the outstanding amount of the Kimco Pre-Petition Facility at a rate of 10.25% per annum, (b) Kimco is granted valid and perfected liens in all post-petition collateral to secure any diminution in value of the pre-petition collateral and (c) the Debtor is required to remit to Kimco the proceeds from the disposition of other pre-petition collateral.

As security for the borrowings under the DIP Loan Facility, Kimco Securities was granted senior liens on substantially all of the assets of the Debtor, and a super-priority administrative expense claim (subject to a carve out for fees of the United States Trustee and specified professional fees).

4 The DIP Loan facility defines the "ABR" as, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the prime rate in effect on such day as fixed by JPMorgan Chase Bank or (b) the Federal Funds Effective Rate in effect on such day, plus 1/2 of 1%.

2. AMENDMENT TO DIP LOAN FACILITY AND PURCHASE OF STATEN ISLAND PROPERTY

The Debtor, in consultation with the Creditors' Committee, Kimco Securities and Keen, determined that additional value could be obtained for the Debtor's estate through the exercise of a right of first refusal to purchase a parcel of real property in Staten Island, New York (the "A&P Parcel") adjacent to a parcel owned by the Debtor. The Debtor exercised its right of first refusal to purchase the A&P Parcel and in connection therewith, on January 13, 2005, the Debtor filed a motion seeking an order authorizing the Debtor to (1) consummate the purchase of the A&P Parcel and (2) amend the DIP Loan Facility to finance such purchase. On February 4, 2005 the Bankruptcy Court entered an order authorizing the Debtor to consummate the purchase of the A&P Parcel and enter into an amendment (the "DIP Amendment") to the DIP Loan Facility with Kimco Securities to obtain additional financing in the form of a \$7.5 million term loan (the "Term Loan") granting to Kimco Securities first priority liens and security interests to the same extent provided under the DIP Loan Facility.

The DIP Amendment provides the Debtor with the right (the "Put Right"), at any time through and including March 15, 2005, and upon written notice to Kimco Securities, to sell the A&P Property to Kimco Securities in consideration for the release of the Debtor by Kimco Securities from any obligations with regard to the Term Loan including, without limitation, all accrued unpaid interest, principal, fees and other charges due in connection therewith. Accordingly, the Put Right provided under the DIP Amendment minimizes any potential downside risk to the Debtor's estate resulting from the purchase of the A&P Parcel.

The Debtor's purchase of the A&P Parcel was consummated on or about February 14, 2005.

F. ASSET SALES

1. THE GOING-OUT-OF-BUSINESS SALES

On September 13, 2004, the Debtor filed a motion seeking, among other things, authorization to (1) retain the joint venture comprised of The Nassi Group, LLC, SB Capital Group, LLC, Gordon Brothers Retail Partners, LLC and Garcel, Inc., d/b/a Great American Group as liquidation consultant (collectively, the "Liquidation Consultant") and consummate the consulting agreement in connection therewith and (2) conduct the GOB Sales. By order dated September 22, 2004 the Debtor was authorized to conduct the GOB Sales which involved the sale on a final basis of all assets located at the Debtor's 169 retail locations (including certain furniture, fixtures and equipment (the "FF&E")) free and clear of all liens, claims, and encumbrances. Pursuant to the agreement with the Liquidation Consultant (the "Consulting Agreement"), the Liquidation Consultant acted as the exclusive agent for the Debtor for the

limited purpose of selling all of the merchandise and FF&E located in the Debtor's retail locations and the distribution center(s) through the GOB Sales. Under the terms of the Consulting Agreement, the Liquidation Consultant guaranteed to the Debtor that the sale or other disposition of the merchandise in the GOB Sales would yield the Debtor net proceeds of not less than \$43.5 million. The Liquidation Consultant received a base fee of \$2,000 per Store, plus an incentive fee equal to \$85,000 for each one percent (1%) or part thereof that the gross return of the GOB Sales exceeded fifty percent (50%), but not more than \$750,000 in the aggregate. In

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addition, pursuant to the Consulting Agreement, the Liquidation Consultant was authorized, at its expense, to supplement the merchandise in the Debtor's stores with goods of like kind and quality that have previously been sold by the Debtor in the stores, for which the Debtor would receive ten percent (10%) of the net proceeds of the sale of such additional merchandise. The Liquidation Consultant guaranteed to the Debtor a recovery on such goods of at least \$375,000.

The GOB Sales commenced on or about September 24, 2004 and were completed at each of the Debtor's retail stores on or prior to December 31, 2004. The Debtor's estate received approximately \$51.3 million in net proceeds from the GOB Sales.

2. THE LEASE AUCTION

To maximize the value of its estate, the Debtor determined to conduct an auction of its interests in approximately 108 of its 111 leases of non-residential real property (the "Leases"). In connection therewith, on October 27, 2004 the Court entered an order (a) establishing procedures in connection with an auction (the "Auction") of the Leases, (b) authorizing and scheduling the Auction, (c) establishing a deadline for fixing cure amounts with respect thereto, (d) authorizing the assumption and assignment of the Leases and (e) authorizing the Debtor to enter into Lease termination agreements.

On November 22, 2004, the Auction was held respecting the Leases at which the Debtor, in consultation with its secured lender, Keen and the Creditors' Committee, determined the successful bidders and back-up bidders for individual Leases as well as packages of Leases. In addition, and in accordance with the order authorizing the Auction, the Debtor removed certain Leases from the Auction and entered into transactions prior to the Auction. In summary, the Debtor consummated a total of approximately 62 transactions respecting (i) the assumption and assignment of approximately 44 Leases to third parties and (ii) the termination of approximately 18 Leases pursuant to agreements with the respective landlords under such Leases. Such transactions resulted in gross aggregate consideration to the Debtor's estate of approximately \$13.8 million and the waiver of significant lease rejection damage claims. The vast majority

of the Debtor's remaining approximately 52 Leases have been rejected pursuant to Section 365(a) of the Bankruptcy Code.

3. REAL PROPERTY SALES

Pursuant to an Order dated November 18, 2004, the Bankruptcy Court established auction procedures in connection with the disposition of the Debtor's portfolio of 61 parcels of owned real property (the "Owned Properties"), and scheduled two hearing dates on February 16, 2005 and March 16, 2005 for the Court to consider approval of the winning bids for the Owned Properties. After consultation with its secured lender and the Creditors' Committee, the Debtor determined to defer conducting an auction to consider various alternatives respecting the Owned Properties. Accordingly, the February 16, 2005 hearing date was not utilized by the Debtor to seek approval of the sale of any of the Owned Properties. Subsequently, the Debtor determined to sell approximately 21 of the Owned Properties. Pursuant to orders dated March 17, 2005, the Debtor closed sale transactions respecting three of such Owned Properties on or about March 29, 2005 resulting in proceeds in the amount of \$3.76 million. An auction for four other Owned Properties was held on March 29, 2005, and the Debtor intends to seek approval of the sale of

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such properties at a hearing scheduled for April 7, 2005, which should result in proceeds in the amount of \$3.96 million. Additionally, an auction for other Owned Properties is scheduled for April 18, 2005 with respect to offers aggregating \$5.4 million, and the Debtor intends to seek approval of the sale of such properties at a hearing scheduled for April 27, 2005. The Debtor anticipates that it will consummate additional sales of Owned Properties resulting in additional proceeds of approximately \$8.18 million for total sale proceeds of \$25 million.

4. POINT-OF-SALE EQUIPMENT AND PERSONAL PROPERTY STIPULATIONS

In connection with the disposition of substantially all of the Debtor's assets, the Debtor solicited offers for the purchase of certain point-of-sale equipment located at each of the Debtor's retail locations including, but not limited to, cash registers, receipt printers, register scanners, handheld scanners and other equipment (collectively, the "POS Equipment"). The Debtor determined that the POS Equipment would no longer be necessary to its estate upon the conclusion of the GOB Sales. The Debtor negotiated an agreement with DataMax System Solutions ("DataMax") to sell the POS Equipment "as is, where is" for a purchase price of \$571,000 in cash, plus de-installation and freight charges for the POS Equipment. A stipulation and agreed order authorizing the Debtor to consummate the sale of the POS Equipment to DataMax was approved by the Court on December 13, 2004.

In addition, a stipulation and agreed order was entered on November 8, 2004, authorizing the Debtor to consummate transactions respecting certain personal property (the "Ordinary Course Stipulation"). Pursuant to the Ordinary Course Stipulation, the Debtor is authorized to sell or otherwise dispose of personal property (including but not limited to, furniture, fixtures, equipment and automobiles) with a book value of \$25,000 or less without prior notice and personal property for which the Debtor would receive between \$25,000 and \$200,000, upon notice to counsel for the Creditors' Committee and counsel for Kimco. The Debtor has consummated several transactions pursuant to the Ordinary Course Stipulation.

G. SATISFACTION OF MORTGAGE OBLIGATIONS

In addition to the Debtor's primary indebtedness described above, the Debtor also is indebted to five (5) lenders (the "Mortgage Lenders") under separate promissory notes which are secured by mortgages on 21 of the 61 Owned Properties. In furtherance of the Debtor's efforts to maximize the value of its estate, the Debtor determined that it was in the best interests of its estate and creditors to satisfy monthly payment obligations to the Mortgage Lenders, including real estate tax obligations. The Debtor believes that the value of such properties may very well be greater than the secured obligations encumbering the properties, and accordingly payment of such obligations would avoid the assertion of default interest, late fees or other penalties. Accordingly, pursuant to an Order of the Bankruptcy Court dated November 18, 2004, the Debtor was authorized to satisfy all obligations to the Mortgage Lenders and real estate taxes on the mortgaged properties in the aggregate approximate amount of \$533,000 as of November 1, 2004, and approximately \$178,000 per month going forward.

H. EXTENSION OF TIME TO ASSUME OR REJECT LEASES

Pursuant to Section 365(d)(4) of the Bankruptcy Code, the Debtor was required to assume or reject its nonresidential real property leases within 60 days of the Petition Date (I.E., by November 8, 2004)/5/ absent an extension of such time period by the Bankruptcy Court. By Order dated October 26, 2004, the Bankruptcy Court extended the time within which the Debtor may assume or reject its nonresidential real property leases through and including February 1, 2005 for all store locations except for the Debtor's locations identified as Stores Nos. 74, 91 and 236 which were extended through and including March 1, 2005. Thereafter, on or about January 13, 2005, the Debtor filed a motion seeking a further extension of the time to assume or reject and on January 28, 2005, the Court entered a bridge order extending the Debtor's time to assume or reject the leases through the entry of an order on the motion. On February 4, 2005, the Bankruptcy Court entered an order further extending the Debtor's time to assume

or reject certain remaining Leases that have not yet been disposed of by the Debtor through and including June 1, 2005.

I. EXTENSION OF EXCLUSIVE PERIODS

Pursuant to Section 1121(b) of the Bankruptcy Code, the Debtor's exclusive period to file a plan of reorganization and solicit votes thereon (together, the "Exclusive Periods") were initially scheduled to expire on January 6, 2005 and March 7, 2005, respectively. By order dated December 13, 2004, the Bankruptcy Court extended the Exclusive Periods for an additional 90 days to file a plan through and including April 6, 2005 and to solicit votes thereon through and including June 6, 2005.

J. CLAIMS PROCESS AND BAR DATE

On or about November 12, 2004, the Debtor filed its Schedules of Assets and Liabilities (collectively, the "Schedules"), Statement of Financial Affairs and Schedule of Executory Contracts and Unexpired Leases. Thereafter, after further review of its books and records, on or about December 12, 2004, the Debtor amended its Schedules. On December 29, 2004, the Bankruptcy Court entered an Order (i) fixing February 8, 2005 (the "Bar Date") as the deadline for all creditors of the Debtor, except governmental units, to file proofs of claim against the Debtor's estate, (ii) fixing 180 days from the Petition Date (I.E., March 8, 2005) as the deadline for all governmental unit creditors of the Debtor to file proofs of claim against the Debtor's estate. The Bar Date order provides, except as set forth therein, that any holder of a Claim that fails to file a timely proof of claim on or before the Bar Date (or solely with respect to governmental units, by the deadline for governmental claims) (a) shall be forever barred, estopped and permanently enjoined from asserting such claim against the Debtor, its successor or its property (or filing a proof of claim with respect thereto) and the Debtor, its successor and its property shall be forever discharged from any and all indebtedness or liability with respect to such claim, (b) shall not be treated as a creditor for purposes of voting on and distribution under

5 The sixtieth (60th) day actually fell on November 7, 2004, which was a Sunday. Therefore, pursuant to Bankruptcy Rule 9006, the deadline was automatically extended until November 8, 2004.

a plan of reorganization in this Chapter 11 case with respect to such claim, and (c) shall not be entitled to receive any further notices regarding such claim.

A total of approximately 6,000 claims were scheduled and filed against the Debtor's estate with an aggregate asserted liability of approximately \$86.5 million. After a preliminary review of such Claims and a comparison thereto to

its books and records, the Debtor believes that the foregoing claims include, among other things, invalid, overstated, objectionable and duplicative claims. The Debtor estimates that the approximate amount of Allowed Claims as of (and arising from the occurrence of) the Effective Date per category and Class will be as follows: Administrative Claims: \$3.5 million (not including accrued and unpaid professional fees as of the Effective Date and trade claims and accrued liabilities to be paid in the ordinary course of business); Priority Tax Claims: \$650,000 and Class 1 - Priority Claims: \$350,000; Class 2 - Kimco Secured Claims: \$47.7 million; Class 3 - General Secured Claims: \$13.7 million; and Class 4 - General Unsecured Claims: \$50 million./6/

In addition, on March 3, 2005, the Court entered an order fixing April 15, 2005, as the deadline for certain creditors to file administrative expense claims against the Debtor's estate incurred from the Petition Date through February 28, 2005.

K. EMPLOYMENT OF WIND-DOWN OFFICERS

As noted above, the Debtor determined that the retention of FTI as financial advisors to the Debtor was only appropriate for the initial period of the Debtor's Chapter 11 case. As a result of consultation with the Creditors' Committee, the Debtor agreed that it would be more cost effective to retain individuals with experience in retail liquidations to assist the Debtor in all tasks necessary in connection with the wind-down of the Debtor's estate. Accordingly, on November 4, 2004, the Debtor filed a motion seeking authorization for the Debtor to retain Mark von Mayrhauser and Linda Cote, each as a Vice President, Liquidation (the "Wind-Down Officers"), at an hourly rate to assist in the wind down of the Debtor's estate. The motion also provided that the Wind-Down Officers may be entitled to participate in a Performance Incentive Plan ("PIP") that could provide incentives based upon creditor recoveries. The terms of any PIP will be determined in consultation with, and subject to the approval of, the Creditors' Committee.

The Wind-Down Officers had substantial experience in the retail industry, including working with a large retailer in a Chapter 11 liquidation. The Bankruptcy Court entered an order authorizing the Debtor to employ Mr. von Mayrhauser and Ms. Cote as Wind-Down Officers on

6 The Debtor has begun the process of reconciling proofs of claim with its books and records. As of the date hereof, the Debtor has filed two omnibus objections to claims seeking to disallow and expunge, fix and allow, reclassify and/or reduce and allow approximately 1440 claims aggregating approximately \$11.6 million. A hearing to consider the objections is scheduled for April 27, 2005. Because the Bar Date occurred recently, the Debtor is still in the process of reviewing claims and accordingly, the actual Allowed amount of filed and scheduled claims could vary from the Debtor's estimates and any such variance could be material. The Debtor's estimates are without prejudice to all of its rights, defenses and objections to all filed and scheduled claims.

November 19, 2004. During this Chapter 11 case, the Wind-Down Officers have assisted the Debtor in the operation of its business through the conclusion of the GOB Sales, the disposition of the Debtor's interests in personal property and leaseholds, the preparation of financial reporting required under the DIP Loan Facility and by the Office of the United States Trustee and the claims reconciliation process.

L. MODIFICATION OF DEBTOR'S PRE-PETITION SEVERANCE PLAN

Immediately prior to the Petition Date, the Debtor terminated approximately 91 employees at its corporate headquarters. In addition, after the Petition Date, the Debtor terminated certain remaining corporate employees as the estate no longer required the services of such employees. As a result of such terminations, the Debtor would have incurred substantial obligations under its pre-petition severance plan. Therefore, in an effort to provide a financial bridge to terminated employees and to satisfy claims against the estate, on October 8, 2004 the Debtor filed a motion seeking authorization to modify the terms of its pre-petition severance plan. An order authorizing the Debtor to modify its pre-petition severance plan was entered by the Court on October 26, 2004. The modification reduced benefits offered under the severance plan by one-third and resulted in savings to the Debtor's estate of in excess of \$430,000. Modification of the severance plan was determined to be appropriate and fair to the terminated employees because it allowed such employees to receive benefits immediately and reduced uncertainty to the employees respecting distributions on any claims asserted by the employees and eliminated any issues concerning a possible termination of the severance plan pursuant to its terms.

M. KEY EMPLOYEE RETENTION BONUSES

In October, 2004, the Debtor filed a motion to approve a retention bonus program (the "Retention Program") for specified key members of its corporate employees (the "Key Employees"). The Debtor believes that the commencement of this Chapter 11 case engendered uncertainty and anxiety among the its employees, particularly given the liquidating posture of the Debtor's case. Accordingly, to prevent the departure of the Key Employees, and the need to maintain the Debtor's operations through the conclusion of the GOB Sales, reconcile claims filed against the Debtor's estate and perform numerous other tasks in connection with the wind down of the Debtor's estate, the Debtor developed the Retention Program to provide incentives to such Key Employees to remain with the Debtor through certain specified time periods as their services were needed.

The Retention Program was approved by the Bankruptcy Court on October 26, 2004. As approved, the Retention Program provided that four (4) officers and six (6) non-officer employees of the Debtor each are entitled to receive a lump sum retention payment at the conclusion of a specified employment period provided

that such employee (i) has not voluntarily resigned his or her employment with the Debtor, (ii) has not been terminated by the Debtor for cause and (iii) remains employed by the Debtor for a specified minimum period of time after the Petition Date. The maximum retention payments provided under the Retention Plan aggregate approximately \$600,000.

Subsequent to the implementation of the Retention Plan and the loss of certain key employees, the Debtor determined, after consultation with its creditor constituencies, that the Retention Plan, as approved, needed to be enhanced. By a motion filed on November 19, 2004, the Debtor sought to amend the Retention Plan by increasing the retention bonuses to be paid to five (5) of the participants in the original Retention Plan and to add ten (10) additional employees (the "Amended KERP Employee"). On November 30, 2004 the Bankruptcy Court approved the Debtor's motion to amend the Retention Plan. Under the amendment (the "Amendment") to the Retention Plan, each Amended KERP Employee is entitled to a retention bonus payment (a "Retention Bonus") equal to 50% of such employee's base pay for each week worked after December 4, 2004, provided such Amended KERP Employee (i) has not voluntarily resigned his or her employment with the Debtor, (ii) has not been terminated by the Debtor for cause and (iii) remains employed by the Debtor through their expected termination date.⁷ In addition, the Amendment provides that in the event that an Amended KERP Employee is terminated by the Debtor without cause, or upon such employee's death or disability prior to their expected termination date, such Amended KERP Employee will be entitled to receive the accrued Retention Bonus through the date of termination, plus 50% of the remaining Retention Bonus such employee would otherwise be entitled to receive had the employee remained employed by the Debtor through the expected termination date.

Additionally, the Amendment provides that the Amended KERP Employees will receive payment of severance benefits to which such employees would be entitled under the Debtor's severance plan, as amended. (See Section III.K. of this Disclosure Statement). Finally, the Amendment provides for a discretionary pool in the aggregate amount of \$30,000 for distribution to Amended KERP Employees at the discretion of the Wind-Down Officers.

Finally, except for the severance and accrued vacation payments, the Retention Bonuses will be in full and final satisfaction of any claims the Amended KERP Employees have against the Debtor's estate.

N. EMPLOYEE BENEFIT PLANS

1. TERMINATION OF CERTAIN EMPLOYEE BENEFIT PLANS

Prior to the Petition Date, the Debtor maintained certain health and welfare plans for the benefit of its employees including (a) the Frank's Nursery

& Crafts Health Plan (the "Health Plan") that provides medical and prescription drug benefits to full-time employees, (b) an employee-paid insured medical program made available to part-time employees, (c) an executive medical insurance program for the benefit of the Debtor's Chief Executive Officer and one other individual, (d) the Frank's Nursery & Crafts Flexible Spending Plan that offers health and dependent care spending accounts and (e) the Frank's Nursery & Crafts Group Insurance Plan (the "Group Insurance Plan"), which provided, INTER ALIA, vision, long-term disability, life

7 In addition, in accordance with the terms of the Order Authorizing Payment of Certain Pre-Petition Payroll and Other Employee Obligations dated September 9, 2004, upon termination, each Amended KERP Employee will receive compensation for accrued vacation.

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insurance, accidental death & dismemberment, personal accident, business travel accident, employee assistance, short-term disability and group legal benefits (collectively, the "Employee Benefit Plans").

In an effort to minimize administrative obligations of the Debtor's estate, and in connection with the conclusion of the GOB Sales and the termination of the vast bulk of the Debtor's employees, the Debtor determined that it was necessary to terminate the Employee Benefit Plans because if the Debtor were to maintain such plans it would be obligated to provide continuation coverage under certain of the Employee Benefit Plans pursuant to the Consolidated Omnibus Budget Reconciliation Act ("COBRA") to terminated employees who elected such coverage. Providing COBRA continuation coverage would have resulted in significant expenditures for which the Debtor's estate would receive no benefit. Accordingly, on November 30, 2004, the Debtor filed a motion (the "Employee Benefit Motion") seeking authorization for to terminate the Employee Benefit Plans effective on or about January 15, 2005.

Even after termination of the Employee Benefit Plans, "run-out" obligations (the "Run-Out Obligations") to participants incurred prior to termination that may not have been reimbursed prior to termination (for example, a doctor's visit prior to termination that had not been billed) would continue to accrue under certain of the Employee Benefit Plans. Accordingly, the Employee Benefit Motion sought authorization for the Debtor to continue to satisfy all Run-Out Obligations under the applicable Employee Benefit Plans estimated to aggregate \$665,000, so that the Debtor's employees would not be forced to satisfy such amounts using their own funds. An order authorizing the Debtor to terminate the Employee Benefit Plans was entered by the Bankruptcy Court on December 21, 2004, and such plans were terminated by the Debtor on or about January 15, 2005.

2. RETIREE LIFE INSURANCE BENEFITS

The Debtor maintains life insurance policies (the "Policies") for approximately 30 former employees of General Host Corporation and its subsidiaries (collectively, "General Host"). General Host was the predecessor-in-interest to the Debtor. The benefits provided under the Policies range from \$1,000 to \$7,500 per individual, and the cost to the Debtor's estate to maintain such Policies aggregates approximately \$375 per month. On March 31, 2005, the Debtor filed a motion seeking authorization to prepay the benefits under the Policies for an aggregate cost of \$54,100. A hearing to consider the motion is scheduled for April 27, 2005.

O. REQUEST TO APPOINT AN EQUITY COMMITTEE

By a letter dated March 29, 2005, certain shareholders (the "Ad Hoc Committee of Equity Holders") of the Debtor requested the Office of the United States Trustee to appoint a committee of equity holders in the Chapter 11 Case. The Debtor and the Creditors' Committee opposed such request. As a result of certain modifications to the Plan and Plan Documents, the Ad Hoc Committee of Equity Holders have withdrawn their request for appointment of a committee of equity holders and are supporting the Plan.

IV. OVERVIEW OF THE PLAN

A. FORMULATION OF PLAN

As noted above, the Debtor engaged in extensive restructuring negotiations with representatives of the Creditors' Committee and its pre- and post-petition secured lenders. Although the Court previously approved procedures in connection with the disposition of the Owned Properties, the Debtor, in consultation with its pre- and post-petition secured lenders and the Creditors' Committee, evaluated its alternatives respecting various plan of reorganization scenarios which would contemplate either retention or sale of all or a portion of the Owned Properties.

Although the Debtor initially intended to sell the Owned Properties and confirm a liquidating plan, based on the value of the Owned Properties, the Debtor, its secured lenders and the Creditors' Committee determined that because the Plan Investors would provide adequate financing, a plan of reorganization where the majority of the Owned Properties were retained for future sale or development was in the best interests of the Debtor, its estate, and the holders of claims and interests. THE DEBTOR AND ITS MAJOR EQUITY HOLDERS ALL SUPPORT CONFIRMATION OF THE PLAN AND STRONGLY URGE ALL HOLDERS OF IMPAIRED INTERESTS TO VOTE TO ACCEPT THE PLAN.

B. GENERAL

The following is a summary intended as a brief overview of the Plan and is qualified in its entirety by reference to the full text of the Plan, a copy of which is annexed hereto as Exhibit A. Holders of Claims and Interests are respectfully referred to the relevant provisions of the Bankruptcy Code and are encouraged to review the Plan and this Disclosure Statement with their counsel.

In general, a Chapter 11 plan of reorganization must (i) divide claims and equity interests into separate categories and classes, (ii) specify the treatment that each category and class is to receive under such plan, and (iii) contain other provisions necessary to implement the reorganization of a debtor. A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of claims or equity interests in certain classes are to remain unchanged by the reorganization effectuated by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holders of claims or equity interests in such "unimpaired" classes. Pursuant to Section 1124(1) of the Bankruptcy Code, a class of claims or interests is "impaired," and entitled to vote on a plan, unless the plan "leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest."

The Debtor believes that (i) under the Plan holders of impaired Interests will obtain a greater recovery than they would otherwise obtain if the assets of the Debtor were liquidated under Chapter 7 of the Bankruptcy Code and (ii) the Plan will enable the Debtor to emerge from Chapter 11 as a viable enterprise.

C. CLASSIFICATION OF CLAIMS AND INTERESTS

Section 1122 of the Bankruptcy Code provides that a plan of reorganization shall classify the claims and equity interests of a debtor's creditors and equity interest holders. In compliance with Section 1122, the Plan divides the holders of Claims and Interests into two categories (Administrative Expense Claims and Priority Tax Claims) and 6 Classes, and sets forth the treatment offered to each Class./8/ These Classes take into account the differing nature and priority of Claims against the Debtor. Section 101(5) of the Bankruptcy Code defines "Claim" as a "right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured" or a "right to an equitable remedy for breach of performance if such breach gives rise to a right to payment whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured." 11 U.S.C. ss.101(5). A "Claim" against the Debtor also includes a Claim against property of the Debtor, as provided in Section 102(2) of the Bankruptcy Code. 11 U.S.C. ss.102(2). An interest is an equity interest in a

debtor.

For the holder of a Claim to participate in a reorganization plan and receive the treatment offered to the class in which it is classified, its Claim must be "Allowed." Under the Plan, an Allowed Claim is defined as: (i) a Claim that has been listed by the Debtor in its Schedules, as such Schedules have been or may be amended from time to time in accordance with Bankruptcy Rule 1009, and (x) is not listed as disputed, contingent or unliquidated, and (y) is not a Claim as to which a proof of claim has been filed; (ii) a Claim as to which a timely proof of Claim has been filed as of the Bar Date in a sum certain and either (x) no objection thereto, or application to estimate, equitably subordinate, reclassify or otherwise limit recovery, has been made on or before any applicable deadline, or (y) if an objection thereto, or application to estimate, equitably subordinate, reclassify or otherwise limit recovery, has been interposed, the extent to which such Claim (whether in whole or in part) has been allowed by a Final Order; (iii) a Claim arising from the recovery of property under Section 550 or 553 of the Bankruptcy Code and allowed in accordance with Section 502(h) of the Bankruptcy Code; (iv) any Claim expressly allowed under the Plan, (v) any Claim expressly allowed by Final Order and (vi) any Claim as to which the Debtor or Reorganized FNC has determined not to interpose an objection as set forth in a schedule to be filed by the Debtor on the Effective Date, which schedule shall be updated quarterly. Under the Plan, an Allowed Interest is defined as: (i) an Interest which is registered as

8 A debtor is required under Section 1122 of the Bankruptcy Code to classify the claims and interests of its creditors and interest holders into classes containing claims and interests that are substantially similar to the other claims or interests in such class. While the Debtor believes that its classification of all Claims and Equity Interests is in compliance with the provisions of Section 1122 of the Bankruptcy Code, it is possible that a holder of a Claim or Equity Interest may challenge the Debtor's classification scheme and the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intent of the Debtor, to the extent permitted by the Bankruptcy Court, to modify the Plan to provide for whatever reasonable classification might be required by the Bankruptcy Court for Confirmation, and to use the acceptances received by the Debtor from any holder of a Claim or Equity Interest pursuant to this solicitation for the purpose of obtaining the approval of the Class or Classes of which such holder of a Claim or Equity Interest is ultimately deemed to be a member.

of the Record Date in such stock register as may be maintained on behalf of the Debtor, (ii) an Interest expressly allowed by Final Order, (iii) any Interest as to which no objection has been interposed and (iv) any Interest as to which the

Debtor or Reorganized FNC has determined not to interpose an objection.

D. TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

The Plan segregates the various Claims against, and Interests in, the Debtor into Administrative Expense Claims, Priority Tax Claims, Class 1 consisting of Priority Claims, Class 2 consisting of Kimco Secured Claims, Class 3 consisting of General Secured Claims, Class 4 consisting of General Unsecured Claims, Class 5 consisting of Equity Interests, and Class 6 consisting of Convenience Interests.

Under the Plan, Claims in Classes 1, 2, 3 and 4 are unimpaired, and Interests in Classes 5 and 6 are impaired. In the Debtor's opinion, the treatment accorded to the impaired Classes of Interests under the Plan represents the best treatment which can be provided to such Classes under the circumstances pursuant to the priority provisions of the Bankruptcy Code. Set forth below is a summary of the Plan's treatment of the various categories and Classes of Claims and Interests. This summary is qualified in its entirety by the full text of the Plan. In the event of an inconsistency between the Plan and the description contained herein, the terms of the Plan shall govern. The Plan is complicated and substantial. Time should be allowed for its analysis; consultation with a legal and/or financial advisor is recommended and should be considered.

1. UNCLASSIFIED CATEGORIES OF CLAIMS

a. CATEGORY 1 -- ADMINISTRATIVE EXPENSE CLAIMS

Administrative Expense Claims are Claims constituting a cost or expense of administration of the Chapter 11 Case allowed under Sections 503(b) and 507(a) (1) of the Bankruptcy Code. Administrative Expense Claims include all costs incurred in the operation of the Debtor's businesses after the Petition Date, the fees and expenses of Professionals retained by the Debtor and the Creditors' Committee, and the fees due to the United States Trustee pursuant to 28 U.S.C. ss. 1930. Under the Plan, all Administrative Expense Claims shall be paid in full, in Cash, in such amounts as (a) are incurred in the ordinary course of business by the Debtor when and as such Claims become due and owing, (b) are Allowed by the Bankruptcy Court upon the later of the Effective Date or as soon thereafter as practicable, the date upon which there is a Final Order allowing such Administrative Expense Claim or any other date specified in such order, or (c) may be agreed upon between the holder of such Administrative Expense Claim and the Debtor or Reorganized FNC, as the case may be. Other than accrued and unpaid professionals fees and expenses (estimated to be approximately \$400,000 as of the Effective Date), the Debtor estimates that the amount of Administrative Expense Claims to be paid on the Effective Date will be approximately \$3.5 million./9/

9 The Debtor, the Creditors' Committee and the Plan Investors have agreed not to oppose any request by counsel for the Ad Hoc Committee of Equity Holders for reimbursement of fees and expenses pursuant to

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On the Effective Date, all outstanding obligations of the Debtor to the DIP Lender pursuant to the DIP Loan Documents and the DIP Financing Order, if any, shall be fully and finally satisfied in accordance with the terms of the DIP Loan Documents, the DIP Financing Order and the Plan.

All entities seeking an award by the Bankruptcy Court of Professional Fees, or of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under Sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code, (i) shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date within thirty (30) days after the Confirmation Date; objections shall be filed no later than fifteen (15) days after filing, and (ii) if granted such an award by the Bankruptcy Court, shall be paid in full in such amounts as are Allowed by the Bankruptcy Court (x) on the later of the Effective Date or the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable, (y) upon such other terms as may be mutually agreed upon between such holder of an Allowed Administrative Expense Claim and the Debtor or, on and after the Effective Date, Reorganized FNC or (z) in accordance with the terms of any applicable administrative procedures order entered by the Bankruptcy Court. All Professional Fees for services rendered in connection with the Chapter 11 Case and this Plan after the Confirmation Date, including, without limitation, those relating to the occurrence of the Effective Date and the resolution of Disputed Claims, shall be paid by Reorganized FNC upon receipt of an invoice therefor, or on such other terms as the Debtor may agree to, without the need for further Bankruptcy Court authorization or entry of a Final Order. If Reorganized FNC and any Professional cannot agree on the amount of post-Confirmation Date fees and expenses to be paid to such Professional, such amount shall be determined by the Bankruptcy Court.

b. CATEGORY 2 -- PRIORITY TAX CLAIMS

Priority Tax Claims are Claims of governmental units entitled to priority in payment under Section 507(a)(8) of the Bankruptcy Code. Allowed Priority Tax Claims shall be paid in full, in Cash, upon the later of (i) the Effective Date or as soon thereafter as practicable, (ii) the date upon which there is a Final Order allowing such Claim as an Allowed Priority Tax Claim, (iii) the date that such Allowed Priority Tax Claim would have been due if the Chapter 11 Case had not been commenced, or (iv) upon such other terms as may be agreed to between the Debtor and any holder of an Allowed Priority Tax Claim; PROVIDED, HOWEVER, that the Debtor may, at its option, in lieu of payment in full of Allowed Priority Tax Claims on the Effective Date, make Cash payments

respecting Allowed Priority Tax Claims deferred to the extent permitted by Section 1129(a)(9) of the Bankruptcy Code and, in such event, the principal amount of such Allowed Priority Tax Claims shall be amortized in equal annual installments over six (6) years from the date of assessment and interest shall accrue from the Effective Date on the unpaid portion of such Allowed Priority Tax Claim at (x) a rate equal to the effective yield on the three-

Section 503(b)(3)(D) of the Bankruptcy Code up to an aggregate amount of \$50,000. Any such request shall be subject to approval of the Bankruptcy Court.

month treasury bill sold at the auction immediately preceding the Effective Date or (y) a rate to be agreed to by the Debtor (or Reorganized FNC, as the case may be) and the appropriate governmental unit or, if they are unable to agree, as determined by the Bankruptcy Court. The Debtor estimates that the amount of Priority Tax Claims that have not previously been paid pursuant to orders of the Bankruptcy Court and thus will be required to be paid on the Effective Date will be approximately \$650,000.

2. UNIMPAIRED CLASSES OF CLAIMS

A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of Claims or equity interests in certain classes are to remain unchanged by the reorganization effectuated by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holders of Claims or Interests in such "unimpaired" classes. Under the Debtor's Plan, the Class of Priority Claims, Kimco Secured Claims, General Secured Claims and General Unsecured Claims are unimpaired and, therefore, are deemed to have accepted the Plan.

a. CLASS 1 -- PRIORITY CLAIMS

Class 1, consisting of Priority Claims, is not impaired by the Plan. Consequently, each holder of an Allowed Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan. Priority Claims are Claims entitled to priority in accordance with Section 507(a) of the Bankruptcy Code (other than Administrative Expense Claims and Priority Tax Claims). Such Claims include, but are not limited to, unsecured claims for accrued employee compensation earned within 90 days prior to commencement of the Chapter 11 Cases to the extent of \$4,650 per employee and contributions to employee benefit plans arising from services rendered within 180 days prior to the commencement of the Chapter 11 Cases but only to the

extent of the number of employees covered by such plans multiplied by \$4,650 less the aggregate amount paid to such employees from wages, salaries or commissions.

Each holder of an Allowed Priority Claim shall receive, in full and final satisfaction of such holder's Allowed Priority Claim, Cash in an amount equal to such Allowed Priority Claim on the later of (i) the Effective Date and (ii) the date such Priority Claim becomes an Allowed Priority Claim, or as soon thereafter as practicable, unless the holder of an Allowed Priority Claim and the Debtor (or Reorganized FNC, as the case may be), agree to a different treatment thereof, provided that such treatment is not more favorable than the treatment outlined above.

b. CLASS 2 -- KIMCO SECURED CLAIMS

I. DESCRIPTION AND TREATMENT OF KIMCO SECURED CLAIMS

Class 2, consisting of the Kimco Secured Claims, is not impaired by the Plan. Consequently, Kimco is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan. On the Effective Date, the Kimco Secured Claims shall be deemed Allowed in the full amount owing under the Pre-Petition Credit Agreement through the

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Effective Date including all accrued and unpaid interest, fees and other expenses estimated to aggregate \$47.7 million.

On the Effective Date, Kimco shall receive, in full and final satisfaction of the Kimco Secured Claims, Cash in an amount equal to such Allowed Kimco Secured Claims.

II. CANCELLATION

Kimco consents to the cancellation and release of all agreements, instruments and other documents securing the obligations of the Debtor under the Pre-Petition Credit Agreement (including, without limitation, any outstanding letters of credit). Kimco shall be authorized and directed to execute and deliver such documents and releases reasonably necessary to evidence the foregoing.

c. CLASS 3 -- GENERAL SECURED CLAIMS

Class 3, consisting of General Secured Claims, is not impaired by the Plan.

Consequently, each holder of an Allowed General Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan. Each General Secured Claim shall constitute a separate Class numbered 3.1, 3.2, 3.3 and so on. General Secured Claims consist of all Secured Claim other than the Kimco Secured Claims.

To the extent not satisfied by the Debtor in the ordinary course of business prior to the Effective Date, at the option of Reorganized FNC, a holder of an Allowed General Secured Claim (i) shall retain its lien and such holder's Allowed General Secured Claim shall be reinstated and rendered unimpaired in accordance with Section 1124(2) of the Bankruptcy Code or (ii) shall receive Cash in an amount equal to such holder's Allowed General Secured Claim, including any interest on such holder's Allowed General Secured Claim required to be paid pursuant to Section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such General Secured Claim becomes an Allowed General Secured Claim, PROVIDED, HOWEVER, that Reorganized FNC shall make such Cash payment to the holder of any Allowed General Secured Claim that is entitled to a premium or penalty on the payment of its claim prior to its stated maturity if such holder waives and releases the Debtor from any liability associated with pre-payment of such Allowed General Secured Claim. The Confirmation Order shall provide that the Debtor shall make all monthly payments that become due and owing prior to the Effective Date on account of General Secured Claims. In the event that an Allowed General Secured Claim is reinstated, the holder of the Allowed General Secured Claim shall retain its lien and such reinstatement shall not affect the holder's ability to assert any rights or remedies prescribed by the applicable loan documents upon any future event of default, including but not limited to late charges, default interest, pre-payment penalties, and defeasance payments. On the Effective Date or the date that any payment is due, Reorganized FNC shall (x) pay any undisputed portion of a General Secured Claim and (y) establish an interest bearing escrow account with respect to any disputed amounts pending agreement between the parties or a Final Order of the Bankruptcy Court. The Debtor shall file an objection to any portion of a General Secured Claim that it disputes within 60 days of the Effective Date if an agreement has not been previously reached between the parties as to the amount of the claim.

The transactions contemplated the Plan shall not be a "change of control" under any note, mortgage, loan or security agreement.

d. CLASS 4 -- GENERAL UNSECURED CLAIMS

Class 4, consisting of General Unsecured Claims, is not impaired by the Plan. Consequently, each holder of an Allowed General Unsecured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

I. TREATMENT OF GENERAL UNSECURED CLAIMS.

On the Effective Date, or as soon thereafter as practicable, each holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction of such holder's Allowed General Unsecured Claim, a Cash payment equal to the Allowed amount of such Claim, plus post-petition interest at a rate of 2.10% per annum for the period from the Petition Date through the Effective Date.

The interest rate provided to holders of Allowed General Unsecured Claims represents the federal judgment rate of interest pursuant to 28 U.S.C. ss.1961(a) in effect as of the Petition Date.

II. TORT CLAIMS.

All Tort Claims are Disputed General Unsecured Claims. Any holder of a Tort Claim must have filed a proof of claim prior to the Bar Date or be forever barred from asserting a Claim against the Debtor or its property. Any Tort Claim as to which a proof of claim was timely filed in the Chapter 11 Case shall be determined and liquidated in the administrative or judicial tribunal(s) in which it is pending as of the Effective Date or, if no action was pending on the Effective Date, in any administrative or judicial tribunal of appropriate jurisdiction, or in accordance with any alternative dispute resolution or similar proceeding as same may be approved by order of the Bankruptcy Court. Any Tort Claim determined and liquidated (i) pursuant to a judgment obtained in accordance with this Section and applicable nonbankruptcy law which is no longer appealable or subject to review, or (ii) in any alternative dispute resolution or similar proceeding as same may be approved by order of the Bankruptcy Court, shall be deemed an Allowed Claim in such liquidated amount and satisfied in accordance with the Plan. Nothing contained in the Plan shall impair the Debtor's right to seek estimation of any or all Tort Claims in a court or courts of competent jurisdiction or constitute or be deemed a waiver of any Cause of Action that the Debtor may hold against any entity, including, without limitation, in connection with or arising out of any Tort Claim. Any Allowed Tort Claim which is also an Allowed Insured Claim shall be treated in accordance with Section 6.8 of the Plan.

3. IMPAIRED CLASSES

Pursuant to Section 1124 of the Bankruptcy Code, a class of Claims or Interests is impaired unless the legal, equitable, and contractual rights of the holders of Claims or Interests in such class are not modified or altered. Holders of Allowed Claims and Interests in impaired classes that receive or retain property under a plan are entitled to vote on a debtor's plan of

reorganization. Under the Debtor's Plan, the Class of Equity Interests and Convenience Interests are impaired and, therefore, are entitled to vote on the Debtor's Plan.

a. CLASS 5 -- EQUITY INTERESTS

Class 5, consisting of Equity Interests, is impaired by the Plan. Consequently, each holder of an Allowed Equity Interest shall be entitled to vote to accept or reject the Plan. Equity Interests consist of Allowed Interests of a single holder that equal more than 5,000 shares of Old Common Stock.

On the Effective Date, each of the shares of Old Common Stock shall be cancelled, annulled and extinguished and the holders of Allowed Equity Interests shall be entitled to receive, at the option of each such holder, either (1) a Cash payment equal to \$.75 per share for each of such holder's shares of Old Common Stock, in full and final satisfaction of such Allowed Equity Interest or (2) (i) shares of New FNC Common Stock equal to the number of shares of Old Common Stock held by such holder (which are subject to dilution) and (ii) the Equity Participation Right, PROVIDED, HOWEVER, THAT A HOLDER OF AN EQUITY INTEREST MAY ONLY EXERCISE THE EQUITY PARTICIPATION RIGHT IF SUCH HOLDER IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D OF THE SECURITIES ACT OF 1933 (AS AMENDED) AND HOLDS 100,000 SHARES OF OLD COMMON STOCK OR MORE. Any holder of an Equity Interest that does not elect treatment on the ballot accompanying the Disclosure Statement, shall be deemed to have elected to receive Cash in an amount equal to \$.75 per share for each of such holder's shares of Old Common Stock. Assuming that \$110 million in funding is required, a holder of 100,000 shares (or .5% of the Old Common Stock) will be entitled to receive .5% of the new investment, or \$550,000, consisting of \$450,000 in New Senior Notes and \$100,000 of New FNC Common Stock at \$0.75 per share. After the Confirmation Date, each holder of Equity Interests that elects to exercise its Equity Participation Right shall receive a letter of transmittal with instructions and information respecting the amount of such holder's investment and the New FNC Common Stock and New Senior Notes that such holder will receive in exchange therefor. Each of the Plan Investors shall be deemed to have elected to exchange its respective shares of Old Common Stock for New FNC Common Stock.

By way of example, assuming (a) that the Plan Investors hold 11.4 million shares of Old Common Stock on the Effective Date, (b) that there are 20 million shares of Old Common Stock outstanding on the Effective Date, (c) that no outstanding warrants or stock options have been exercised prior to the Confirmation Date, (d) that the investment under the Investment Agreement aggregates \$110 million (i.e. the \$20 million New Equity Investment, plus New Senior Notes in the amount of \$90 million)/10/ and (e) that holders of an aggregate of 4.6 million

10 The Plan provides that the amount of the New Senior Notes will be up to

\$120 million, less net proceeds from the sale(s) of real property owned by the Debtor prior to the Effective Date and less the aggregate amount of any General Secured Claims that remain outstanding after giving effect to the payments required to be made on or about the Effective Date. However, for purposes of the above examples, the Debtor assumes that the New Senior Notes will aggregate \$90 million to account for any property sales that are included in the Debtor's estimate of \$25 million in proceeds of assets sales that have not been consummated prior to the Effective Date.

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Equity Interests elect to exchange their shares of Old Common Stock for New FNC Common Stock and exercise their Equity Participation Rights, each holder of an Equity Interest that holds 100,000 shares of Old Common Stock and warrants and is entitled to exercise the Equity Participation Right may invest \$550,000 and would receive in respect thereof \$450,000 of New Senior Notes and 133,333 shares of New FNC Common Stock. Such holder must exchange his 100,000 shares of Old Common Stock for New FNC Common Stock and thus, on a pro forma basis prior to conversion of the New Senior Notes, would hold 233,333 shares of the total 45.6 million/11/ shares of outstanding New FNC Common Stock. Thus, by making the investment, such holder would maintain an approximate .5% share of Reorganized FNC's outstanding common stock.

Utilizing the same assumptions, upon conversion of the New Senior Notes, Reorganized FNC will have approximately 165.6 million shares of New FNC Common Stock outstanding, of which approximately 833,333 shares will be held by a holder of Equity Interests that elected to exchange his 100,000 shares of Old Common Stock for New FNC Common Stock and exercise his Equity Participation Right. Accordingly, upon conversion of the New Senior Notes, such holder's interest in Reorganized FNC would still be maintained at approximately .5%/12/

If a holder of 100,000 Equity Interests elects to exchange its shares of Old Common Stock for New FNC Common Stock but does not exercise its Equity Participation Right, utilizing the same assumptions, after the Effective Date and prior to conversion of the New Senior Notes, such holder's approximate 1% interest in Reorganized FNC would be reduced to approximately .22%. Upon conversion of the New Senior Notes, such holder's interest in Reorganized FNC would decrease to approximately .06%/13/

ALTHOUGH THE ABOVE EXAMPLES ASSUME THAT NO OUTSTANDING WARRANTS OR STOCK OPTIONS HAVE BEEN EXERCISED PRIOR TO THE CONFIRMATION DATE, THERE CAN BE NO GUARANTEE THAT SUCH WARRANTS OR STOCK OPTIONS WILL NOT BE EXERCISED PRIOR TO THE CONFIRMATION DATE. IN THE EVENT THAT ANY OUTSTANDING WARRANTS AND/OR STOCK OPTIONS ARE EXERCISED PRIOR TO THE

11 This amount was calculated using such holder's 233,333 shares + 2,933,333

shares to be paid to the Plan Investors as a commitment fee under the New Senior Notes + 11.4 million shares of Old Common Stock held by the Plan Investors which would be converted to New FNC Common Stock + 26,533,334 shares of New FNC Common Stock issued to the Plan Investors + 4.5 million shares of Old Common Stock held by other holders of Equity Interests which would be converted to New FNC Common Stock.

- 12 There are approximately 12.5 million outstanding warrants and stock options. Assuming all such warrants and stock options are exercised after the Confirmation Date but prior to conversion of the New Senior Notes, the number of outstanding shares of New FNC Common Stock will increase to 58.1 million shares. Accordingly, a holder's .5% interest in Reorganized FNC would be reduced to approximately .4%. After conversion of the New Senior Notes, such holder's interest in Reorganized FNC would increase to approximately .47%.
- 13 The foregoing is by way of example only and is subject to adjustment based on the number of holders of Equity Interests who ACTUALLY elect to receive New FNC Common Stock.

CONFIRMATION DATE, THE CALCULATIONS IN THE ABOVE EXAMPLES WOULD CHANGE TO REFLECT SUCH ADDITIONAL OUTSTANDING SHARES.

b. CLASS 6 -- CONVENIENCE INTERESTS

Class 6, consisting of Convenience Interests is impaired by the Plan. Consequently, each holder of an Allowed Convenience Interest shall be entitled to vote to accept or reject the Plan. Convenience Interests consist of Allowed Interests of a single holder that equal 5,000 shares of Old Common Stock or less.

On the Effective Date, each of the shares of Old Common Stock shall be cancelled, annulled and extinguished and each holder of an Allowed Convenience Interest shall receive, in full and final satisfaction of such Allowed Convenience Interest, a Cash payment equal to \$.75 per share for each of such holder's shares of Old Common Stock.

E. DESCRIPTION OF MEANS OF EXECUTION AND TRANSACTIONS TO BE IMPLEMENTED IN CONNECTION WITH THE PLAN

1. PLAN FUNDING. The funds utilized to implement the Plan have been and/or will be generated from, among other things the proceeds of (i) the New Senior Notes, (ii) the New Equity Investment and (iii) any sale of leases or real property owned by the Debtor.

2. NEW INDENTURE AND NEW SENIOR NOTES. On the Effective Date, Reorganized FNC will execute the New Indenture and issue the New Senior Notes.

3. INVESTMENT AGREEMENT. On the Effective Date, the transactions contemplated by the Investment Agreement shall be consummated.

4. DEVELOPMENT AGREEMENT. On the Effective Date, Reorganized FNC shall execute the Development Agreement with KRC Property Management I, Inc.

5. PROPERTY MANAGEMENT AGREEMENT. On the Effective Date, Reorganized FNC shall execute the Property Management Agreement with KRC Property Management I, Inc.

6. REGISTRATION RIGHTS. Without limiting the effect of Section 1145 of the Bankruptcy Code, as of the Effective Date, Reorganized FNC will execute the Registration Rights Agreement with the Plan Investors. In the event that Reorganized FNC is required by the Plan Investors to register the New FNC Common Stock and/or New Senior Notes, Reorganized FNC shall register, in addition to such shares, the largest number of securities held by others which the underwriters reasonably believe can be sold without having an adverse effect on such offering. As between the Plan Investors and the holders of New FNC Common Stock that exercised their Equity Participation Right, the number of securities that may be included in the underwriting shall be allocated as follows: (a) FIRST, the maximum number of shares that can be so included of New FNC Common Stock or New Senior Notes held by the Plan Investors on a PRO RATA basis and (b) SECOND, the maximum number of shares that can be so included of New FNC Common Stock or New Senior Notes held by holders of New FNC Common Stock or New Senior Notes other than the Plan Investors that exercised their Equity Participation Right, on a PRO RATA basis.

7. REORGANIZED FNC CHARTER. On the Effective Date, the Reorganized FNC Charter will become effective. The Reorganized FNC Charter, together with the provisions of the Plan, shall, as applicable, provide for, among other things, the incorporation of Reorganized FNC as a Delaware corporation, the authorization and issuance of New FNC Common Stock, and such other provisions as are necessary to facilitate consummation of the Plan, including a provision prohibiting the issuance of non-voting equity securities in accordance with Section 1123(a)(6) of the Bankruptcy Code, all without any further action by the stockholders or directors of the Debtor or Reorganized FNC, but in such form as is reasonably acceptable to the Plan Investors. The issuance of New FNC Common Stock is authorized without the need for any further corporate action or action by the New Board or shareholders of Reorganized FNC. The Reorganized FNC Charter may also contain restrictions on the transfer of New FNC Common Stock to preserve any net operating loss carryforwards.

8. ISSUANCE OF NEW FNC COMMON STOCK. On the Effective Date, Reorganized FNC shall issue, in accordance with the terms of the Plan and the Investment Agreement, 45.6 million shares of New FNC Common Stock. All shares of New FNC Common Stock to be issued pursuant to the Plan shall be, upon issuance, fully paid and non-assessable, and shall be subject to dilution only as may be expressly set forth in the Plan or in the Plan Documents. Holders of New FNC Common Stock that elected their Equity Participation Right shall have typical preemptive rights (with customary exceptions) to subscribe for additional shares of New FNC Common Stock to maintain such holders' percentage interest in Reorganized FNC. On the Effective Date, Reorganized FNC will transmit written instructions regarding the surrender of Old Common Stock and the distribution of shares of New FNC Common Stock to those parties entitled to receive such stock pursuant to the Plan.

9. REVESTING OF ASSETS. Except as otherwise provided by the Plan, upon the Effective Date, title to all properties and assets dealt with by the Plan shall pass from the Debtor to Reorganized FNC free and clear of all Claims, Liens, encumbrances and interests of creditors and of equity security holders (except those Claims, Liens, charges, rights, encumbrances and interests created or permitted to continue to be retained pursuant to this Plan) and the Confirmation Order shall be a judicial determination of discharge and extinguishment of all Claims, Liens or Equity Interests (except those created or permitted to continue to be retained pursuant to this Plan); PROVIDED, HOWEVER, that the real estate upon which the Debtor's location in Utica, Michigan, identified as Store No. 30, is located shall be specifically subject to all easements including, INTER ALIA, for septic purposes, for ingress and egress and for parking for the benefit of Mexican Village of Utica, Inc., Concha Azofiefa and Fernando Gutierrez, individually and/or as Trustee of the Fernando Gutierrez Trust, and their respective heirs, successors and assigns (collectively, "Mexican Village") and/or any other easements, interests or encumbrances that inure to the benefit of Mexican Village. All pre-Effective Date liabilities of the Debtor are treated and/or discharged in accordance with the terms of this Plan and shall not in any manner be (or be deemed to be) transferred or assumed by Reorganized FNC.

10. CANCELLATION AND SURRENDER OF EXISTING SECURITIES AND AGREEMENTS.

(a) Except as may otherwise be provided in the Plan, on the date distributions are made, the promissory notes, share certificates, bonds and other instruments evidencing any Claim or Interest shall be deemed canceled without further act or action under any applicable

agreement, law, regulation, order or rule and the obligations of the Debtor under the agreements, indentures and certificates of designations governing such Claims and Interests, as the case may be, shall be discharged and released.

(b) Except as otherwise provided in the Plan or agreed by Reorganized

FNC, each holder of a promissory note, share certificate, bond or other instrument evidencing a Claim or Interest, shall surrender such promissory note, share certificate, bond or instrument to Reorganized FNC (or the Disbursing Agent). No distribution of property under the Plan shall be made to or on behalf of any such holders unless and until such promissory note, share certificate, bond or instrument is received by Reorganized FNC (or the Disbursing Agent), or the unavailability of such promissory note, share certificate, bond or instrument is established to the reasonable satisfaction of Reorganized FNC (or the Disbursing Agent), or such requirement is waived by Reorganized FNC. Reorganized FNC may require any holder that is unable to surrender or cause to be surrendered any such promissory notes, share certificates, bonds or instruments to deliver an affidavit of loss and indemnity reasonably satisfactory to Reorganized FNC. Any holder that fails within the later of one year after the Effective Date and the date of Allowance of its Claim or Interest (i) to surrender or cause to be surrendered such promissory note, share certificate, bond or instrument and (ii) if requested, to execute and deliver an affidavit of loss and indemnity reasonably satisfactory to Reorganized FNC (or the Disbursing Agent), shall be deemed to have forfeited all rights, Claims and Causes of Action against or Interests in the Debtor and Reorganized FNC and shall not participate in any distribution hereunder.

11. CONTINUATION OF BANKRUPTCY INJUNCTION OR STAYS. All injunctions or stays provided for in the Chapter 11 Case under Sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

12. FULL AND FINAL SATISFACTION. All payments and all distributions hereunder shall be in full and final satisfaction, settlement and release of all Claims and Interests, except as otherwise provided in the Plan.

13. WAIVER OF AVOIDANCE ACTIONS. As of and subject to the occurrence of the Effective Date, the Debtor, for and on behalf of itself and its Estate, hereby waives and releases any of the Causes of Action under Sections 510, 542, 544, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code, but shall retain all other Causes of Action.

14. TERMINATION OF SUBORDINATION RIGHTS. Except as otherwise provided in the Plan, the classification and manner of satisfying all Claims and Interests under the Plan take into consideration all contractual, legal and equitable subordination rights, whether arising under general principles of equitable subordination, Sections 510(b) and (c) of the Bankruptcy Code or otherwise, that a holder of a Claim or Interest may have against other Claim or Interest holders with respect to any distribution made pursuant to the Plan. On the Effective Date, all contractual, legal or equitable subordination rights that a holder of a Claim or Interest may have with respect to any distribution to be made pursuant to the Plan shall be discharged and terminated, and all actions related to the enforcement of such subordination rights shall be permanently enjoined and distributions pursuant to the Plan shall not be subject to payment to a

beneficiary of such terminated subordination rights, or to levy, garnishment, attachment or other legal process by any beneficiary of such terminated subordination rights.

15. ADMINISTRATION PENDING EFFECTIVE DATE. Prior to the Effective Date, the Debtor shall continue to manage its properties as a debtor-in-possession, subject to all applicable requirements of the Bankruptcy Code and the Bankruptcy Rules. After the Effective Date, Reorganized FNC may manage its properties, and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, but subject to the continuing jurisdiction of the Bankruptcy Court as set forth in Article 12 of the Plan.

16. SETOFFS. Nothing contained in the Plan shall constitute a waiver or release by the Debtor of any rights of setoff the Debtor may have against any Person.

17. POST-CONFIRMATION FEES, FINAL DECREE. Reorganized FNC shall be responsible for the payment of any post-confirmation fees due pursuant to 28 U.S.C. ss. 1930(a)(6) and the filing of post-confirmation reports, until a final decree is entered. A final decree shall be entered as soon as practicable after distributions have commenced under the Plan.

18. SECTION 1145 EXEMPTION. The issuance of the New Senior Notes, the New FNC Common Stock on the Effective Date and upon conversion of the New Senior Notes, the Equity Participation Right and other securities that may be deemed to be issued pursuant to this Plan shall be exempt from registration requirements in accordance with Section 1145 of the Bankruptcy Code.

F. DISTRIBUTIONS AND TREATMENT OF DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS AND INTERESTS

1. VOTING OF INTERESTS. Each holder of an Allowed Interest in an impaired Class which is entitled to retain or receive property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered Ballot as provided in such order as is entered by the Bankruptcy Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

2. NONCONSENSUAL CONFIRMATION. If any impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided in Sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any impaired class is deemed to have rejected the Plan, the Debtor reserves the right (a) to undertake to have the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code and (b) to amend the Plan in accordance with Section 13.3 of the Plan to the extent necessary to obtain entry of the Confirmation Order.

3. METHOD OF DISTRIBUTIONS UNDER THE PLAN.

a. IN GENERAL. Subject to Bankruptcy Rule 9010, all distributions under the Plan shall be made by Reorganized FNC (or the Disbursing Agent) to the holder of each Allowed Claim or Interest at the address of such holder as listed in the Debtor's books and records or on the Schedules as of the Confirmation Date, unless the Debtor or Reorganized FNC has been notified in writing of a change of address, including, without limitation, by the filing of a proof

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of claim or notice of transfer of claim filed by such holder that provides an address, if any, for such holder different from the address reflected in the Debtor's books and records or on the Schedules.

b. DISTRIBUTIONS OF CASH. Any payment of Cash made by Reorganized FNC (or the Disbursing Agent) pursuant to the Plan shall be made by check drawn on a domestic bank or by wire transfer.

c. TIMING OF DISTRIBUTIONS. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

d. FRACTIONAL DOLLARS. Whenever any payment of a fraction of a dollar would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollars (rounding down in the case of \$0.50 or less and rounding up in the case of more than \$0.50).

e. FRACTIONAL SHARES. No fractional shares of New FNC Common Stock shall be distributed under the Plan. When any distribution pursuant to the Plan would otherwise result in the issuance of a number of shares of New FNC Common Stock that is not a whole number, such fractional interests shall be rounded up or down to the nearest whole number.

4. DISTRIBUTIONS TO HOLDERS AS OF THE CONFIRMATION DATE. As of the close of business on the Confirmation Date, the claims register shall be closed, and there shall be no further changes in the record holders of any Claims or Interests. The Debtor and Reorganized FNC shall have no obligation to recognize any transfer of any Claims or Interests occurring after the close of business on the Confirmation Date, and shall instead be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan pursuant to Section 6.1 of the Plan) with only those holders of record as of the close of business on the Confirmation Date. The record date for distributions to holders of Claims against and Interests in the Debtor shall be the Confirmation Date.

5. OBJECTIONS TO AND RESOLUTION OF ADMINISTRATIVE EXPENSE CLAIMS, CLAIMS AND INTERESTS. Except as to applications for allowance of compensation and reimbursement of expenses under Sections 330 and 503 of the Bankruptcy Code (with respect to which procedures respecting objections shall be governed by

Section 2.2(c) of the Plan and the Confirmation Order or other Final Order), only Reorganized FNC may file objections to the allowance of any Administrative Expense Claims, Claims and Interests subsequent to the Confirmation Date. All objections shall be litigated to Final Order; PROVIDED, HOWEVER, that Reorganized FNC shall have the exclusive authority to compromise, settle, otherwise resolve or withdraw any objections without requiring approval of the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, all objections to the allowance of Administrative Expense Claims, Claims or Interests that are the subject of proofs of claim or requests for payment filed with the Bankruptcy Court (other than applications for allowances of compensation and reimbursement of expenses), shall be filed and served upon the holder of the Administrative Expense Claim, Claim or Interest as to which the objection is made as soon as is practicable, but in no event later than 180 days after the Effective Date or such later date as may be approved by the Bankruptcy Court.

6. ESTABLISHMENT AND MAINTENANCE OF RESERVE FOR DISPUTED CLAIMS. On the Effective Date, Reorganized FNC shall establish and maintain an interest-bearing reserve (the "DISPUTED CLAIMS RESERVE"), in trust for the holders of Disputed Claims whose Claims ultimately become Allowed Claims, equal to the aggregate of any distributable amounts of Cash (inclusive of post-petition interest at a rate of 2.10% per annum from the Petition Date through the Effective Date) to which holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in the amount of such Disputed Claim or such lesser amount as required by a Final Order. For the purposes of effectuating the provisions of this Section and the distributions to holders of Allowed Claims, the Debtor may, at any time and regardless of whether an objection to the Disputed Claim has been brought, request that the Bankruptcy Court estimate, set, fix or liquidate the amount of Disputed Claims pursuant to Section 502(c) of the Bankruptcy Code, in which event the amounts so estimated, fixed or liquidated shall be deemed the Allowed amounts of such Claims for purposes of distribution under the Plan. In lieu of estimating, fixing or liquidating the amount of any Disputed Claim, the Bankruptcy Court may determine the amount to be reserved for such Disputed Claim (singularly or in the aggregate), or such amount may be fixed by agreement in writing by and between the Debtor and the holder of a Disputed Claim.

7. DISTRIBUTIONS UPON ALLOWANCE OF DISPUTED CLAIMS. The holder of a Disputed Claim that becomes an Allowed Claim subsequent to the Effective Date shall receive distributions from the Disputed Claims Reserve as soon as practical following the date on which such Disputed Claim becomes an Allowed Claim pursuant to a Final Order. Such distributions shall be made in accordance with the Plan based upon the distributions that would have been made to such holder under the Plan if the Disputed Claim had been an Allowed Claim on or prior to the Effective Date, and shall include such holder's PRO RATA share of interest accrued on the Disputed Claims Reserve. Reorganized FNC will pay all

expenses in connection with maintaining the Disputed Claims Reserve and prosecuting objections to Disputed Claims. No holder of a Disputed Claim shall have any Claim against the Disputed Claims Reserve or Reorganized FNC with respect to such Claim until such Disputed Claim shall become an Allowed Claim.

8. UNCLAIMED DISTRIBUTIONS. Any Person who receives a check pursuant to the Plan must present such check for payment within 120 days of its date of issuance. Any checks not presented within such 120 day period will be void, and such funds shall revert in Reorganized FNC.

9. DISTRIBUTIONS RELATING TO ALLOWED INSURED CLAIMS. Distributions under the Plan to each holder of an Allowed Insured Claim shall be in accordance with the treatment provided under the Plan for Class 4, but solely to the extent that such Allowed Insured Claim is not satisfied from proceeds payable to the holder thereof under any pertinent insurance policies and applicable law. Nothing contained in this Section shall constitute or be deemed a waiver of any Cause of Action that the Debtor or any entity may hold against any other entity, including, without limitation, insurers under any policies of insurance. For each Insured Claim, the Debtor shall maintain Cash in the Disputed Claims Reserve equal to the amount of any self-insured retention or deductible under any pertinent insurance policy until such Insured Claim becomes an Allowed Insured Claim or in such other amount as determined pursuant to Section 502(c) of the

Bankruptcy Code. The Debtor shall have no other or further obligation to holders of Allowed Insured Claims.

G. EXECUTORY CONTRACTS AND UNEXPIRED LEASES; INDEMNIFICATION CLAIMS; AND RETIREE BENEFITS

On the Effective Date, all unexpired leases or executory contracts of the Debtor will be rejected in accordance with the provisions and requirements of Section 365 and 1123 of the Bankruptcy Code, EXCEPT those executory contracts and unexpired leases that (a) have been assumed by Final Order of the Bankruptcy Court, (b) are the subject of a motion to assume pending on the Effective Date or (c) are assumed pursuant to the Plan. Entry of the Confirmation Order shall constitute an order of the Bankruptcy Court approving all such assumptions or rejections pursuant to Sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

1. CLAIMS DEADLINE FOR FILING PROOFS OF CLAIMS RELATING TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES.

Claims arising out of the rejection of an executory contract or unexpired lease must be filed with the Bankruptcy Court and/or served upon Reorganized FNC or as otherwise may be provided in the Confirmation Order by no later than 30

days after the notice of entry of the Confirmation Order. Any Claims not filed within such time will be forever barred from assertion against the Debtor, its Estate, or Reorganized FNC, and the holders thereof shall not be entitled to any distribution under the Plan or otherwise from Reorganized FNC. Unless otherwise ordered by the Bankruptcy Court, all Claims arising from the rejection of executory contracts and unexpired leases shall be treated as General Unsecured Claims under the Plan.

2. INSURANCE POLICIES

Each of the Debtor's insurance policies and any agreements, documents or instruments relating thereto, including, without limitation, any retrospective premium rating plans relating to such policies will remain in full force and effect. Notwithstanding the foregoing, distributions under the Plan to any holder of a Claim covered by any such insurance policies and related agreements, documents or instruments, shall be in accordance with the treatment provided under Article 4 and Section 6.9 of the Plan. Nothing contained in Section 7.3 of the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtor may hold against any entity, including, without limitation, the insurer under any of the Debtor's policies of insurance, relating to such policies of insurance or Insured Claims.

3. INDEMNIFICATION CLAIMS. All Indemnification Claims shall be assumed by Reorganized FNC without limitation and all Persons holding or asserting Indemnification Claims (whether directly, by subrogation or otherwise) shall be entitled to obtain recovery on account of such Claims from the Reorganized FNC. Reorganized FNC shall continue and maintain all presently existing directors' and officers' insurance policies, and all such policies shall remain in full force and effect following Confirmation at comparable coverage levels.

4. UNEXERCISED STOCK OPTIONS AND WARRANTS. On the Effective Date, all unexercised options and warrants to purchase Old Common Stock shall be assumed in accordance with the provisions and requirements of Section 365 and 1123 of the Bankruptcy Code.

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5. RETIREE BENEFITS. Payment of any Retiree Benefits shall be continued solely to the extent, and for the duration of the period the Debtor is contractually or legally obligated to provide such benefits, subject to any and all rights of the Debtor under applicable law.

H. CORPORATE GOVERNANCE AND MANAGEMENT OF REORGANIZED FNC

1. MANAGEMENT OF REORGANIZED FNC. On the Effective Date, the management, control and operation of Reorganized FNC shall become the general responsibility of the board of directors of Reorganized FNC, which shall, thereafter, have responsibility for the management, control and operation of Reorganized FNC in

accordance with applicable law.

2. DIRECTORS AND OFFICERS OF REORGANIZED FNC.

a. BOARD OF DIRECTORS OF REORGANIZED FNC. As of the Effective Date, the board of directors of Reorganized FNC (the "New Board") shall consist of 5 members to be designated by the Plan Investors and it is presently contemplated that the existing three directors of the Debtor will be members of the board of directors of Reorganized FNC. The designation of the board members for Reorganized FNC shall be filed with the Bankruptcy Court on or prior to the commencement date of the Confirmation Hearing, or such later date as the Bankruptcy Court may establish.

b. OFFICERS OF REORGANIZED FNC. On the Effective Date, the officers of Reorganized FNC immediately prior to the Effective Date shall serve as the officers of Reorganized FNC. After the Effective Date, the officers of Reorganized FNC shall be determined by the New Board.

3. CORPORATE ACTION. All terms of the Plan may be put into effect and carried out without further action by the directors, shareholders or members of the Debtor or Reorganized FNC, who shall be deemed to have unanimously approved the Plan and all agreements and transactions provided for or contemplated herein, including, without limitation: (i) the adoption of Reorganized FNC Charter, (ii) the initial selection of directors and officers of Reorganized FNC, and (iii) the distribution of Cash and the issuance and distribution of New FNC Common Stock pursuant to the Plan.

I. EXCULPATION; RELEASE; INJUNCTIONS; AND DISCHARGE

1. DISCHARGE. EXCEPT AS OTHERWISE PROVIDED IN SECTION 1141 OF THE BANKRUPTCY CODE OR THE PLAN, THE DISTRIBUTIONS MADE PURSUANT TO THE PLAN WILL BE IN FULL AND FINAL SATISFACTION, SETTLEMENT, RELEASE AND DISCHARGE AS AGAINST THE DEBTOR, OF ANY DEBT THAT AROSE BEFORE THE CONFIRMATION DATE AND ANY DEBT OF A KIND SPECIFIED IN SECTION 502(G), 502(H) OR 502(I) OF THE BANKRUPTCY CODE AND ALL CLAIMS AND INTERESTS OF ANY NATURE, INCLUDING, WITHOUT LIMITATION, ANY INTEREST ACCRUED THEREON FROM AND AFTER THE PETITION DATE, WHETHER OR NOT (I) A PROOF OF CLAIM OR INTEREST BASED ON SUCH DEBT, OBLIGATION OR INTEREST IS FILED OR DEEMED FILED UNDER SECTION 501 OF THE BANKRUPTCY CODE OR (II) SUCH CLAIM OR INTEREST IS ALLOWED UNDER SECTION 502 OF THE BANKRUPTCY CODE OR (III) THE HOLDER OF SUCH ALLOWED CLAIM OR INTEREST HAS ACCEPTED THE PLAN. THE CONFIRMATION ORDER SHALL BE A JUDICIAL DETERMINATION OF THE DISCHARGE OF ALL CLAIMS AGAINST AND INTERESTS IN THE DEBTOR, SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE.

2. EXCULPATION. NONE OF THE DEBTOR, REORGANIZED FNC, KIMCO, THE DIP LENDER, THE CREDITORS' COMMITTEE, THE PLAN INVESTORS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OF THEIR RESPECTIVE SHAREHOLDERS, MEMBERS, OFFICERS,

DIRECTORS, EMPLOYEES, ADVISORS, ATTORNEYS, FINANCIAL ADVISORS, AGENTS OR PROFESSIONALS (COLLECTIVELY, THE "EXCULPATED PARTIES") SHALL HAVE OR INCUR ANY LIABILITY TO ANY HOLDER OF A CLAIM OR INTEREST OR OTHER PERSON FOR ANY ACT OR OMISSION IN CONNECTION WITH, RELATED TO, OR ARISING OUT OF, THE CHAPTER 11 CASE, THE PREPARATION OR FORMULATION OF THE PLAN, THE PURSUIT OF CONFIRMATION OF THE PLAN, THE CONSUMMATION OF THE PLAN OR THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, AND, IN ALL RESPECTS, THE EXCULPATED PARTIES SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO THEIR DUTIES AND RESPONSIBILITIES UNDER THE PLAN; PROVIDED, HOWEVER, THAT NOTHING IN THE PLAN SHALL, OR SHALL BE DEEMED TO, RELEASE THE EXCULPATED PARTIES FROM, OR EXCULPATE THE EXCULPATED PARTIES WITH RESPECT TO, THEIR RESPECTIVE OBLIGATIONS OR COVENANTS ARISING PURSUANT TO THE PLAN.

3. RELEASE OF RELEASED PARTIES. AS OF THE EFFECTIVE DATE, IN CONSIDERATION FOR, AND AS PART OF THE TREATMENT AFFORDED TO THE HOLDERS OF CLAIMS AND INTERESTS UNDER THE PLAN, AND FOR OTHER VALUABLE CONSIDERATION, EACH OF THE DEBTOR, REORGANIZED FNC, KIMCO, THE DIP LENDER, THE CREDITORS' COMMITTEE, THE PLAN INVESTORS AND EACH OF THEIR RESPECTIVE AFFILIATES AND THEIR RESPECTIVE PARENTS, SUBSIDIARIES, AFFILIATES, SHAREHOLDERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, ADVISORS, ATTORNEYS, FINANCIAL ADVISORS, AGENTS OR PROFESSIONALS (COLLECTIVELY, THE "RELEASED PARTIES") SHALL BE DEEMED FOREVER RELEASED AND DISCHARGED FROM ANY AND ALL KNOWN AND UNKNOWN CAUSES OF ACTION OF ANY NATURE THAT ANY PERSON (INCLUDING, WITHOUT LIMITATION, ANY HOLDER OF CLAIMS AND INTERESTS UNDER THE PLAN) MAY HAVE ASSERTED, COULD HAVE ASSERTED, OR COULD IN THE FUTURE ASSERT, DIRECTLY OR INDIRECTLY, AGAINST ANY OF THE RELEASED PARTIES BASED ON ANY ACT OR OMISSION OF THE DEBTOR ON OR PRIOR TO THE EFFECTIVE DATE, EXCLUDING GROSS NEGLIGENCE AND WILLFUL MISCONDUCT ON THE PART OF THE RELEASED PARTY; PROVIDED, HOWEVER, THAT THE FOREGOING RELEASES SHALL NOT APPLY TO CAUSES OF ACTION THAT ARISE FROM OBLIGATIONS OR RIGHTS CREATED UNDER OR IN CONNECTION WITH THE PLAN OR ANY AGREEMENT PROVIDED FOR OR CONTEMPLATED IN THE PLAN.

4. MUTUAL RELEASES BY RELEASED PARTIES. AS OF THE EFFECTIVE DATE, EACH OF THE RELEASED PARTIES HEREBY UNCONDITIONALLY FOREVER RELEASES, WAIVES AND DISCHARGES ALL KNOWN AND UNKNOWN CAUSES OF ACTION OF ANY NATURE THAT SUCH RELEASED PARTY HAS ASSERTED MAY HAVE ASSERTED, COULD HAVE ASSERTED, OR COULD IN THE FUTURE ASSERT, DIRECTLY OR INDIRECTLY, AGAINST ANY OF THE OTHER RELEASED PARTIES BASED ON ANY ACT OR OMISSION RELATING TO THE DEBTOR OR ITS BUSINESS OPERATIONS (INCLUDING, WITHOUT LIMITATION, THE ORGANIZATION OR CAPITALIZATION OF THE DEBTOR OR EXTENSIONS OF CREDIT AND OTHER FINANCIAL SERVICES AND ACCOMMODATIONS MADE OR NOT MADE TO THE DEBTOR) OR THE CHAPTER 11 CASE ON OR PRIOR TO THE EFFECTIVE DATE; PROVIDED, HOWEVER, THAT THE FOREGOING RELEASES SHALL NOT APPLY TO CAUSES OF ACTION THAT ARISE FROM OBLIGATIONS OR RIGHTS CREATED UNDER OR IN CONNECTION WITH THE PLAN OR ANY AGREEMENT PROVIDED FOR OR CONTEMPLATED IN THE PLAN.

5. INJUNCTIONS.

a. INJUNCTION RELATED TO DISCHARGE. AS OF THE EFFECTIVE DATE AND SUBJECT TO ITS OCCURRENCE, ALL PERSONS THAT HAVE HELD, CURRENTLY HOLD OR MAY HAVE ASSERTED A CLAIM, A

CAUSE OF ACTION OR AN INTEREST OR OTHER RIGHT OF A HOLDER OF AN INTEREST THAT IS DISCHARGED, RELEASED OR TERMINATED PURSUANT TO THE PLAN, ARE HEREBY PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION OR OTHER PROCEEDING, ENFORCING, ATTACHING, COLLECTING OR RECOVERING IN ANY MANNER ANY JUDGMENT, AWARD, DECREE OR ORDER, CREATING, PERFECTING OR ENFORCING ANY LIEN OR ENCUMBRANCE, ASSERTING A SET-OFF, RIGHT OR SUBROGATION OR RECOUPMENT OF ANY KIND AGAINST ANY DEBT, LIABILITY OR OBLIGATION DUE TO ANY SUCH RELEASING PERSON, AND FROM COMMENCING OR CONTINUING ANY ACTION, IN ANY MANNER OR IN ANY PLACE WHERE THE FOREGOING DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THE PLAN, AND THE CONFIRMATION ORDER SHALL PROVIDE FOR SUCH INJUNCTIONS.

b. INJUNCTION RELATING TO EXCULPATION AND RELEASE. AS OF THE EFFECTIVE DATE, EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, ALL PERSONS ARE HEREBY PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION OR OTHER PROCEEDING, WHETHER DIRECTLY, DERIVATIVELY OR OTHERWISE AGAINST ANY OR ALL OF THE EXCULPATED PARTIES OR RELEASED PARTIES, ON ACCOUNT OF OR RESPECTING ANY CLAIMS, DEBTS, RIGHTS, CAUSES OF ACTION OR LIABILITIES EXCULPATED, RELEASED OR DISCHARGED PURSUANT TO THE PLAN, AND THE CONFIRMATION ORDER SHALL PROVIDE FOR SUCH INJUNCTIONS.

J. CONFIRMATION AND EFFECTIVENESS OF PLAN

1. CONDITION TO CONFIRMATION. Unless this condition is satisfied or waived pursuant to Section 10.3 of the Plan, it is a condition to the entry of the Confirmation Order that the Confirmation Order shall be in form and substance reasonably acceptable to the Debtor, the Creditors' Committee and the Plan Investors.

2. CONDITIONS PRECEDENT TO EFFECTIVE DATE OF THE PLAN. The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 11.3 of the Plan:

(a) the Confirmation Order, in form and substance reasonably acceptable to the Debtor, the Creditors' Committee and the Plan Investors shall have been entered by the Bankruptcy Court and shall have become a Final Order;

(b) the Investment Agreement and any related documents shall have been finalized, fully executed, and the transactions contemplated thereby shall have been consummated

(c) each of the Plan Documents, in form and substance reasonably acceptable to the Debtor, the Creditors' Committee and the Plan Investors, shall have been effected or executed and delivered, and the New FNC Common Stock required to be distributed pursuant to the Plan shall be validly issued and

outstanding;

(d) the sum of the aggregate amount of Allowed Claims, Disputed Claims and Disputed Claims for which Cash is maintained in the Disputed Claims Reserve in Class 1 (Priority Claims) and with respect to any unpaid Administrative Expense Claims does not exceed \$5.6 million, less the net proceeds received by the Debtor from the sale of any real property owned by the Debtor prior to the Effective Date;

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(e) the sum of the aggregate amount of Allowed Claims, Disputed Claims and Disputed Claims for which Cash is maintained in the Disputed Claims Reserve in Class 4 (General Unsecured Claims) does not exceed \$50 million (excluding the reserve established for Insured Claims pursuant to Section 6.8 of the Plan);

(f) the sum of Allowed Claims in Class 2 (Kimco Secured Claims) does not exceed \$47.7 million, less the net proceeds received by the Debtor from the sale of any real property owned by the Debtor prior to the Effective Date;

(g) Reorganized FNC shall have sufficient Cash to make all payments required to be made on the Effective Date and fund all reserves required pursuant to the Plan; and

(i) all actions, other documents and agreements necessary to implement the Plan shall have been effected or executed and delivered.

3. WAIVER OF CONDITIONS. The Debtor, with the prior consent of the Plan Investors and the Creditors' Committee, may waive one or more of the conditions set forth in Sections 10.1 and 10.2 of the Plan.

4. EFFECT OF FAILURE OF CONDITIONS. In the event that one or more of the conditions specified in Section 10.2 of the Plan have not occurred on or before 120 days after the Confirmation Date, upon notification submitted by the Debtor (in consultation with the Creditors' Committee) to the Bankruptcy Court, counsel for the Creditors' Committee, counsel for the DIP Lender and counsel for the Plan Investors, (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtor and all holders of Claims and Interests shall be restored to the STATUS QUO ANTE as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (d) the Debtor's obligations with respect to the Claims and Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Interests by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any person in any further proceedings involving the Debtor.

K. RETENTION OF JURISDICTION

Following the Effective Date, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, Sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

1. to hear and determine any and all objections to the allowance of any Claims or any controversies as to the classification of any Claims;

2. to hear and determine any and all applications by Professionals for compensation and reimbursement of reasonable fees and expenses;

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3. to hear and determine any and all pending applications for the rejection and disaffirmance of executory contracts and unexpired leases, and fix and allow any Claims resulting therefrom;

4. to liquidate any Disputed Claim;

5. to enforce the provisions of the Plan, including the injunction, exculpation and releases provided for in the Plan;

6. to enable the Debtor to prosecute any and all proceedings which have been or may be brought prior to the Effective Date, or subsequent to the Effective Date, to set aside liens or encumbrances and to recover any transfers, assets, properties, or damages to which the Debtor may be entitled under applicable provisions of the Bankruptcy Code or any federal state, or local laws;

7. to correct any defect, cure any omission, or reconcile any inconsistency in the Plan or in the Confirmation Order as may be necessary to carry out the purpose and the intent of the Plan;

8. to determine any Claim or liability to a governmental unit which may be asserted as a result of the transactions contemplated herein;

9. to hear and determine matters concerning state, local, and federal taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code;

10. to hear and determine any matters or disputes arising under or in connection with the Plan, the Investment Agreement or other Plan Documents; and

11. to determine such other matters as may be provided for in the Confirmation Order or as may be authorized under the provisions of the Bankruptcy Code.

L. OTHER PROVISIONS

1. EXEMPTION FROM TRANSFER TAXES. In accordance with Section 1146(c) of the Bankruptcy Code, (a) the issuance, transfer or exchange of any security under the Plan including, without limitation the New FNC Common Stock or the Equity Participation Right, or the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan, including any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan, or the revesting, transfer or sale of any real or personal property of the Debtor pursuant to, in implementation of, or as contemplated by the Plan, including, without limitation, real or personal property transferred or sold prior to the Effective Date, (b) the making, delivery, creation, assignment, amendment or recording of any note or other obligation for the payment of money or any mortgage, deed of trust or other security interest under, in furtherance of, or in connection with the Plan, the issuance, renewal, modification or securing of indebtedness by such means, and (c) the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including, without limitation, the Confirmation Order, shall not be subject to any document recording tax, stamp tax, conveyance fee or other

similar tax, mortgage tax, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax or similar tax.

V. SUMMARY OF CERTAIN MATERIAL DOCUMENTS TO BE EXECUTED
OR IMPLEMENTED IN CONNECTION WITH THE PLAN

The following is a brief summary of the documents and agreements to be executed in connection with the Plan.

A. INVESTMENT AGREEMENT

On the Effective Date, the transactions contemplated by the Investment Agreement shall be consummated pursuant to which the Plan Investors and the existing holders of Equity Interests that elect to exercise their Equity Participation Right shall contribute \$20 million to Reorganized FNC in consideration of 26,666,667 shares of New FNC Common Stock and up to \$120 million in consideration of the New Senior Notes. The principal amounts of the New Senior Notes shall be reduced on a dollar-for-dollar basis by the net proceeds received by the Debtor from the sale of any real property owned by the

Debtor prior to the Effective Date. The Investment Agreement provides for payment of a commitment fee (the "Commitment Fee") to be paid to the Plan Investors in consideration of the New Senior Notes in an amount equal to 2% of the sum of the Rights Notes Investment (as defined in the Investment Agreement) plus \$20 million, payable (i) in cash or in New FNC Common Stock on the Effective Date, at the option of Reorganized FNC or (ii) in cash on the date that the Debtor enters into a definitive agreement, letter of intent or agreement in principal relating to an Alternative Proposal (defined below).

Kimco Realty Services, Inc. and Third Avenue Trust (on behalf of Third Avenue Real Estate Investment Trust) hold approximately 4.44 million warrants and 1.48 million warrants, respectively at an exercise price of \$1.14 per share (the "\$1.14 Warrants") and approximately 3.77 million warrants and 1.26 million warrants, respectively at an exercise price of \$1.99 per share (the "\$1.99 Warrants"). The Investment Agreement provides that upon entry of the Commitment Fee Order (as defined in the Investment Agreement), the outstanding warrants to purchase Old Common Stock held by Kimco Realty Services, Inc. and Third Avenue Trust shall be extended to May 20, 2006. Kimco Realty Services, Inc. and Third Avenue Trust have agreed that in the event that they determine to exercise their warrants, they would only receive an Equity Participation Right with respect to the New FNC Common Stock issued with regard to the \$1.14 Warrants exercised on or prior to the Confirmation Date. New FNC Common Stock issued by the exercise of the \$1.99 Warrants will not result in an Equity Participation Right.

The Investment Agreement contains certain conditions to its effectiveness including, without limitation, (a) all required approvals of the transactions contemplated thereunder have been obtained, (b) no temporary restraining order, preliminary or permanent injunction or other order preventing consummation of any of the transactions contemplated by the Investment Agreement shall be in effect, (c) the representations and warranties of the Plan Investors and of

the Debtor shall be true and correct as of the Closing Date (as defined in the Investment Agreement) and (d) all conditions precedent to effectiveness of the Plan have been satisfied or waived. The conditions precedent to effectiveness of the Investment Agreement, with the exception of (a) and (b) above, may be waived by Kimco Capital Corporation ("Kimco Capital") and Kimco Realty Corporation ("Kimco Realty") in their sole and absolute discretion.

In addition, the Investment Agreement provides that, subject to certain limitations, the Debtor shall not authorize, and shall not permit any of its directors, officers, employees, representatives, agents and advisors directly or indirectly to (a) solicit, initiate, or take any other action designed to solicit a proposal or offer for a restructuring transaction or a plan of reorganization, merger, consolidation, transfer or exchange of shares, issuance of equity securities (or securities convertible into equity securities), debt refinancing, sale of a material portion of the assets of the Debtor or similar

transaction involving the Debtor (collectively, an "Alternative Proposal"), (b) participate in any discussions or negotiations regarding any Alternative Proposal, (c) enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement related to any Alternative Proposal or (d) furnish any nonpublic information.

The Investment Agreement also provides that it may be terminated, and the transactions contemplated thereby abandoned at any time prior to the Closing Date (as defined in the Investment Agreement) (a) by the mutual written consent of Kimco Capital, Kimco Realty and the Debtor, (b) by Kimco Capital and Kimco Realty if (i) if the Closing (as defined in the Investment Agreement) has not occurred by August 12, 2005 or there shall be any law that makes consummation of the purchase of the New Senior Notes illegal or otherwise prohibited or if any court of competent jurisdiction or governmental entity shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the purchase of the New Senior Notes or the New FNC Common Stock or the Equity Participation Right and such order, decree, ruling or other action shall have become a Final Order, (ii) if the Debtor's board of directors withdraws or changes its recommendation of the Investment Agreement, (iii) if the Debtor's board of directors recommends an Alternative Proposal or if the Debtor enters into a written agreement or letter of intent or agreement in principle providing for any Alternative Proposal or (iv) if the Disclosure Statement Approval Order and the Commitment Fee Order have not been entered on or prior to April 15, 2005, in form and substance reasonably acceptable to the Plan Investors or the Confirmation Order has not been entered on or prior to June 30, 2005, in form and substance reasonably acceptable to the Plan Investors or (c) by the Debtor if (i) the Debtor's board of directors determines in good faith that termination of the Investment Agreement is necessary in order for the Debtor to accept any Alternative Proposal, (ii) the Bankruptcy Court has ordered the Debtor to terminate the Investment Agreement in order to accept any Alternative Proposal; PROVIDED that the Debtor shall have the right to terminate the Investment Agreement pursuant to clause (i) above only if it has complied in all material respects with the provisions of the Investment Agreement respecting payment of the Commitment Fee thereunder or (iii) if the Closing (as defined in the Investment Agreement) has not occurred by September 29, 2005; provided that the Debtor's right to terminate the Investment Agreement shall not be available if the failure to consummate the transactions thereunder results from the Debtor's breach of any provision of the Investment Agreement.

Finally, under the Investment Agreement, the Debtor is required to reimburse Kimco Capital and Kimco Realty for all of the reasonable out-of-pocket costs and expenses of the Plan Investors, including the fees and reasonable expenses of advisors, accountants, attorneys, consultants and other parties that the Plan Investors have engaged to assist them in connection with the Chapter 11 Case, actually incurred by the Plan Investors in connection with the evaluation, due diligence, negotiation and consummation of the Plan, the Investment

Agreement and the transactions and documents contemplated thereby. Also, as noted above, in the event that the Debtor terminates the Investment Agreement to accept an Alternative Proposal, the Debtor is required to pay the Commitment Fee to the Plan Investors in Cash.

B. NEW INDENTURE AND NEW SENIOR NOTES

As noted above, on the Effective Date, Reorganized FNC will execute the New Indenture and issue the New Senior Notes. The New Senior Notes shall be unsecured and shall contain the following material terms:

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Issuer:	Reorganized FNC
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Principal:	up to \$120 million (less net proceeds from the sale(s) of real property owned by the Debtor prior to the Effective Date and less the aggregate amount of any General Secured Claims that remain outstanding after giving effect to the payments required to be made on or about the Effective Date pursuant to Section 4.3 of the Plan), estimated to aggregate \$82.9 million
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Maturity:	The third anniversary from the Effective Date
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Interest:	7%, at the option of Reorganized FNC, payable either in cash or PIK
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Conversion:	At the option of any holder, convertible to New FNC Common Stock at any time at a price of \$.75 per share
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Covenants:	The Indenture contains certain covenants relating to, among other things, (i) taxes, (ii) maintenance of properties and insurance, (iii) registration rights, (iv) compliance with ERISA and environmental laws and (v) limitations on liens, indebtedness, loans, investments, dividends, guarantees, capital expenditures, lease-backs and transactions with affiliates.
	The Indenture also provides for certain events of default including, without limitation, default in the

payment of any principal, interest or premium with respect to any indebtedness for borrowed money or any similar obligation.

Call Provision: Reorganized FNC can call the New Senior Notes for redemption at any time after the date that is 12 months from the Effective Date.

Reporting: Reorganized FNC shall provide, on a semi-annual basis, an income statement, cash flow statement and balance sheet to the trustee under the Indenture for distribution to holders of New Senior Notes. In addition, in the event that Reorganized FNC prepares such reports on a quarterly basis, it will provide copies of the reports to the trustee under the Indenture for distribution to holders of New Senior Notes.

C. DEVELOPMENT AGREEMENT

On the Effective Date, Reorganized FNC will execute the Development Agreement with KRC Property Management I, Inc. ("KRC"). Pursuant to the Development Agreement, Reorganized FNC will retain the services of KRC on a non-exclusive basis for the purpose of undertaking the redevelopment of the approximately 40 Owned Properties (the "Retained Properties") retained by Reorganized FNC as described therein, including without limitation, the construction of certain improvements related thereto (the "Development Work"). Pursuant to the Development Agreement, KRC will be deemed to be an independent contractor of Reorganized FNC. The Development Agreement will continue until the earlier of (i) May 31, 2008 and (ii) the completion of the Development Work, unless sooner terminated in accordance with its terms.

Pursuant to the Development Agreement, KRC will, among other things, (a) coordinate and recommend to Reorganized FNC architects, engineers, traffic consultants, surveyors, land planners soil experts, toxic waste and hazardous substance consultants, attorneys and other professionals as may be necessary to complete the Development Work, (b) obtain approvals, permits and licenses necessary for the Development Work to be in compliance with all applicable laws, ordinances and regulations, (c) review plans and specifications for the Development Work for compliance with lease requirements and applicable laws,

ordinances and regulations and (d) coordinate and recommend general and other trade contractors and vendors. KRC will also develop a budget and schedule for the Development Work to be performed at each of the Retained Properties.

As compensation for services rendered under the Development Agreement, KRC will be paid a development fee (the "Development Fee") equal to 3% of all hard and soft costs incurred in the performance of the Development Work (including, but not limited to, architectural and engineering costs) but excluding, among other things, land costs, financing fees, interest

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payments, leasing commissions and property taxes (collectively, the "Development Costs"). With respect to each Retained Property, the Development Fee will accrue on a monthly basis based on Development Costs incurred during the previous month in connection with applicable properties. In the event that the Development Agreement is terminated in accordance with its terms, KRC shall have the right to receive the portion of the Development Fee earned through the date of such termination.

D. PROPERTY MANAGEMENT AGREEMENT

On the Effective Date, Reorganized FNC will execute the Property Management Agreement with KRC. Pursuant to the Property Management Agreement, Reorganized FNC will grant KRC the exclusive right to (i) manage, operate, supervise and maintain the Retained Properties and (ii) lease vacant space available within the Retained Properties. The Property Management Agreement will continue until the third (3rd) anniversary of the date of the agreement unless sooner terminated or extended in accordance with its terms. KRC shall be entitled to terminate the Property Management Agreement upon thirty (30) days' prior written notice in the event KRC determines in its sole and absolute discretion that (i) such termination is advisable to maintain either KRC's, its parent or any affiliate's status as a real estate investment trust or (ii) KRC's retention as contractor for the management, leasing and operation of the Retained Properties may cause KRC, its parent or any affiliate to cease to qualify as a real estate investment trust under all applicable laws.

Pursuant to the Property Management Agreement, KRC shall, among other things, be responsible for (i) renting, operating and managing the Retained Properties and collecting all rents and income from the Retained Properties; (ii) repairing, making replacements and maintaining the Retained Properties; (iii) supervising the work of and paying compensation to any on-site employees at the Retained Properties; (iv) obtaining and maintaining adequate insurance coverage with respect to employer's liability and worker's compensation; (v) providing all general bookkeeping and accounting services required by the provisions of the Property Management Agreement; (vi) negotiating contracts for the furnishing to the Retained Properties of all services and utilities, including electricity, gas, water, steam, telephone, cleaning, security, vermin

extermination, elevator, escalator and boiler maintenance and any other utilities; (vii) disbursing and paying all amounts, expenses or costs required to be disbursed or paid in connection with the repair, maintenance and operation of the Retained Properties; (viii) obtaining, renewing and at all times keeping in force insurance (through either blanket policies of insurance or Retained Property specific policies) covering the Retained Properties; (ix) instituting legal actions or proceedings to collect rent or other income from the Retained Properties or to oust or dispossess tenants or other persons therefrom, or canceling or terminating any lease for the breach thereof or default thereunder by the tenant, and holding all security deposits posted by tenants and occupants and applying the same against defaults by the tenant or occupant; (x) conducting negotiations connected with any leases or renewal agreements (and renting commission or brokerage agreements and other documents in connection therewith).

As compensation for services rendered under the Property Management Agreement, KRC will be paid a management fee equal to 3.5% of the Gross Income derived from the Retained Properties; PROVIDED, HOWEVER, that the Management Fee shall not be less than \$10,000 per month (the "Management Fee"). The Management Fee shall be payable in arrears and due on

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the first business day each calendar month. "Gross Income" shall mean all revenues of any kind and nature (including, without limitation, all minimum and percentage rents actually received), whether ordinary or extraordinary, foreseen or unforeseen, received or accrued from the use and/or occupancy of the Retained Properties or any part thereof, including, without limitation, any monies received or accrued from any occupants or users of any part of such improvements for reimbursement for expenses of the Retained Properties including, but not limited to, payments or reimbursements to Owner under any Reciprocal Easement Agreement affecting any of the Properties ("REA"), real estate taxes, common area maintenance charges, insurance or utilities as provided in the space leases for space tenants or in any such REA. "Gross Income" shall not include the proceeds of any sale, refinancing, condemnation or insured casualty in respect of the Retained Properties.

The Property Management Agreement provides that KRC, along with the use of outside brokers, shall use commercially reasonable efforts to lease all space in the Retained Properties which is at any time available for occupancy during the term of this Agreement ("Available Space"), and its responsibilities shall include assisting in lease negotiations, coordinating tenant improvements, liaising with governmental authorities and tenants, facilitating tenant move-in and activities related to the foregoing. In connection therewith, Reorganized FNC will pay KRC a leasing commission ("New Lease Commission") for leases of Available Space of five thousand (5,000) square feet or less equal to three dollars (\$3.00) per square foot rentable, of the space covered by any applicable new lease entered into by a tenant and Reorganized FNC (a "New Lease"). In addition, in the event that a tenant (i) leases additional space as to which it

had no option or right of first refusal, or (ii) extends or renews a lease as to which it had no right or option to extend or renew before the date hereof (a "Renewal Lease"), then Reorganized FNC shall also pay to KRC a leasing commission ("Renewal Lease Commission") equal to one and one-half (1 1/2%) percent of the rent payable during such renewal term(s). For all spaces of five thousand (5,000) square feet rentable or more, and when otherwise appropriate, Manager shall engage the services of other outside real estate brokers (at Reorganized FNC's sole cost and expense) to lease space in the Retained Properties who shall be paid such commissions (the "Outside Broker Fee") as may be included in any budget prepared by Reorganized FNC or prepared by KRC and approved by Reorganized FNC; PROVIDED, HOWEVER, that, notwithstanding anything to the contrary contained in the Property Management Agreement, in the event that an outside broker is used in connection with the leasing of any Available Space or a Renewal Lease, KRC shall be entitled to a New Lease Commission or a Renewal Lease Commission equal to \$1 per square foot of the rentable area covered by any applicable lease. A New Lease Commission shall be due and payable by Reorganized FNC to KRC on the earlier of: (i) the date that such tenant opens for business, and (ii) the date such tenant is required to commence payment of rent pursuant to the applicable lease; and a Renewal Lease Commission shall be payable by Reorganized FNC to KRC on the date such tenant is required to commence payment of rent on the new space or on the renewal term pursuant to the applicable lease, whichever is applicable.

VI. ACCEPTANCE AND CONFIRMATION OF THE PLAN

The following is a brief summary of the provisions of the Bankruptcy Code respecting acceptance and confirmation of a plan of reorganization. Holders of Claims and Interests are

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encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys.

A. Acceptance of the Plan

This Disclosure Statement is provided in connection with the solicitation of acceptances of the Plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of Claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the allowed Claims of that class that have actually voted or are deemed to have voted to accept or reject a plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of interests as acceptance by at least two-thirds in amount of the allowed interests of that class that have actually voted or are deemed to have voted to accept or reject a plan.

If one or more impaired Classes rejects the Plan, the Debtor may, in its

discretion, nevertheless seek confirmation of the Plan if the Debtor believes that it will be able to meet the requirements of Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan (which are set forth below), despite lack of acceptance by all impaired classes.

B. CONFIRMATION

1. CONFIRMATION HEARING

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. Notice of the Confirmation Hearing of the Plan has been provided to all known holders of Claims and Interests or their representatives along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to Confirmation of the Plan must be in writing, must conform with the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, must set forth the name of the objectant, the nature and amount of Claims or Interests held or asserted by the objectant against the Debtor's estate or property, and the basis for the objection and the specific grounds in support thereof. Such objection must be filed with the Bankruptcy Court, with a copy forwarded directly to the Chambers of the Honorable Prudence Carter Beatty, United States Bankruptcy Judge, United States Bankruptcy Court, Southern District of New York, Alexander Hamilton House, One Bowling Green, New York, New York 10004 together with proof of service thereof, and served upon (1) Proskauer Rose LLP, 1585 Broadway, New York, NY 10036, Attn: Alan B. Hyman, Esq. and Jeffrey W. Levitan, Esq., counsel for the Debtor, (2) Otterbourg, Steindler, Houston & Rosen, P.C., 230 Park Avenue, New York, NY 10169, Attn: Glenn B. Rice, Esq. and Enid N. Stuart, Esq., (3) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, NY 10004, Attn: Paul Schwartzberg, Esq. and (4) Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, NY 10019, Attention: Scott K. Charles, Esq. and Sarah S. Johnson, Esq., counsel to Kimco Capital Corporation so as to be received no later than the date and time designated in the notice of the Confirmation Hearing.

2. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

At the Confirmation Hearing, the Debtor will request that the Bankruptcy Court determine that the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If so, the Bankruptcy Court shall enter an order confirming the Plan. The applicable requirements of Section 1129 of the Bankruptcy Code are as

follows:

i. The Plan must comply with the applicable provisions of the Bankruptcy Code;

ii. The Debtor must have complied with the applicable provisions of the Bankruptcy Code;

iii. The Plan has been proposed in good faith and not by any means forbidden by law;

iv. Any payment made or promised to be made by the Debtor under the Plan for services or for costs and expenses in, or in connection with, this Chapter 11 Case, or in connection with the Plan and incident to the Chapter 11 Case, has been disclosed to the Bankruptcy Court, and any such payment made before Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

v. The Debtor has disclosed the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the Debtor under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and Interests and with public policy, and the Debtor has disclosed the identity of any insider that Reorganized FNC will employ or retain, and the nature of any compensation for such insider;

vi. BEST INTERESTS OF CREDITORS TEST. With respect to each Class of impaired Claims or Interests, either each holder of a Claim or Interest of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim or Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtor was liquidated on such date under Chapter 7 of the Bankruptcy Code. In a Chapter 7 liquidation, creditors and interest holders of a debtor are paid from available assets generally in the following order, with no lower class receiving any payments from the Debtor's estate until all amounts due to senior classes have either been paid in full or payment in full is provided for: (i) first to secured creditors (to the extent of the value of their collateral), (ii) next to priority creditors, (iii) next to unsecured creditors, (iv) next to debt expressly subordinated by its terms or by order of the Bankruptcy Court, and (v) last to holders of equity interests. The starting point in determining whether the Plan meets the "best interest" test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtor's remaining assets in the context of a chapter 7 liquidation. Such value must then be reduced by the costs of such liquidation, including costs incurred during the Chapter 11 case and allowed under chapter 7 of the Bankruptcy Code (such as fees and expenses of Professionals), a Chapter 7 trustee's fees, and the fees and expenses of professionals retained by a Chapter 7

trustee. The potential Chapter 7 liquidation distribution in respect of each class must be further reduced by the costs imposed as a result of the delay that would be caused by conversion of the chapter 11 Case to a case under Chapter 7. Pursuant to the Plan, holders of General Unsecured Claims will be paid in full on the Effective Date, plus post-petition interest. Accordingly, as set forth above, the Debtor submits that holders of General Unsecured Claims will receive under the Plan a recovery at least equal in value to the recovery such holders would receive pursuant to a liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

vii. Each class of claims or equity interests has either accepted the Plan or is not impaired under the Plan.

viii. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Allowed Administrative and Priority Claims (other than Allowed Priority Tax Claims) will be paid in full on the Effective Date and that Allowed Priority Tax Claims will receive on account of such Claims deferred Cash payments, over a period not exceeding six (6) years after the date of assessment of such Claim, of a value, as of the Effective Date, equal to the Allowed amount of such Claim;

ix. At least one impaired class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim of such Class;

x. FEASIBILITY. A chapter 11 plan may be confirmed only if the Bankruptcy Court finds that such plan is feasible. A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor, unless such reorganization or liquidation is proposed in the plan. Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan. Annexed hereto as Exhibit D are projections (the "Projections") for approximately three (3) years following confirmation and a PRO FORMA balance sheet as of the Effective Date which demonstrate that, given estimated expenses and income, and taking into account Cash reserves, Reorganized FNC will be able to satisfy its obligations under the Plan, as well as its obligations arising in connection with its ongoing business operations. Also included in Exhibit D is an analysis of the sources and uses of the funds required for consummation of the Plan. The Debtor believes that the Plan satisfies the financial feasibility requirements imposed by the Bankruptcy Code.

The Debtor has relied on the Plan Investors, who will appoint the board of directors of Reorganized FNC, for the preparation of the Projections annexed as Exhibit D to this Disclosure Statement. In addition, Keen, the Debtor's real property consultants, has reviewed the Projections and believes that they are reasonable. The Projections are subject to the inherent uncertainties and market risks described in Sections IX.A(1) and (2) below.

3. CONFIRMATION WITHOUT ACCEPTANCE BY ALL IMPAIRED CLASSES

Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan, even if such plan has not been accepted by all impaired classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class. If any impaired classes reject or are deemed to have rejected the Plan, the Debtor reserves its right to seek the

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application of the statutory requirements set forth in Section 1129(b) of the Bankruptcy Code for confirmation of the Plan despite the lack of acceptance by all impaired classes.

Section 1129(b) of the Bankruptcy Code provides that notwithstanding the failure of an impaired class to accept a plan of reorganization, the plan shall be confirmed, on request of the proponent of the plan, in a procedure commonly known as "cram-down," so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of Claims or interests that is impaired under and has not accepted the plan.

The condition that a plan be "fair and equitable" with respect to a non-accepting class of secured Claims includes the requirements that (a) the holders of such secured Claims retain the liens securing such Claims to the extent of the allowed amount of the Claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan, and (b) each holder of a secured Claim in the class receive deferred Cash payments totaling at least the allowed amount of such Claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens.

The condition that a plan be "fair and equitable" with respect to a non-accepting class of unsecured Claims includes the requirement that either (a) such class receive or retain under the plan property of a value as of the effective date of the plan equal to the allowed amount of such Claim, or (b) if the class does not receive such amount, no class junior to the non-accepting class will receive a distribution under the plan from the Debtor's estates.

The condition that a plan be "fair and equitable" with respect to a non-accepting class of equity interests includes the requirements that either (a) the plan provides that each holder of an equity interest in such class receive or retain under the plan, on account of such equity interest, property of a value, as of the effective date of the plan, equal to the greater of (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such equity interest, or (b) if the class does not receive such amount, no class of equity interests junior to the non-accepting class will receive a distribution under the plan.

The valuation information contained in this section with regard to Reorganized FNC is not a prediction or guarantee of the future price of Reorganized FNC or the New FNC Common Stock; such prices are subject to many unforeseeable circumstances and therefore cannot be accurately predicted.

Keen, the Debtor's real property consultant, which as noted above, has over 23 years of experience providing a broad range of services including, among other things, valuing and marketing of real estate, has evaluated the value of the Owned Properties. During the Chapter 11 case, Keen determined the highest value per property based upon four factors: (a) the appraised value of the Owned Properties, (b) past offers to purchase the Owned Properties, (c) the Debtor's internal valuation estimates and (d) Keen's estimated values. Thereafter, Keen worked with the Debtor to market the Owned Properties soliciting offers to purchase such properties. In

summary, Keen obtained an average of four (4) offers per property, with a minimum of one (1) offer received and maximum of seventeen (17) offers received for each property. Based upon these efforts, in addition to conversations with local real estate professionals and buyers, Keen determined, in its professional opinion, that the Owned Properties had a value of \$130 million as of March 1, 2005.(14)

After the Effective Date, Reorganized FNC will continue to own the 40 Retained Properties, after the sale of certain of the Owned Properties prior to or after Confirmation. Reorganized FNC will enter into the Development Agreement with KRC pursuant to which KRC will oversee the redevelopment of the Retained Properties for use as retail locations. See Section V.C. of this Disclosure Statement for a description of the Development Agreement. It is currently anticipated that Reorganized FNC will demolish the existing structures at the Retained Properties and construct a site based upon the optimal retail use of such location. It is also currently anticipated that after the Effective Date, Reorganized FNC will begin to enter into leases for the Retained Properties and will obtain construction financing to build the various structures at the Retained Properties. In connection therewith, Reorganized FNC will enter into the Property Management Agreement with KRC pursuant to which KRC will manage, operate, supervise and maintain the Retained Properties. See Section V.D. of this Disclosure Statement for a description of the Property Management Agreement. It is anticipated that construction on each of the Retained Properties will take approximately six months, with construction being completed at all of the Retained Properties within three years. Thereafter, upon completion of the construction, it is anticipated that Reorganized FNC will obtain permanent financing to replace the construction financing.

VIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following summary addresses certain material federal income tax consequences of the Plan to the Debtor and holders of Allowed Claims and Allowed Convenience Interests and Equity Interests that are U.S. persons (except as noted below). The summary is based upon the Debtor's interpretation of provisions of the Code, Treasury Regulations promulgated thereunder, judicial authority, and current Internal Revenue Service ("IRS") administrative rulings and practice, all of which are subject to change (possibly with retroactive effect), which could significantly affect the federal income tax consequences discussed below.

The Debtor's interpretation of the federal income tax consequences is not binding on the IRS, and the Debtor has not requested and does not intend to request a ruling from the IRS with respect to any of the federal income tax aspects of the Plan. In addition, this summary does not discuss any aspects of state, local, or foreign tax laws, and this summary does not purport to set

14 Keen's determination of the value of the Owned Properties does not include properties for which Keen did not conduct marketing efforts including (a) the Debtor's location in Hillside, IL identified as Store No. 76, with respect to which the Debtor exercised its right of first refusal under a lease of non-residential real property and purchased the property on or about December 21, 2004 for approximately \$750,000 or (b) the A&P Parcel. As discussed in detail in Section III.E.2. of this Disclosure Statement, the Debtor obtained a term loan in the amount of \$7.5 million pursuant to the DIP Amendment the proceeds of which were used to consummate the purchase of the A&P Parcel on February 14, 2005 for approximately \$7.5 million.

forth all aspects of federal income taxation that may be relevant to certain types of holders of Claims and Interests (e.g., broker-dealers, mutual funds, regulated investment companies, banks, insurance companies, tax-exempt organizations, investors in pass-through entities, foreign persons, persons whose functional currency is not the U.S. dollar, U.S. expatriates and persons who hold their Claims as part of a hedging, straddle, integrated or conversion transaction).

THE FOLLOWING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES OF THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS.

A. FEDERAL INCOME TAX CONSEQUENCES TO THE DEBTOR

1. CANCELLATION OF INDEBTEDNESS INCOME

The Debtor should not realize cancellation of indebtedness income ("COD Income") from the confirmation of the Plan because all Claims will be repaid in full.

2. NET OPERATING LOSSES

The Debtor, which underwent an "ownership change", within the meaning of Section 382 of the Code (described below), in May 2002 when it emerged from a Chapter 11 bankruptcy proceeding has determined that its net operating loss carryovers ("NOLs") for regular federal income tax purposes, as of the close of the taxable year ending January 30, 2005, are approximately \$148 million. The Debtor is currently studying whether it had a net unrealized built-in loss in its assets in May 2002. Depending upon the results of that study, the Debtor believes that (i) approximately \$25-70 million of its NOLs will be subject to an annual utilization limitation under Section 382 of approximately \$1.1 million, and (ii) approximately \$78-123 million of its NOLs will not be subject to a utilization limitation under Section 382. The Debtor is also reviewing the amount of its NOLs for alternative minimum tax ("AMT") purposes and the portion of such NOLs that is subject to an annual utilization limitation under Section 382. It expects that its AMT NOLs, as of the close of the taxable year ending January 30, 2005, are approximately \$137 million and believes, depending upon the results of the study referred to above, that the utilization of approximately \$75-110 million of these NOLs will not be subject to Section 382. Although the Debtor believes the foregoing amount and break-down of its NOLs to be accurate, because its tax returns for all of the tax years in which the NOLs were incurred have not been audited by the IRS, the NOLs may be subject to review and possible disallowance by the IRS or a determination by the IRS that the amount of restricted NOLs is greater than the number set forth above and the amount of unrestricted NOLs is less than the number set forth above. Because the Debtor does not expect to realize COD Income under the Plan, its NOLs will not be reduced by this item.

Section 382 provides rules restricting the use of a corporation's NOL carryovers and certain other tax attributes following an "ownership change." A corporation will be considered as

undergoing an ownership change if at any time during the shorter of (i) a rolling three-year period or (ii) the period of time since the most recent ownership change of the corporation (the "testing period"), the percentage of stock owned by one or more five-percent shareholders or deemed five-percent

shareholders (as defined under technical rules under Section 382) increases by more than 50 percentage points over the lowest percentage of stock owned by each of such shareholders during the testing period.

If an ownership change occurs, generally the pre-change NOLs available each year to offset income of a loss corporation (E.G., the Debtor) is limited (to the extent not previously limited by a lower amount) to the product of (a) the aggregate fair market value of the outstanding stock of the loss corporation and (b) the federal long-term tax-exempt interest rate in effect on the date of the ownership change, plus the portion of any such limitation amount not utilized in prior years (the "Section 382 Limitation"). If the loss corporation ceases the conduct of its historic business within the two-year period following the date of the ownership change, its ability to utilize its pre-change NOLs under the foregoing formula restriction is eliminated entirely (although the recognition of certain built-in gains, as described in the next paragraph, will still increase the Section 382 Limitation in these circumstances).

In addition, the Section 382 Limitation of a loss corporation with a net unrealized built-in gain in its assets (computed by taking into account the fair market value and adjusted tax basis of its assets) that exceeds the lesser of \$10 million or 15 percent of the fair market value of its assets (excluding cash, cash equivalents and certain other assets) on the date of the ownership change, will be increased by any built-in gains (up to the amount of the original net unrealized built-in gain on the date of the ownership change) recognized during the five-year period beginning on the date of the ownership change (the "recognition period"). Conversely, if a loss corporation has a net unrealized built-in loss in its assets on the date of the ownership change in excess of the threshold described above, any built-in losses recognized during the recognition period (up to the amount of the original net unrealized built-in loss on the date of the ownership change) will be treated as pre-change NOLs subject to the Section 382 Limitation. The Debtor believes that its assets will have a net unrealized built-in gain on the Effective Date of the Plan in excess of the threshold amount.

Based on the information available to the Debtor, it does not believe that it has undergone an ownership change since May 2002, and it does not believe that it will undergo an ownership change as a result of the implementation of the Plan, although the cumulative stock ownership shifts of five-percent shareholders during the three-year period ending with the implementation of the Plan will be close to 50 percent. If the implementation of the Plan should cause the Debtor to undergo an ownership change, the Section 382 Limitation, before taking into account the recognition of built-in gain during the recognition period, will be de minimis.

3. ALTERNATIVE MINIMUM TAX -----

In general, AMT is imposed on a corporation's "alternative minimum taxable income" at a rate of 20 percent to the extent such tax exceeds the corporation's regular federal income tax. In computing alternative minimum taxable income, certain tax deductions and other beneficial allowances are modified or

eliminated. In particular, even though a corporation may be able to offset all of its taxable income for regular federal income tax purposes by available NOLs, only

90 percent of a corporation's alternative minimum taxable income may be offset by available NOLs (as recomputed for AMT purposes), resulting in an effective AMT of 2 percent.

AMT paid by a corporation generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years when the corporation is no longer subject to the AMT.

B. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF ALLOWED CLAIMS,
ALLOWED CONVENIENCE INTERESTS AND ALLOWED EQUITY INTERESTS

1. TAX CONSEQUENCES TO HOLDERS OF ALLOWED CLAIMS

The exchange of Allowed Claims for Cash by the holders will be taxable. A holder will recognize gain or loss measured by the difference between the Cash received and the holder's adjusted tax basis in the Claim exchanged (other than for any claims for accrued interest as discussed below). The character of any gain as long-term or short-term capital gain or as ordinary income will be determined by a number of factors, including the tax status of the holder, whether the claim is a capital asset in the hands of the holder, whether the claim has been held for more than one year, and whether the claim was purchased at a discount after it had been issued. Holders will be subject to limitations on their ability to offset capital losses against ordinary income.

To the extent any holder receives an amount in discharge of a claim for unpaid interest accrued during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). A holder will recognize a deductible loss to the extent any accrued interest claim was previously included in its gross income and is not paid in full. Each holder should consult its own tax advisor concerning the allocation of amounts received under the Plan towards interest.

2. TAX CONSEQUENCES TO HOLDERS OF ALLOWED CONVENIENCE INTERESTS AND ALLOWED
EQUITY INTERESTS

The exchange of Allowed Convenience Interests for Cash by the holders and the exchange of Allowed Equity Interests for Cash by those holders electing not to retain their Equity Interests will be taxable. The exchange will be treated as a sale for tax purposes and a holder will recognize gain or loss measured by

the difference between the Cash received and its adjusted tax basis in the shares of Common Stock exchanged, provided no shares from a related shareholder retaining its shares of Common Stock are attributed to such holder under complex attribution rules in a manner that would deprive the holder of the benefit of sales treatment, or if shares are so attributed, such holder has satisfied certain "termination" requirements set forth in Section 302 of the Code. The character of any gain or loss from the sale will be treated as a capital gain or loss if the shares of Common Stock were held as a capital asset and long-term or short-term capital gain or loss if such shares were held for more than one year at the time of the exchange. Holders will be subject to limitations on their ability to offset capital losses against ordinary income.

3. INFORMATION REPORTING AND BACKUP WITHHOLDING

The Debtor may be required to file information returns with the IRS with respect to payments made to certain holders of Claims as a result of the distributions pursuant to the Plan. In addition, certain holders may be subject to a 28 percent backup withholding tax in respect of certain payments, e.g., interest, if they do not provide their taxpayer identification numbers. Amounts withheld under the backup withholding rules are allowed as a refund or credit against holders' United States federal income tax liability.

IX. RISK FACTORS

HOLDERS OF ALL CLASSES OF CLAIMS AND INTERESTS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.

A. CERTAIN OPERATIONAL RISKS AND RISKS RELATED TO VALUE OF SECURITIES

1. MARKET CONDITIONS

The economic performance and value of the properties owned by Reorganized FNC are subject to all of the risks associated with owning and operating real estate including, but not limited to, (a) changes in the national, regional and local economic climate, (b) local conditions including an oversupply of properties like those owned by Reorganized FNC, or a reduction in demand for such properties, (c) the attractiveness of the properties to tenants, (d) the financial condition of tenants, including the occurrence of tenant bankruptcies or defaults, (e) competition from other available properties, (f) changes in market rental rates, (g) increases in interest rates, (h) the need to

periodically pay costs associated with maintenance, insurance, real estate taxes and other operating costs which may increase, (i) the fact that the expenses of owning and operating properties are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the properties, (j) whether Reorganized FNC is able to pass some or all of the increased operating costs through to tenants, (k) changes in laws and governmental regulations including those governing usage, zoning, the environment and taxes, (l) consequences of any armed conflict involving, or terrorist attack against, the United States, (m) Reorganized FNC's ability to secure adequate insurance, (n) the timing and costs associated with property improvements and rentals and (o) the availability of financing on acceptable terms or at all. Accordingly, there can be no assurances respecting Reorganized FNC's ability to lease or develop the properties.

2. INHERENT UNCERTAINTIES IN PROJECTED FINANCIAL INFORMATION

The Projections are dependent upon the successful implementation of the business plan of Reorganized FNC and the validity of the other assumptions contained therein. The Projections reflect numerous assumptions, including confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of Reorganized FNC, real estate industry performance, general business and economic conditions, and other matters, many of

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which are beyond the control of Reorganized FNC and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the preparation of the Projections may affect the actual financial results of Reorganized FNC's operations. Although the Plan Investors believe that the Projections are reasonably attainable, variations between the actual financial result and those projected may occur and be material and may affect the ability of Reorganized FNC to make payments with respect to post-Effective Date indebtedness. Because the actual results achieved throughout the periods covered by the Projections may vary from the projected results, the Projections should not be relied upon as a guaranty, representation or other assurance of the actual results that will occur.

Except with respect to the Projections and except as otherwise specifically and expressly state herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. Neither the Debtor nor Reorganized FNC intend to update the Projections; thus, the Projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the Projections.

3. LACK OF MARKET FOR SECURITIES ISSUED PURSUANT TO PLAN

There is no currently existing market for the New FNC Common Stock and there can be no assurance that an active trading market will develop or as to the degree of price volatility in any such market. In addition, depending on the number of its equity holders, Reorganized FNC may be a private company. Accordingly, no assurance can be given that a holder of securities issued or retained pursuant to the Plan will be able to sell such securities in the future or as to the price at which any such sale may occur. If such market were to exist, the liquidity of the market for such securities and the prices at which such securities will trade will depend upon many factors, including the number of holders, investor expectations for Reorganized FNC and other factors beyond the control of the Debtor or Reorganized FNC.

4. RISKS ASSOCIATED WITH REORGANIZED FNC'S USE OF NET OPERATING LOSS CARRYOVERS

As of January 30, 2005, the Debtor had NOLs for regular federal income tax purposes of approximately \$148 million and NOLs for AMT purposes of approximately \$137 million. See Section VII.A.2 above "Federal Income Tax Consequences to the Debtor - Net Operating Losses" for a further discussion of the Debtor's NOLs, including a discussion of the portion of such NOLs that is currently subject to annual usage limitations under Section 382. However, the IRS and/or state and local taxing authorities may challenge the ability of Reorganized FNC to use such NOLs on the grounds that they are attributable to deductions or losses that the Debtor should not have claimed.

Also, if Reorganized FNC consummates a sale of any of the Owned Properties, some or all of the federal and state NOLs may be used to offset gain recognized by Reorganized FNC as a result of such transactions. The amount of gain recognized by Reorganized FNC in any such transactions will depend on a number of factors including, but not limited to, the purchase price and the structure of the sales.

B. CERTAIN BANKRUPTCY RELATED RISKS

1. RISK OF NON-CONFIRMATION OF THE PLAN

Although the Debtor believes that the Plan will satisfy all requirements necessary for Confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. There can also be no assurance that modifications of the Plan will not be required for Confirmation, that such negotiations would not adversely affect the holders of the Allowed Claims or that such modifications would not necessitate the re-solicitation of

votes.

2. NONCONSENSUAL CONFIRMATION

In the event any impaired class of claims or equity interests does not accept a plan of reorganization, a bankruptcy court may nevertheless confirm such plan of reorganization at the proponent's request if at least one impaired class has accepted the plan of reorganization (with such acceptance being determined without including the acceptance of any "insider" in such class) and, as to each impaired class which has not accepted the plan of reorganization, the bankruptcy court determines that the plan of reorganization "does not discriminate unfairly" and is "fair and equitable" with respect to non-accepting impaired classes. In the event that any impaired Class of Claims or Interests fails to accept the Plan in accordance with Section 1129(a)(8) of the Bankruptcy Code, the Debtor reserves the right to request nonconsensual Confirmation of the Plan in accordance with Section 1129(b) of the Bankruptcy Code.

3. RISK THAT CONDITIONS TO EFFECTIVENESS WILL NOT BE SATISFIED

Article 10 of the Plan contains certain conditions precedent to the effectiveness of the Plan. There can be no assurances that the conditions contained in Article 10 of the Plan will be satisfied. In particular, the Plan provides as a condition to its effectiveness, that (a) the aggregate amount of Allowed Claims and Disputed Claims for which Cash is maintained in the Disputed Claims Reserve and (b) the Allowed Kimco Secured Claims not exceed certain maximum amounts. There can be no assurance that the Claims asserted against the Debtor's estate will fall within these limitations.

X. EXEMPTION FROM SECURITIES ACT REGISTRATION; REGISTRATION RIGHTS

A. ISSUANCE OF NEW SECURITIES PURSUANT TO THE PLAN

With respect to the New Senior Notes, New FNC Common Stock to be issued on the Effective Date and upon conversion of the New Senior Notes and the Equity Participation Right, the Debtor intends to rely upon the exemption from the registration requirements of the Securities Act (and the equivalent state securities or "blue sky" laws) provided by Section 1145(a)(1) of the Bankruptcy Code. Generally, Section 1145(a)(1) of the Bankruptcy Code exempts the issuance of securities from the requirements of the Securities Act and the equivalent state securities and "blue sky" laws if the following conditions are satisfied: (i) the securities are issued by a debtor, an affiliate participating in a joint plan of reorganization with the debtor, or a successor of the debtor under a plan of reorganization, (ii) the recipients of the securities hold a claim against, an interest in, or a claim for an administrative expense against, the debtor, and (iii)

the securities are issued entirely in exchange for the recipient's claim against or interest in the debtor, or are issued "principally" in such exchange and "partly" for Cash or property. The securities contemplated by the Plan will be issued by Reorganized FNC, all recipients hold Old Common Stock, and the securities will be issued in exchange for such Old Common Stock, although as discussed in Section B below, under certain circumstances, subsequent transfers of such securities may be subject to registration requirements under such securities laws.

B. SUBSEQUENT TRANSFER OF SECURITIES ISSUED UNDER THE PLAN

The securities issued pursuant to the Plan may be resold by the holders thereof without restriction unless, as more fully described below, any such holder is deemed to be an "underwriter" with respect to such securities, as defined in Section 1145(b)(1) of the Bankruptcy Code. Generally, Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as any person who (1) purchases a claim against, or interest in, a bankruptcy case, with a view towards the distribution of any security to be received in exchange for such claim or interest, (2) offers to sell securities issued under a bankruptcy plan on behalf of the holders of such securities, (3) offers to buy securities issued under a bankruptcy plan from persons receiving such securities, if the offer to buy is made with a view towards distribution of such securities, or (4) is an issuer as contemplated by Section 2(11) of the Securities Act. Although the definition of the term "issuer" appears in Section 2(4) of the Securities Act, the reference (contained in Section 1145(b)(1)(D) of the Bankruptcy Code) to Section 2(11) of the Securities Act purports to include as "underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. "Control" (as such term is defined in Rule 405 of Regulation C under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the policies of a person, whether through the ownership of voting securities, by contract or otherwise. Accordingly, an officer or director of a reorganized debtor (or its successor) under a plan of reorganization may be deemed to be a "control person," particularly if such management position is coupled with the ownership of a significant percentage of the debtor's (or successor's) voting securities. Moreover, the legislative history of Section 1145 of the Bankruptcy Code suggests that a creditor who owns at least 10% of the voting securities of a reorganized debtor may be presumed to be a "control person."

THE FOREGOING SUMMARY DISCUSSION IS GENERAL IN NATURE AND HAS BEEN INCLUDED IN THIS DISCLOSURE STATEMENT SOLELY FOR INFORMATIONAL PURPOSES. THE DEBTOR MAKES NO REPRESENTATIONS CONCERNING, AND DO NOT HEREBY PROVIDE ANY OPINION OR ADVICE WITH RESPECT TO, THE SECURITIES LAW AND BANKRUPTCY LAW MATTERS DESCRIBED ABOVE. IN LIGHT OF THE COMPLEX AND SUBJECTIVE INTERPRETIVE NATURE OF WHETHER A PARTICULAR RECIPIENT OF SECURITIES UNDER THE PLAN MAY BE DEEMED TO BE AN

"UNDERWRITER" WITHIN THE MEANING OF SECTION 1145(B)(1) OF THE BANKRUPTCY CODE AND/OR AN "AFFILIATE" OR "CONTROL PERSON" UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS AND, CONSEQUENTLY, THE UNCERTAINTY CONCERNING THE AVAILABILITY OF EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND EQUIVALENT STATE SECURITIES AND "BLUE SKY" LAWS, THE DEBTOR ENCOURAGES

POTENTIAL RECIPIENTS OF NEW FNC COMMON STOCK TO CONSIDER CAREFULLY AND CONSULT WITH HIS, HER, OR ITS OWN LEGAL ADVISOR(S) WITH RESPECT TO SUCH (AND ANY RELATED) MATTERS.

XI. ALTERNATIVES TO THE PLAN AND CONSEQUENCES OF REJECTION

Among the possible consequences if the Plan is rejected or if the Bankruptcy Court refuses to confirm the Plan are the following: (1) an alternative plan could be proposed or confirmed; or (2) the Chapter 11 Case could be converted (either voluntarily or involuntarily) to a liquidation case under Chapter 7 of the Bankruptcy Code.

A. ALTERNATIVE PLANS

If the Plan is not confirmed, the Debtor, or any other party in interest, may attempt to formulate an alternative chapter 11 plan. The Debtor and its professional advisors have explored various alternative scenarios including one which might provide for the liquidation and distribution of the Debtor's remaining assets. The Debtor believes that liquidation of the Debtor's Owned Properties in Chapter 11 would not result in a distribution to holders of Interests equal to or greater than the distributions provided under the Plan and there would be no opportunity for holders of Equity Interests to exchange their Old Common Stock in the Debtor for New FNC Common Stock and participate in any appreciation in the value of the Owned Properties as provided by the Plan. Accordingly, the Debtor believes that the Plan will enable all parties in interest to realize the greatest possible recovery on their respective Claims and Interests with the least delay.

B. LIQUIDATION ANALYSIS

As discussed above in Section VI.B.2., with respect to each Class of impaired Claims or Interests, either each holder of a Claim or Interest of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim or Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtor was liquidated. Based on the liquidation analysis annexed hereto as Exhibit C, the Debtor believes that a liquidation of its assets would result in a reduced distribution to holders of Interests than the consideration they are receiving under the Plan./15/

XII. RECOMMENDATION AND CONCLUSION

The Debtor and its professional advisors have analyzed different scenarios and believe that the Plan will provide for a larger distribution to holders of Allowed Claims than would otherwise result if an alternative restructuring plan were proposed or the assets of the Debtor were liquidated. In addition, any alternative other than Confirmation of the Plan could result in

15 The liquidation analysis does not account for estimated amounts for fees and expenses of a Chapter 7 trustee. Such fees and expenses would result in a further reduced distribution to holders of Allowed Claims than that set forth in the liquidation analysis.

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extensive delays and increased administrative expenses resulting in potentially smaller distributions to the holders of Allowed Claims and Interests. Accordingly, the Debtor recommends confirmation of the Plan and urge all holders of impaired Equity Interests to vote to accept the Plan, and to evidence such acceptance by returning their Ballots so that they will be received by no later than the Voting Deadline.

[SIGNATURE PAGE FOLLOWS]

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Dated: April 22, 2005
New York, New York

FRANK'S NURSERY & CRAFTS, INC.
Debtor and Debtor-in-Possession

By: /S/ MARK VON MAYRHAUSER

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LIST OF EXHIBITS TO BE FILED PRIOR TO THE HEARING
TO CONSIDER APPROVAL OF THIS DISCLOSURE STATEMENT

EXHIBIT A	Debtor's Plan of Reorganization Under Chapter 11 of the Bankruptcy Code
EXHIBIT B	Disclosure Statement Approval Order
EXHIBIT C	Debtor's Liquidation Analysis
EXHIBIT D	Debtor's 2005-2008 Financial Projections and Information
EXHIBIT E	Investment Agreement

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE: (Chapter 11)

FRANK'S NURSERY & CRAFTS, INC.,

DEBTOR.

Case No. 04-15826 (PCB)

DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: April 22, 2005
New York, New York

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE: (Chapter 11)

FRANK'S NURSERY & CRAFTS, INC.,

DEBTOR. Case No. 04-15826 (PCB)

DEBTOR'S AMENDED PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Frank's Nursery & Crafts, Inc., debtor and debtor-in-possession,
proposes this Amended Plan of Reorganization under Section 1121(c) of Title 11
of the United States Code.

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

DEFINITIONS; INTERPRETATION; APPLICATION OF DEFINITIONS AND RULES OF CONSTRUCTION. For purposes of this Plan, the following terms shall have the meanings specified in this Article 1. A term used herein that is not defined herein, but that is used in the Bankruptcy Code, shall have the meaning ascribed to that term in the Bankruptcy Code and the rules of construction contained in Section 102 of the Bankruptcy Code shall apply to the construction hereof. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include both the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter. Unless otherwise specified, all Section, Article, Schedule or Exhibit references in this Plan are to the respective Section in, Article of, Schedule to, or Exhibit to, this Plan. Headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. The words "herein," "hereof," "hereto," "hereunder" and other words of similar import refer to this Plan as a whole and not to any particular Section, sub-Section or clause contained in this Plan.

1.1 "ADMINISTRATIVE EXPENSE CLAIM" shall mean a Claim Allowed under Section 503(b) of the Bankruptcy Code that is entitled to priority under Section 507(a)(1) of the Bankruptcy Code, including, without limitation, (a) Claims of the DIP Lender under the DIP

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Loan Documents and the DIP Financing Order, (b) any actual and necessary costs and expenses of preserving the Estate or administering the Chapter 11 Case as authorized and approved by a Final Order, (c) any actual and necessary costs and expenses incurred after the Petition Date in the ordinary course of the Debtor's business, (d) fees and expenses of Professionals to the extent Allowed by Final Order under Sections 330, 331, or 503 of the Bankruptcy Code and (e) all fees and charges assessed against the Estate pursuant to 28 U.S.C. ss. 1930.

1.2 "ADMINISTRATIVE EXPENSE CLAIM BAR DATE" shall mean the date(s) fixed by order of the Bankruptcy Court by which persons set forth therein asserting Administrative Expense Claims must file an administrative proof of Claim or request for payment of an Administrative Expense Claim or be forever barred from asserting an Administrative Expense Claim against the Debtor or its property and from sharing in distributions hereunder.

1.3 "ALLOWED" shall mean, (a) with reference to any Claim: (i) a Claim that has been listed by the Debtor in its Schedules, as such Schedules have been or may be amended from time to time in accordance with Bankruptcy Rule 1009, and (x) is not listed as disputed, contingent or unliquidated, and (y) is not a Claim as to which a proof of claim has been filed; (ii) a Claim as to which a timely proof of Claim has been filed as of the Bar Date in a sum certain and either (x) no objection thereto, or application to estimate, equitably subordinate, reclassify or otherwise limit recovery, has been made on or before any applicable deadline, or (y) if an objection thereto, or application to

estimate, equitably subordinate, reclassify or otherwise limit recovery, has been interposed, the extent to which such Claim (whether in whole or in part) has been allowed by a Final Order; (iii) a Claim arising from the recovery of property under Section 550 or 553 of the Bankruptcy Code and allowed in accordance with Section 502(h) of the Bankruptcy Code; (iv) any Claim expressly allowed under this Plan, (v) any Claim expressly allowed by Final Order and (vi) any Claim as to which the Debtor or Reorganized FNC has determined not to interpose an objection as set forth in a schedule to be filed by the Debtor on the Effective Date, which schedule shall be updated quarterly, and (b) with reference to any Interest: (i) an Interest which is registered as of the Record Date in such stock register as may be maintained on behalf of the Debtor, (ii) an Interest expressly allowed by Final Order, (iii) any Interest as to which no objection has been interposed and (iv) any Interest as to which the Debtor or Reorganized FNC has determined not to interpose an objection.

1.4 "BANKRUPTCY CODE" shall mean Title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Case.

1.5 "BANKRUPTCY COURT" shall mean the United States District Court for the Southern District of New York having jurisdiction over the Chapter 11 Case and, to the extent of any reference under 28 U.S.C. ss. 157, the bankruptcy unit of such District Court under 28 U.S.C. ss. 151.

1.6 "BANKRUPTCY RULES" shall mean the Federal Rules of Bankruptcy Procedure as promulgated under 28 U.S.C. ss. 2075 and the Local Rules of the Bankruptcy Court, each as amended from time to time.

1.7 "BAR DATE" shall mean the date(s) fixed by order of the Bankruptcy Court by which Persons asserting a Claim against the Debtor must file a proof of Claim on account of

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such Claim or be forever barred from asserting a Claim against the Debtor or its property and from sharing in distributions hereunder.

1.8 "BUSINESS DAY" shall mean any day other than a Saturday, Sunday or legal holiday, as such term is defined in Bankruptcy Rule 9006.

1.9 "CASH" shall mean cash, cash equivalents (including personal checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks and money orders) and other readily marketable direct obligations of the United States of America and certificates of deposit issued by banks.

1.10 "CAUSES OF ACTION" shall include, without limitation, any and all actions, causes of action, liabilities, obligations, rights, suits, debts, sums of money, damages, judgments, Claims and demands whatsoever, whether known or unknown, in law, equity, or otherwise, including causes of action under Article

1.11 "CHAPTER 11 CASE" shall mean the Debtor's case under Chapter 11 of the Bankruptcy Code which is currently pending in the Bankruptcy Court.

1.12 "CLAIM" shall have the meaning set forth in Section 101(5) of the Bankruptcy Code, including, without limitation, (a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) any right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

1.13 "CLASS" shall mean any category of Claims or Equity Interests classified in Article 3 of this Plan pursuant to Section 1129(a)(1) of the Bankruptcy Code.

1.14 "COLLATERAL" shall mean any property or interest in property of the Estate subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable law.

1.15 "CONFIRMATION DATE" shall mean the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

1.16 "CONFIRMATION HEARING" shall mean the hearing held by the Bankruptcy Court to consider confirmation of this Plan pursuant to Section 1129 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

1.17 "CONFIRMATION ORDER" shall mean the order of the Bankruptcy Court confirming this Plan pursuant to the provisions of the Bankruptcy Code.

1.18 "CONTINGENT CLAIM" shall mean any Claim for which a proof of claim has been filed with the Bankruptcy Court which was not filed in a sum certain, or which has not accrued and is dependent upon a future event that has not occurred or may never occur.

1.19 "CONVENIENCE INTERESTS" shall mean Allowed Interests of a single holder that equal 5,000 shares of Old Common Stock or less.

1.20 "CREDITORS' COMMITTEE" shall mean the official committee of unsecured creditors appointed in the Chapter 11 Case pursuant to Section 1102 of the Bankruptcy Code, as same is constituted from time to time.

1.21 "DEBTOR" shall mean Frank's Nursery & Crafts, Inc., as debtor and debtor-in-possession prior to the Confirmation Date.

1.22 "DEBTOR-IN-POSSESSION" shall mean the Debtor in its capacity as debtor-in-possession in the Chapter 11 Case pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

1.23 "DEVELOPMENT AGREEMENT" shall mean that certain Development Management Agreement between Reorganized FNC and KRC Property Management I, Inc. effective as of the Effective Date respecting the development of the properties of Reorganized FNC, which shall be substantially in the form contained in the Plan Supplement.

1.24 "DIP FINANCING ORDER" shall mean the Final Order of the Bankruptcy Court dated September 29, 2004 (as same has been or may be amended) approving and authorizing the terms of the DIP Loan Agreement in the Chapter 11 Case pursuant to the DIP Loan Documents.

1.25 "DIP LENDER" shall mean Kimco Securities Corporation, an affiliate of Kimco, as lender under the DIP Loan Agreement.

1.26 "DIP LOAN AGREEMENT" shall mean that certain Debtor-in-Possession Credit Agreement dated as of September 8, 2004 (as same has been or may be amended) between the Debtor and the DIP Lender.

1.27 "DIP LOAN DOCUMENTS" shall mean the DIP Loan Agreement and all other documents and instruments evidencing and/or setting forth the terms of debtor-in-possession financing arrangements in the Chapter 11 Case as approved by the DIP Financing Order and any subsequent orders.

1.28 "DISBURSING AGENT" shall mean an entity to be identified by the Debtor at or prior to the Confirmation Hearing, reasonably acceptable to the Creditors' Committee, which shall (i) make the distributions to be made pursuant to and in accordance with the terms of this Plan, the Confirmation Order or any other relevant Final Order of the Bankruptcy Court, and (ii) perform any other act or task that is or may be delegated to the Disbursing Agent under this Plan.

1.29 "DISCLOSURE STATEMENT" shall mean the disclosure statement relating to this Plan, including without limitation, all exhibits and schedules thereto, in the form approved by the Bankruptcy Court pursuant to Section 1125 of the Bankruptcy Code, as same may be amended, supplemented or otherwise modified from time to time.

1.30 "DISPUTED" shall mean, with respect to Claims or Equity Interests, any such Claim or Equity Interest: (a) as to which the Debtor or any other party-in-interest has interposed a

timely objection or request for estimation, or has sought to equitably subordinate or otherwise limit recovery in accordance with the Bankruptcy Code and the Bankruptcy Rules, or which is otherwise disputed by the Debtor in accordance with applicable law, which objection, request for estimation, action to limit recovery or dispute has not been withdrawn or determined by Final Order; (b) which is a Contingent Claim; or (c) which has not been Allowed.

1.31 "DISPUTED CLAIMS RESERVE" shall have the meaning set forth in Section 6.5 of this Plan.

1.32 "EFFECTIVE DATE" shall mean a Business Day on or after the Confirmation Date specified by the Debtor and the Plan Investors on which all conditions to the occurrence of the effective date set forth in Section 10.2 of this Plan have been satisfied or waived pursuant to Section 10.3 of this Plan.

1.33 "EQUITY INTERESTS" shall mean Allowed Interests of a single holder that equal more than 5,000 shares of Old Common Stock.

1.34 "EQUITY PARTICIPATION RIGHT" shall mean the non-transferable right (which right must be elected on the ballot distributed with the Disclosure Statement) granted to holders of Equity Interests, pursuant to which, each holder of an Equity Interest that satisfies the conditions set forth in Section 4.5 of this Plan is entitled to purchase its ratable interest (calculated based on the shares of Common Stock outstanding as of the Record Date) in the New Senior Notes and New FNC Common Stock for the same consideration paid by the Plan Investors.

1.35 "ESTATE" shall mean the estate created in the Chapter 11 Case pursuant to Section 541 of the Bankruptcy Code.

1.36 "EXCULPATED PARTIES" shall have the meaning set forth in Section 9.2 of this Plan.

1.37 "FINAL ORDER" shall mean an order, ruling or judgment of the Bankruptcy Court as to which the time to appeal, petition for CERTIORARI, or move for reargument or rehearing has expired and as to which no appeal, petition for CERTIORARI, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for CERTIORARI, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtor or Reorganized FNC, as applicable, or in the event that an appeal, writ of CERTIORARI, or reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court shall have been determined by the highest court to which such order was appealed, or CERTIORARI, reargument or rehearing shall have been denied and the time to take any further appeal, petition for CERTIORARI or move for reargument or rehearing shall have expired; PROVIDED, HOWEVER, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not cause such order not to be a Final Order.

1.38 "GENERAL SECURED CLAIM" shall mean any secured claim other than a Kimco Secured Claim.

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1.39 "GENERAL UNSECURED CLAIM" shall mean any Claim that is not a Kimco Secured Claim, General Secured Claim, Administrative Expense Claim, Priority Claim or Priority Tax Claim.

1.40 "INDEMNIFICATION CLAIMS" shall mean all obligations relating to contribution, indemnification and exculpation by the Debtor or officers and directors of the Debtor as provided in any of (a) the Debtor's certificate of incorporation as in effect prior to or as of the Confirmation Date, (b) the Debtor's by-laws in effect prior to or as of the Confirmation Date, (c) any written agreement with the Debtor, or (d) similar documents or agreements of or with the Debtor as in effect prior to or as of the Confirmation Date.

1.41 "INSURED CLAIM" shall mean any Claim, to the extent such Claim arose prior to the Petition Date, from an incident or occurrence that is covered under any applicable insurance policy, but solely to the extent it is covered by such insurance policy.

1.42 "INTERESTS" shall mean all legal, equitable, and other rights of any Person with respect to ownership of Old Common Stock in the Debtor, but shall not include any unexercised stock options or warrants.

1.43 "INVESTMENT AGREEMENT" shall mean that certain Investment Agreement among the Debtor and the Plan Investors dated as of March 9, 2005, as amended pursuant to that certain First Amendment dated as of April 5, 2005, annexed as Exhibit E to the Disclosure Statement, as same may be amended, modified or supplemented from time to time.

1.44 "KIMCO" shall mean Kimco Capital Corporation.

1.45 "KIMCO SECURED CLAIMS" shall mean all Claims of Kimco based upon, evidenced by, arising from or related to the Pre-Petition Credit Agreement.

1.46 "LIEN" shall have the meaning set forth in Section 101(37) of the Bankruptcy Code; except that a lien that has been avoided in accordance with Sections 544, 545, 546, 547, 548 or 549 of the Bankruptcy Code shall not constitute a Lien.

1.47 "NEW BOARD" shall have the meaning set forth in Section 8.2 hereof.

1.48 "NEW EQUITY INVESTMENT" shall mean that certain \$20 million investment made by the Plan Investors to Reorganized FNC pursuant to, and in accordance with the terms of, the Investment Agreement.

1.49 "NEW FNC COMMON STOCK" shall mean the common stock of Reorganized FNC issued pursuant to this Plan and the Reorganized FNC Charter.

1.50 "NEW INDENTURE" shall mean that certain Indenture between Reorganized FNC and the Plan Investors pursuant to which the New Senior Notes will be issued, which shall be substantially in the form contained in the Plan Supplement.

1.51 "NEW SENIOR NOTES" shall mean those certain senior convertible notes due 2008 issued by Reorganized FNC to the Plan Investors.

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1.52 "OLD COMMON STOCK" shall mean the equity interests represented by duly authorized, validly issued and outstanding shares of common stock of the Debtor, par value \$.01 per share, prior to the Effective Date.

1.53 "PERSON" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, limited liability partnership, estate, trust, unincorporated association or organization, governmental agency or political subdivision thereof or other entity.

1.54 "PETITION DATE" shall mean September 8, 2004, the date on which the Debtor filed its voluntary Chapter 11 petition with the Bankruptcy Court pursuant to the Bankruptcy Code.

1.55 "PLAN" shall mean this Chapter 11 plan of reorganization including, without limitation, the Plan Documents, and all exhibits, supplements, appendices and schedules hereto and thereto, either in its present form or as the same may be altered, amended or modified from time to time.

1.56 "PLAN DOCUMENTS" shall mean Reorganized FNC Charter, the New Senior Notes, the New Indenture, the Registration Rights Agreement, the Development Agreement, the Property Management Agreement and any other documents necessary to implement the Plan.

1.57 "PLAN INVESTORS" shall mean Kimco Capital Corporation, a Delaware corporation, Third Avenue Trust, a Delaware business trust, on behalf of Third Avenue Value Fund Series, Third Avenue Trust, a Delaware business trust, on behalf of Third Avenue Real Estate Value Fund Series, RCG Carpathia Master Fund, Ltd., a Cayman corporation, Ramius Securities, LLC, a Delaware limited liability company, and SphinX Distressed (RCG Carpathia), Segregated Portfolio, a segregated portfolio of SphinX Distressed Fund SPC, a Cayman segregated portfolio company, and each of their permitted assignees.

1.58 "PLAN SUPPLEMENT" shall mean the supplement containing copies of the

Plan Documents which shall be filed with the Bankruptcy Court. The Plan Supplement, which shall be reasonably satisfactory to the Creditors' Committee and the Plan Investors, is incorporated into, and is a part of, this Plan as if set forth in full herein, and all references to this Plan shall refer to this Plan together with all documents contained in the Plan Supplement. The Plan Supplement (containing drafts or final versions of the Plan Documents) shall be filed with the Bankruptcy Court as early as practicable (but in no event later than three (3) Business Days) prior to the deadline for filing objections to Confirmation of this Plan, or on such other date as the Bankruptcy Court may establish.

1.59 "PRE-PETITION CREDIT AGREEMENT" shall mean that certain \$75 million Credit and Security Agreement dated as of May 20, 2002, by and between Kimco and the Debtor, and any of the documents and instruments relating thereto and entered into in connection therewith including, without limitation, all amendments or modifications thereto and all forbearance agreements.

1.60 "PRIORITY CLAIMS" shall mean any and all Claims (or portions thereof), if any, entitled to priority under Section 507(a) of the Bankruptcy Code other than Priority Tax Claims and Administrative Expense Claims.

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1.61 "PRIORITY TAX CLAIM" shall mean any Claim of a governmental unit entitled to priority under Sections 502(i) or 507(a)(8) of the Bankruptcy Code.

1.62 "PROFESSIONALS" shall mean those Persons (a) employed pursuant to an order of the Bankruptcy Court in accordance with Sections 327 or 1103 of the Bankruptcy Code and to be compensated for services pursuant to Sections 327, 328, 329, 330 and 331 of the Bankruptcy Code, or (b) for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to Section 503(b)(4) of the Bankruptcy Code.

1.63 "PROFESSIONAL FEES" shall mean the fees and expenses of Professionals.

1.64 "PROPERTY MANAGEMENT AGREEMENT" shall mean that certain Property Management and Leasing Agreement between Reorganized FNC and KRC Property Management I, Inc. effective as of the Effective Date respecting the management and leasing of the properties of Reorganized FNC, which shall be substantially in the form contained in the Plan Supplement.

1.65 "RECORD DATE" shall mean (a) for the purpose of voting on the Plan, the date of entry of the order approving the Disclosure Statement respecting the Plan and (b) for the purposes of any distribution to holders of Interests and for the determination of which Interests are Allowed Interests, the Confirmation Date.

1.66 "REGISTRATION RIGHTS AGREEMENT" shall mean that certain agreement

among Reorganized FNC and the Plan Investors which shall be substantially in the form contained in the Plan Supplement.

1.67 "RELEASED PARTIES" shall have the meaning set forth in Section 9.3 of the Plan.

1.68 "REORGANIZED FNC" shall mean Frank's Nursery & Crafts, Inc. as constituted on and after the Effective Date as FNC Realty Company.

1.69 "REORGANIZED FNC CHARTER" shall mean the amended and restated certificate of incorporation and bylaws of Reorganized FNC, which shall be substantially in the form contained in the Plan Supplement.

1.70 "SCHEDULES" shall mean the schedules of assets and liabilities, the list of holders of interests and the statements of financial affairs filed by the Debtor under Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules, lists and statements have been or may be supplemented or amended from time to time.

1.71 "TORT CLAIM" shall mean any Claim relating to personal injury, property damage or products liability or other similar claim asserted against the Debtor that has not been compromised and settled or otherwise resolved, and shall include Claims arising from or related to products or services provided by the Debtor prior to the Petition Date regardless of when the accident or injury occurs.

ARTICLE II

TREATMENT OF ALLOWED ADMINISTRATIVE EXPENSE CLAIMS AND ALLOWED PRIORITY TAX CLAIMS

2.1 NON-CLASSIFICATION. As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims against the Debtor are not classified for the purposes of voting on or receiving distributions under this Plan. All such Claims are instead treated separately upon the terms set forth in this Article 2.

2.2 ADMINISTRATIVE EXPENSE CLAIMS.

(a) IN GENERAL. All Administrative Expense Claims shall be paid in full, in Cash, in such amounts as (i) are incurred in the ordinary course of business by the Debtor when and as such Claims become due and owing, (ii) are Allowed by the Bankruptcy Court upon the later of the Effective Date or as soon thereafter as practicable, the date upon which there is a Final Order allowing such Administrative Expense Claim or any other date specified in such order or

(iii) may be agreed upon between the holder of such Administrative Expense Claim and the Debtor or Reorganized FNC as the case may be. Such Administrative Expense Claims shall include all costs incurred in the operation of the Debtor's business after the Petition Date, the fees and expenses of Professionals as approved by the Bankruptcy Court, and the fees due to the United States Trustee pursuant to 28 U.S.C. ss. 1930.

(b) CLAIMS OF DIP LENDER. On the Effective Date, all outstanding obligations of the Debtor to the DIP Lender pursuant to the DIP Loan Documents and the DIP Financing Order, if any, shall be fully and finally satisfied in accordance with the terms of the DIP Loan Documents, the DIP Financing Order and this Plan.

(c) PROFESSIONAL COMPENSATION AND EXPENSE REIMBURSEMENT CLAIMS. All entities seeking an award by the Bankruptcy Court of Professional Fees, or of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under Sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code, (i) shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date within thirty (30) days after the Confirmation Date; objections shall be filed no later than fifteen (15) days after filing, and (ii) if granted such an award by the Bankruptcy Court, shall be paid in full in such amounts as are Allowed by the Bankruptcy Court (x) on the later of the Effective Date or the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable, (y) upon such other terms as may be mutually agreed upon between such holder of an Allowed Administrative Expense Claim and the Debtor or, on and after the Effective Date, Reorganized FNC or (z) in accordance with the terms of any applicable administrative procedures order entered by the Bankruptcy Court. All Professional Fees for services rendered in connection with the Chapter 11 Case and this Plan after the Confirmation Date, including, without limitation, those relating to the occurrence of the Effective Date and the resolution of Disputed Claims, shall be paid by Reorganized FNC upon receipt of an invoice therefor, or on such other terms as the Debtor may agree to, without the need for further Bankruptcy Court authorization or entry of a Final Order. If Reorganized FNC

and any Professional cannot agree on the amount of post-Confirmation Date fees and expenses to be paid to such Professional, such amount shall be determined by the Bankruptcy Court.

2.3 PRIORITY TAX CLAIMS. Allowed Priority Tax Claims shall be paid in full, in Cash, upon the later of (a) the Effective Date or as soon thereafter as practicable, (b) the date upon which there is a Final Order allowing such Claim as an Allowed Priority Tax Claim, (c) the date that such Allowed Priority Tax Claim would have been due if the Chapter 11 Case had not been commenced, or (d)

upon such other terms as may be agreed to between the Debtor and any holder of an Allowed Priority Tax Claim; PROVIDED, HOWEVER, that the Debtor may, at its option, in lieu of payment in full of Allowed Priority Tax Claims on the Effective Date, make Cash payments respecting Allowed Priority Tax Claims deferred to the extent permitted by Section 1129(a)(9) of the Bankruptcy Code and, in such event, the principal amount of such Allowed Priority Tax Claims shall be amortized in equal annual installments over six (6) years from the date of assessment and interest shall accrue from the Effective Date on the unpaid portion of such Allowed Priority Tax Claim at (i) a rate equal to the effective yield on the three-month treasury bill sold at the auction immediately preceding the Effective Date or (ii) a rate to be agreed to by the Debtor (or Reorganized FNC, as the case may be) and the appropriate governmental unit or, if they are unable to agree, as determined by the Bankruptcy Court.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

3.1 IDENTIFICATION OF CLASSES. Claims (other than Administrative Expense Claims and Priority Tax Claims) and Equity Interests are classified for all purposes, including voting on, confirmation of and distribution pursuant to this Plan, as follows:

CLASS -----		STATUS -----
Class 1 --	Priority Claims	Not Impaired
Class 2 --	Kimco Secured Claims.....	Not Impaired
Class 3 --	General Secured Claims.....	Not Impaired
Class 4 --	General Unsecured Claims.....	Not Impaired
Class 5 --	Equity Interests.....	Impaired
Class 6 --	Convenience Interests.....	Impaired

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS

4.1 CLASS 1 -- PRIORITY CLAIMS

(a) IMPAIRMENT AND VOTING. Class 1 is not impaired by the Plan. Consequently, each holder of an Allowed Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) DISTRIBUTIONS AND EFFECTS THEREOF. Each holder of an Allowed Priority Claim shall receive, in full and final satisfaction of such holder's Allowed Priority Claim, Cash in an amount equal to such Allowed Priority Claim on the later of (i) the Effective Date and (ii) the date such Priority Claim becomes an Allowed Priority Claim, or as soon thereafter as practicable, unless the holder of an Allowed Priority Claim and the Debtor (or Reorganized FNC, as the case may be), agree to a different treatment thereof, provided that such treatment is not more favorable than the treatment outlined above.

4.2 CLASS 2 -- KIMCO SECURED CLAIMS

(a) IMPAIRMENT AND VOTING. Class 2 is not impaired by the Plan. Consequently, Kimco is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) ALLOWANCE OF KIMCO SECURED CLAIMS. On the Effective Date, the Kimco Secured Claims shall be deemed Allowed in the full amount owing under the Pre-Petition Credit Agreement through the Effective Date including all accrued and unpaid interest, fees and other expenses estimated to aggregate \$47.7 million.

(c) DISTRIBUTIONS AND EFFECTS THEREOF. On the Effective Date, Kimco shall receive, in full and final satisfaction of the Kimco Secured Claims, Cash in an amount equal to such Allowed Kimco Secured Claims.

(d) CANCELLATION. Kimco consents to the cancellation and release of all agreements, instruments and other documents securing the obligations of the Debtor under the Pre-Petition Credit Agreement. Kimco shall be authorized and directed to execute and deliver such documents and releases reasonably necessary to evidence the foregoing.

4.3 CLASS 3 -- GENERAL SECURED CLAIMS

(a) IMPAIRMENT AND VOTING. Class 3 is not impaired by the Plan. Consequently, each holder of an Allowed General Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) SUBCLASSIFICATION. Each General Secured Claim shall constitute a separate Class numbered 3.1, 3.2, 3.3 and so on.

(c) DISTRIBUTIONS AND EFFECTS THEREOF. To the extent not satisfied by the Debtor in the ordinary course of business prior to the Effective Date, at the option of Reorganized FNC, a holder of an Allowed General Secured Claim (i) shall retain its lien and such holder's Allowed General Secured Claim shall be reinstated and rendered unimpaired in accordance with Section 1124(2) of the Bankruptcy Code or (ii) shall receive Cash in an amount equal to such holder's Allowed General Secured Claim, including any interest on such holder's Allowed General Secured Claim required to be paid pursuant to Section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such General Secured Claim becomes an Allowed General Secured Claim, PROVIDED, HOWEVER, that Reorganized FNC shall make such Cash payment to the holder of any Allowed General Secured Claim that is entitled to a premium or penalty on the payment of its claim prior to its stated maturity if such holder waives and releases the Debtor from any liability associated with pre-payment of such Allowed General Secured Claim. The Confirmation Order shall provide that the Debtor shall make all monthly payments that become due and owing prior to the Effective Date on account of General Secured Claims. In the event that an Allowed General Secured Claim is reinstated, the holder of the Allowed General Secured Claim shall retain its lien and such reinstatement shall not affect the holder's ability to assert any rights or remedies prescribed by the applicable loan documents upon any future event of default, including but not limited to late charges, default interest, pre-payment penalties, and defeasance payments. On the Effective Date or the date that any payment is due, Reorganized FNC shall (x) pay any undisputed portion of a General Secured Claim and (y) establish an interest bearing escrow account with respect to any disputed amounts pending agreement between the parties or a Final Order of the Bankruptcy Court. The Debtor shall file an objection to any portion of a General Secured Claim that it disputes within 60 days of the Effective Date if an agreement has not been previously reached between the parties as to the amount of the claim. The transactions contemplated by this Plan shall not be a "change of control" under any note, mortgage, loan or security agreement.

4.4 CLASS 4 -- GENERAL UNSECURED CLAIMS

(a) IMPAIRMENT AND VOTING. Class 4 is not impaired by the Plan. Consequently, each holder of an Allowed General Unsecured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) DISTRIBUTIONS AND EFFECTS THEREOF. On the Effective Date, or as soon thereafter as practicable, each holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction of such holder's Allowed General Unsecured Claim, a Cash payment equal to the Allowed amount of such Claim, plus post-petition interest at a rate of 2.10% per annum for the period from the Petition Date through the Effective Date.

(c) TORT CLAIMS. All Tort Claims are Disputed General Unsecured Claims. Any holder of a Tort Claim must have filed a proof of claim prior to the Bar

Date or be forever barred from asserting a Claim against the Debtor or its property. Any Tort Claim as to which a proof of claim was timely filed in the Chapter 11 Case shall be determined and liquidated in the administrative or judicial tribunal(s) in which it is pending as of the Effective Date or, if no action was pending on the Effective Date, in any administrative or judicial tribunal of appropriate jurisdiction, or in accordance with any alternative dispute resolution or similar proceeding as same may be approved by order of the Bankruptcy Court. Any Tort Claim

determined and liquidated (i) pursuant to a judgment obtained in accordance with this Section and applicable nonbankruptcy law which is no longer appealable or subject to review, or (ii) in any alternative dispute resolution or similar proceeding as same may be approved by order of the Bankruptcy Court, shall be deemed an Allowed Claim in such liquidated amount and satisfied in accordance with this Plan. Nothing contained in this Plan shall impair the Debtor's right to seek estimation of any or all Tort Claims in a court or courts of competent jurisdiction or constitute or be deemed a waiver of any Cause of Action that the Debtor may hold against any entity, including, without limitation, in connection with or arising out of any Tort Claim. Any Allowed Tort Claim which is also an Allowed Insured Claim shall be treated in accordance with Section 6.8 of this Plan.

4.5 CLASS 5 -- EQUITY INTERESTS

(a) IMPAIRMENT AND VOTING. Class 5 is impaired by the Plan. Consequently, each holder of an Allowed Equity Interest shall be entitled to vote to accept or reject the Plan.

(b) DISTRIBUTIONS AND EFFECTS THEREOF. On the Effective Date, each of the shares of Old Common Stock shall be cancelled, annulled and extinguished and the holders of Allowed Equity Interests shall be entitled to receive, at the option of each such holder, either (i) a Cash payment equal to \$.75 per share for each of such holder's shares of Old Common Stock, in full and final satisfaction of such Allowed Equity Interest or (ii) (x) shares of New FNC Common Stock equal to the number of shares of Old Common Stock held by such holder (subject to dilution) and (y) the Equity Participation Right, PROVIDED, HOWEVER, THAT A HOLDER OF AN EQUITY INTEREST MAY ONLY EXERCISE THE EQUITY PARTICIPATION RIGHT IF SUCH HOLDER IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1993 (AS AMENDED) AND HOLDS 100,000 SHARES OF OLD COMMON STOCK OR MORE. Any holder of an Equity Interest that does not elect treatment on the ballot accompanying the Disclosure Statement, shall be deemed to have elected to receive Cash in an amount equal to \$.75 per share for each of such holder's shares of Old Common Stock.

4.6 CLASS 6 -- CONVENIENCE INTERESTS

(a) IMPAIRMENT AND VOTING. Class 6 is impaired by the Plan. Consequently, each holder of an Allowed Convenience Interest shall be entitled to vote to accept or reject the Plan.

(b) DISTRIBUTIONS. On the Effective Date, each of the shares of Old Common Stock shall be cancelled, annulled and extinguished and each holder of an Allowed Convenience Interest shall receive, in full and final satisfaction of such Allowed Convenience Interest, a Cash payment equal to \$.75 per share for each of such holder's shares of Old Common Stock.

ARTICLE V

MEANS OF IMPLEMENTATION AND EFFECT OF CONFIRMATION OF PLAN

5.1 PLAN FUNDING. The funds utilized to make Cash payments under this Plan have been and/or will be generated from, among other things the proceeds of (i) the New Senior

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Notes, (ii) the New Equity Investment and (iii) any sale of property by the Debtor. See Section 5.3 below.

5.2 NEW INDENTURE AND NEW SENIOR NOTES. On the Effective Date, Reorganized FNC will execute the New Indenture and issue the New Senior Notes. The New Senior Notes shall be unsecured and shall contain the following material terms:

Issuer: Reorganized FNC

up to \$120 million (less net proceeds from the sale(s) of real property owned by the Debtor prior to the Effective Date and less the

Principal: aggregate amount of any General Secured Claims that remain outstanding after giving effect to the payments required to be made on or about the Effective Date pursuant to Section 4.3 hereof)

Maturity: The third anniversary from the Effective Date

Interest: 7%, at the option of Reorganized FNC, payable either in cash or PIK

Conversion: At the option of any holder, convertible to New FNC Common Stock at any time at a price of \$.75 per share

Covenants: The Indenture contains certain covenants relating to, among other things, (i) taxes, (ii) maintenance of properties and insurance, (iii) registration rights, (iv) compliance with ERISA and environmental laws and (v) limitations on liens, indebtedness, loans, investments, dividends, guarantees, capital expenditures, lease-backs and transactions with affiliates.

The Indenture also provides for certain events of default including, without limitation, default in the payment of any principal, interest or premium with respect to any indebtedness for borrowed money or any similar obligation.

Call Provision: Reorganized FNC can call the New Senior Notes for redemption at any time after the date that is 12 months from the Effective Date.

Reporting: Reorganized FNC shall provide, on a semi-annual basis, an income statement, cash flow statement and balance sheet to the trustee under the Indenture for distribution to holders of New Senior Notes. In addition, in the event that Reorganized FNC prepares such reports on a quarterly basis, it will provide copies of the reports to the trustee under the Indenture for distribution to holders of New Senior Notes.

5.3 INVESTMENT AGREEMENT. On the Effective Date, the transactions contemplated by the Investment Agreement shall be consummated pursuant to which the Plan Investors and any holder of an Equity Interest that exercises its Equity Participation Right on the ballot accompanying the Disclosure Statement shall contribute in the aggregate \$20 million to Reorganized FNC in consideration of 26,666,667 shares of New FNC Common Stock and up to \$120 million in consideration of the New Senior Notes. In addition, the Plan Investors shall receive either \$2.2 million in Cash or 2,933,333 million shares of New FNC Common Stock, at the Debtor's option, as a commitment fee under the New Senior Notes. The principal amounts of the New Senior Notes shall be reduced on a dollar-for-dollar basis by the net proceeds received by the Debtor from the sale of any real property owned by the Debtor prior to the Effective Date.

5.4 DEVELOPMENT AGREEMENT. On the Effective Date, Reorganized FNC shall execute the Development Agreement with KRC Property Management I, Inc.

5.5 PROPERTY MANAGEMENT AGREEMENT. On the Effective Date, Reorganized FNC shall execute the Property Management Agreement with KRC Property Management I, Inc.

5.6 REGISTRATION RIGHTS AGREEMENT. Without limiting the effect of Section 1145 of the Bankruptcy Code, as of the Effective Date, Reorganized FNC will execute the Registration Rights Agreement with the Plan Investors. In the event that Reorganized FNC is required by the Plan Investors to register the New FNC Common Stock and/or New Senior Notes, Reorganized FNC shall register, in addition to such shares, the largest number of securities held by others which the underwriters reasonably believe can be sold without having an adverse effect on such offering. As between the Plan Investors and the holders of New FNC Common Stock that exercised their Equity Participation Right, the number of securities that may be included in the underwriting shall be allocated as follows: (a) FIRST, the maximum number of shares that can be so included of New FNC Common Stock or New Senior Notes held by the Plan Investors on a PRO RATA basis and (b) SECOND, the maximum number of shares that can be so included of New FNC Common Stock or New Senior Notes held by holders of New FNC Common Stock or New Senior Notes other than the Plan Investors that exercised their Equity Participation Right, on a PRO RATA basis.

5.7 REORGANIZED FNC CHARTER. On the Effective Date, the Reorganized FNC Charter will become effective. The Reorganized FNC Charter, together with the provisions of the Plan, shall, as applicable, provide for, among other things, the incorporation of Reorganized FNC as a Delaware corporation, the authorization and issuance of New FNC Common Stock, and such other provisions as are necessary to facilitate consummation of the Plan, including a provision prohibiting the issuance of non-voting equity securities in accordance with Section 1123(a)(6) of the Bankruptcy Code, all without any further action by the stockholders or directors of the Debtor or Reorganized FNC, but in such form as is reasonably acceptable to the Plan Investors. The issuance of New FNC Common Stock is authorized without the need for any further corporate action or action by the New Board or shareholders of Reorganized FNC. The Reorganized FNC Charter

may also contain restrictions.

5.8 ISSUANCE OF NEW FNC COMMON STOCK. On the Effective Date, Reorganized FNC shall issue, in accordance with the terms of this Plan and the Investment Agreement, 45.6 million shares of New FNC Common Stock. All shares of New FNC Common Stock to be issued

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pursuant to this Plan shall be, upon issuance, fully paid and non-assessable, and shall be subject to dilution only as may be expressly set forth in this Plan or in the Plan Documents. Holders of New FNC Common Stock shall have preemptive rights to subscribe for additional shares of New FNC Common Stock. On the Effective Date, Reorganized FNC will transmit written instructions regarding the surrender of Old Common Stock and the distribution of shares of New FNC Common Stock to those parties entitled to receive such stock pursuant to this Plan.

5.9 REVESTING OF ASSETS. Except as otherwise provided by this Plan, upon the Effective Date, title to all properties and assets dealt with by the Plan shall pass from the Debtor to Reorganized FNC free and clear of all Claims, Liens, encumbrances and interests of creditors and of equity security holders (except those Claims, Liens, charges, rights, encumbrances and interests created or permitted to continue to be retained pursuant to this Plan) and the Confirmation Order shall be a judicial determination of discharge and extinguishment of all Claims, Liens or Equity Interests (except those created or permitted to continue to be retained pursuant to this Plan); PROVIDED, HOWEVER, that the real estate upon which the Debtor's location in Utica, Michigan, identified as Store No. 30, is located shall be specifically subject to all easements including, INTER ALIA, for septic purposes, for ingress and egress and for parking for the benefit of Mexican Village of Utica, Inc., Concha Azofiefa and Fernando Gutierrez, individually and/or as Trustee of the Fernando Gutierrez Trust, and their respective heirs, successors and assigns (collectively, "Mexican Village") and/or any other easements, interests or encumbrances that inure to the benefit of Mexican Village. All pre-Effective Date liabilities of the Debtor are treated and/or discharged in accordance with the terms of this Plan and shall not in any manner be (or be deemed to be) transferred or assumed by Reorganized FNC.

5.10 CANCELLATION AND SURRENDER OF EXISTING SECURITIES AND AGREEMENTS

(a) Except as may otherwise be provided in this Plan, on the date distributions are made, the promissory notes, share certificates, bonds and other instruments evidencing any Claim or Interest shall be deemed canceled without further act or action under any applicable agreement, law, regulation, order or rule and the obligations of the Debtor under the agreements, indentures and certificates of designations governing such Claims and Interests, as the case may be, shall be discharged and released.

(b) Except as otherwise provided herein or agreed by Reorganized FNC, each holder of a promissory note, share certificate, bond or other instrument evidencing a Claim or Interest, shall surrender such promissory note, share certificate, bond or instrument to Reorganized FNC (or the Disbursing Agent). No distribution of property hereunder shall be made to or on behalf of any such holders unless and until such promissory note, share certificate, bond or instrument is received by Reorganized FNC (or the Disbursing Agent), or the unavailability of such promissory note, share certificate, bond or instrument is established to the reasonable satisfaction of Reorganized FNC (or the Disbursing Agent), or such requirement is waived by Reorganized FNC. Reorganized FNC may require any holder that is unable to surrender or cause to be surrendered any such promissory notes, share certificates, bonds or instruments to deliver an affidavit of loss and indemnity reasonably satisfactory to Reorganized FNC. Any holder that fails within the later of one year after the Effective Date and the date of Allowance of its Claim or Interest (i) to surrender or cause to be surrendered such promissory note, share certificate, bond or instrument and (ii) if requested, to execute and deliver an affidavit

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of loss and indemnity reasonably satisfactory to Reorganized FNC (or the Disbursing Agent), shall be deemed to have forfeited all rights, Claims and Causes of Action against or Interests in the Debtor and Reorganized FNC and shall not participate in any distribution hereunder.

5.11 CONTINUATION OF BANKRUPTCY INJUNCTION OR STAYS. All injunctions or stays provided for in the Chapter 11 Case under Sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

5.12 FULL AND FINAL SATISFACTION. All payments and all distributions hereunder shall be in full and final satisfaction, settlement and release of all Claims and Equity Interests, except as otherwise provided in this Plan.

5.13 WAIVER OF AVOIDANCE ACTIONS. As of and subject to the occurrence of the Effective Date, the Debtor, for and on behalf of itself and its Estate, hereby waives and releases any of the Causes of Action under Sections 510, 542, 544, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code, but shall retain all other Causes of Action.

5.14 TERMINATION OF SUBORDINATION RIGHTS. Except as otherwise provided in this Plan, the classification and manner of satisfying all Claims and Equity Interests under the Plan take into consideration all contractual, legal and equitable subordination rights, whether arising under general principles of equitable subordination, Sections 510(b) and (c) of the Bankruptcy Code or otherwise, that a holder of a Claim or Equity Interest may have against other Claim or Equity Interest holders with respect to any distribution made pursuant to the Plan. On the Effective Date, all contractual, legal or equitable

subordination rights that a holder of a Claim or Equity Interest may have with respect to any distribution to be made pursuant to the Plan shall be discharged and terminated, and all actions related to the enforcement of such subordination rights shall be permanently enjoined and distributions pursuant to the Plan shall not be subject to payment to a beneficiary of such terminated subordination rights, or to levy, garnishment, attachment or other legal process by any beneficiary of such terminated subordination rights.

5.15 ADMINISTRATION PENDING EFFECTIVE DATE. Prior to the Effective Date, the Debtor shall continue to manage its properties as a debtor-in-possession, subject to all applicable requirements of the Bankruptcy Code and the Bankruptcy Rules. After the Effective Date, Reorganized FNC may manage its properties, and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, but subject to the continuing jurisdiction of the Bankruptcy Court as set forth in Article 11 hereof.

5.16 SETOFFS. Nothing contained in this Plan shall constitute a waiver or release by the Debtor of any rights of setoff the Debtor may have against any Person.

5.17 POST-CONFIRMATION FEES, FINAL DECREE. Reorganized FNC shall be responsible for the payment of any post-confirmation fees due pursuant to 28 U.S.C. ss. 1930(a)(6) and the filing of post-confirmation reports, until a final decree is entered. A final decree shall be entered as soon as practicable after distributions have commenced under this Plan.

5.18 SECTION 1145 EXEMPTION. The issuance of the New Senior Notes, the New FNC Common Stock on the Effective Date and upon conversion of the New Senior Notes, the Equity

Participation Right and other securities that may be deemed to be issued pursuant to this Plan shall be exempt from registration requirements in accordance with Section 1145 of the Bankruptcy Code.

ARTICLE VI

VOTING AND DISTRIBUTIONS
AND TREATMENT OF DISPUTED, CONTINGENT
AND UNLIQUIDATED CLAIMS AND EQUITY INTERESTS

6.1 VOTING OF INTERESTS. Each holder of an Allowed Equity Interest in an impaired Class which is entitled to retain or receive property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered Ballot as provided in such order as is entered by the Bankruptcy Court establishing certain procedures with respect

to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

6.2 NONCONSENSUAL CONFIRMATION. If any impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided in Sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any impaired class is deemed to have rejected the Plan, the Debtor reserves the right (a) to undertake to have the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code and (b) to amend the Plan in accordance with Section 13.3 of the Plan to the extent necessary to obtain entry of the Confirmation Order.

6.3 METHOD OF DISTRIBUTIONS UNDER THIS PLAN.

(a) IN GENERAL. Subject to Bankruptcy Rule 9010, all distributions under the Plan shall be made by Reorganized FNC (or the Disbursing Agent) to the holder of each Allowed Claim or Equity Interest at the address of such holder as listed in the Debtor's books and records or on the Schedules as of the Confirmation Date, unless the Debtor or Reorganized FNC has been notified in writing of a change of address, including, without limitation, by the filing of a proof of claim or notice of transfer of claim filed by such holder that provides an address, if any, for such holder different from the address reflected in the Debtor's books and records or on the Schedules.

(b) DISTRIBUTIONS OF CASH. Any payment of Cash made by Reorganized FNC (or the Disbursing Agent) pursuant to the Plan shall be made by check drawn on a domestic bank or by wire transfer.

(c) TIMING OF DISTRIBUTIONS. Any payment or distribution required to be made under this Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

(d) FRACTIONAL DOLLARS. Whenever any payment of a fraction of a dollar would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollars (rounding down in the case of \$0.50 or less and rounding up in the case of more than \$0.50).

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(e) FRACTIONAL SHARES. No fractional shares of New FNC Common Stock shall be distributed under the Plan. When any distribution on account of an Allowed Equity Interest pursuant to the Plan would otherwise result in the issuance of a number of shares of New FNC Common Stock that is not a whole number, such fractional interests shall be rounded up or down to the nearest whole number.

(f) DISTRIBUTIONS TO HOLDERS AS OF THE CONFIRMATION DATE. As of the close of business on the Confirmation Date, the claims register shall be closed,

and there shall be no further changes in the record holders of any Claims or Interests. The Debtor and Reorganized FNC shall have no obligation to recognize any transfer of any Claims or Interests occurring after the close of business on the Confirmation Date, and shall instead be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan pursuant to Section 6.1 of the Plan) with only those holders of record as of the close of business on the Confirmation Date.

6.4 OBJECTIONS TO AND RESOLUTION OF ADMINISTRATIVE EXPENSE CLAIMS, CLAIMS AND EQUITY INTERESTS. Except as to applications for allowance of compensation and reimbursement of expenses under Sections 330 and 503 of the Bankruptcy Code (with respect to which procedures respecting objections shall be governed by Section 2.2(c) of this Plan and the Confirmation Order or other Final Order), only Reorganized FNC may file objections to the allowance of any Administrative Expense Claims, Claims and Interests subsequent to the Effective Date. All objections shall be litigated to Final Order; PROVIDED, HOWEVER, that Reorganized FNC shall have the exclusive authority to compromise, settle, otherwise resolve or withdraw any objections without requiring approval by the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, all objections to the allowance of Administrative Expense Claims, Claims or Equity Interests that are the subject of proofs of claim or requests for payment filed with the Bankruptcy Court (other than applications for allowances of compensation and reimbursement of expenses), shall be filed and served upon the holder of the Administrative Expense Claim, Claim or Equity Interest as to which the objection is made as soon as is practicable, but in no event later than 180 days after the Effective Date or such later date as may be approved by the Bankruptcy Court.

6.5 ESTABLISHMENT AND MAINTENANCE OF RESERVE FOR DISPUTED CLAIMS. On the Effective Date, Reorganized FNC shall establish and maintain an interest-bearing reserve (the "DISPUTED CLAIMS RESERVE"), in trust for the holders of Disputed Claims whose Claims ultimately become Allowed Claims, equal to the aggregate of any distributable amounts of Cash (inclusive of post-petition interest at a rate of 2.10% per annum from the Petition Date through the Effective Date) to which holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in the amount of such Disputed Claim or such lesser amount as required by a Final Order. For the purposes of effectuating the provisions of this Section and the distributions to holders of Allowed Claims, the Debtor may, at any time and regardless of whether an objection to the Disputed Claim has been brought, request that the Bankruptcy Court estimate, set, fix or liquidate the amount of Disputed Claims pursuant to Section 502(c) of the Bankruptcy Code, in which event the amounts so estimated, fixed or liquidated shall be deemed the Allowed amounts of such Claims for purposes of distribution under this Plan. In lieu of estimating, fixing or liquidating the amount of any Disputed Claim, the Bankruptcy Court may determine the amount to be reserved for such Disputed Claim

(singularly or in the aggregate), or such amount may be fixed by agreement in writing by and between the Debtor and the holder of a Disputed Claim.

6.6 DISTRIBUTIONS UPON ALLOWANCE OF DISPUTED CLAIMS. The holder of a Disputed Claim that becomes an Allowed Claim subsequent to the Effective Date shall receive distributions from the Disputed Claims Reserve as soon as practical following the date on which such Disputed Claim becomes an Allowed Claim pursuant to a Final Order. Such distributions shall be made in accordance with this Plan based upon the distributions that would have been made to such holder under this Plan if the Disputed Claim had been an Allowed Claim on or prior to the Effective Date, and shall include such holder's PRO RATA share of interest accrued on the Disputed Claims Reserve. Reorganized FNC will pay all expenses in connection with maintaining the Disputed Claims Reserve and prosecuting objections to Disputed Claims. No holder of a Disputed Claim shall have any Claim against the Disputed Claims Reserve or Reorganized FNC with respect to such Claim until such Disputed Claim shall become an Allowed Claim.

6.7 UNCLAIMED DISTRIBUTIONS. Any Person who receives a check pursuant to this Plan must present such check for payment within 120 days of its date of issuance. Any checks not presented within such 120 day period will be void, and such funds shall revert in Reorganized FNC.

6.8 DISTRIBUTIONS RELATING TO ALLOWED INSURED CLAIMS. Distributions under the Plan to each holder of an Allowed Insured Claim shall be in accordance with the treatment provided under the Plan for Class 4, but solely to the extent that such Allowed Insured Claim is not satisfied from proceeds payable to the holder thereof under any pertinent insurance policies and applicable law. Nothing contained in this Section shall constitute or be deemed a waiver of any Cause of Action that the Debtor or any entity may hold against any other entity, including, without limitation, insurers under any policies of insurance. For each Insured Claim, the Debtor shall maintain Cash in the Disputed Claims Reserve equal to the amount of any self-insured retention or deductible under any pertinent insurance policy until such Insured Claim becomes an Allowed Insured Claim or in such other amount as determined pursuant to Section 502(c) of the Bankruptcy Code. The Debtor shall have no other or further obligation to holders of Allowed Insured Claims.

ARTICLE VII

EXECUTORY CONTRACTS AND UNEXPIRED LEASES; INDEMNIFICATION CLAIMS

7.1 EXECUTORY CONTRACTS AND UNEXPIRED LEASES. On the Effective Date, all unexpired leases or executory contracts of the Debtor will be rejected in accordance with the provisions and requirements of Section 365 and 1123 of the Bankruptcy Code, EXCEPT those executory contracts and unexpired leases that (a) have been assumed by Final Order of the Bankruptcy Court, (b) are the subject of a motion to assume pending on the Effective Date, or (c) are assumed pursuant to this Plan. Entry of the Confirmation Order shall constitute an order of the

Bankruptcy Court approving all such assumptions or rejections pursuant to Sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

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7.2 CLAIMS DEADLINE FOR FILING PROOFS OF CLAIMS RELATING TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES. Claims arising out of the rejection of an executory contract or unexpired lease pursuant to the Confirmation Order, must be filed with the Bankruptcy Court and/or served upon Reorganized FNC or as otherwise may be provided in the Confirmation Order by no later than 30 days after the notice of entry of the Confirmation Order. Any Claims not filed within such time will be forever barred from assertion against the Debtor, its Estate, or Reorganized FNC, and the holders thereof shall not be entitled to any distribution under this Plan or otherwise from Reorganized FNC. Unless otherwise ordered by the Bankruptcy Court, all Claims arising from the rejection of executory contracts and unexpired leases shall be treated as General Unsecured Claims under this Plan.

7.3 INSURANCE POLICIES. Each of the Debtor's insurance policies and any agreements, documents or instruments relating thereto, including, without limitation, any retrospective premium rating plans relating to such policies will remain in full force and effect. Notwithstanding the foregoing, distributions under the Plan to any holder of a Claim covered by any such insurance policies and related agreements, documents or instruments, shall be in accordance with the treatment provided under Article 4 and Section 6.9 hereof. Nothing contained in this Section 7.3 shall constitute or be deemed a waiver of any Cause of Action that the Debtor may hold against any entity, including, without limitation, the insurer under any of the Debtor's policies of insurance, relating to such policies of insurance or Insured Claims.

7.4 INDEMNIFICATION CLAIMS. All Indemnification Claims shall be assumed by Reorganized FNC without limitation and all Persons holding or asserting Indemnification Claims (whether directly, by subrogation or otherwise) shall be entitled to obtain recovery on account of such Claims from Reorganized FNC. Reorganized FNC shall continue and maintain all presently existing directors' and officers' insurance policies, and all such policies shall remain in full force and effect following Confirmation at comparable coverage levels.

7.5 UNEXERCISED STOCK OPTIONS AND WARRANTS. On the Effective Date, all unexercised options and warrants to purchase Old Common Stock shall be assumed in accordance with the provisions and requirements of Section 365 and 1123 of the Bankruptcy Code.

7.6 RETIREE BENEFITS. Payment of any Retiree Benefits shall be continued solely to the extent, and for the duration of the period the Debtor is contractually or legally obligated to provide such benefits, subject to any and all rights of the Debtor under applicable law.

ARTICLE VIII

CORPORATE GOVERNANCE AND MANAGEMENT OF REORGANIZED FNC

8.1 MANAGEMENT OF REORGANIZED FNC. On the Effective Date, the management, control and operation of Reorganized FNC shall become the general responsibility of the board of directors of Reorganized FNC, which shall, thereafter, have responsibility for the management, control and operation of Reorganized FNC in accordance with applicable law.

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8.2 DIRECTORS AND OFFICERS OF REORGANIZED FNC.

(a) BOARD OF DIRECTORS OF REORGANIZED FNC. As of the Effective Date, the board of directors of Reorganized FNC (the "New Board") shall consist of 5 members to be designated by the Plan Investors and it is presently contemplated that the existing three directors of the Debtor will be members of the board of directors of Reorganized FNC. The designation of the board members for Reorganized FNC shall be filed with the Bankruptcy Court on or prior to the commencement date of the Confirmation Hearing, or such later date as the Bankruptcy Court may establish.

(b) OFFICERS OF REORGANIZED FNC. On the Effective Date, the officers of Reorganized FNC immediately prior to the Effective Date shall serve as the officers of Reorganized FNC. After the Effective Date, the officers of Reorganized FNC shall be determined by the New Board.

8.3 CORPORATE ACTION. All terms of this Plan may be put into effect and carried out without further action by the directors, shareholders or members of the Debtor or Reorganized FNC, who shall be deemed to have unanimously approved the Plan and all agreements and transactions provided for or contemplated herein, including, without limitation: (a) the adoption of Reorganized FNC Charter, (b) the initial selection of directors and officers of Reorganized FNC, and (c) the distribution of Cash and the issuance and distribution of New FNC Common Stock pursuant to this Plan.

ARTICLE IX

EXCULPATION, INJUNCTIONS, ETC.

9.1 DISCHARGE. EXCEPT AS OTHERWISE PROVIDED IN SECTION 1141 OF THE BANKRUPTCY CODE OR THIS PLAN, THE DISTRIBUTIONS MADE PURSUANT TO THE PLAN WILL BE IN FULL AND FINAL SATISFACTION, SETTLEMENT, RELEASE AND DISCHARGE AS AGAINST THE DEBTOR, OF ANY DEBT THAT AROSE BEFORE THE CONFIRMATION DATE AND ANY DEBT OF

A KIND SPECIFIED IN SECTION 502(G), 502(H) OR 502(I) OF THE BANKRUPTCY CODE AND ALL CLAIMS AND INTERESTS OF ANY NATURE, INCLUDING, WITHOUT LIMITATION, ANY INTEREST ACCRUED THEREON FROM AND AFTER THE PETITION DATE, WHETHER OR NOT (I) A PROOF OF CLAIM OR INTEREST BASED ON SUCH DEBT, OBLIGATION OR INTEREST IS FILED OR DEEMED FILED UNDER SECTION 501 OF THE BANKRUPTCY CODE OR (II) SUCH CLAIM OR INTEREST IS ALLOWED UNDER SECTION 502 OF THE BANKRUPTCY CODE OR (III) THE HOLDER OF SUCH ALLOWED CLAIM OR INTEREST HAS ACCEPTED THE PLAN. THE CONFIRMATION ORDER SHALL BE A JUDICIAL DETERMINATION OF THE DISCHARGE OF ALL CLAIMS AGAINST AND INTERESTS IN THE DEBTOR, SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE.

9.2 EXCULPATION. NONE OF THE DEBTOR, REORGANIZED FNC, KIMCO, THE DIP LENDER, THE CREDITORS' COMMITTEE, THE PLAN INVESTORS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OF THEIR RESPECTIVE SHAREHOLDERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, ADVISORS, ATTORNEYS, FINANCIAL ADVISORS, AGENTS OR PROFESSIONALS (COLLECTIVELY, THE "EXCULPATED PARTIES") SHALL HAVE OR INCUR ANY LIABILITY TO ANY HOLDER OF A CLAIM OR INTEREST OR OTHER PERSON FOR ANY ACT OR OMISSION IN CONNECTION WITH, RELATED TO, OR ARISING OUT OF, THE CHAPTER 11 CASE, THE PREPARATION OR FORMULATION OF THE PLAN, THE PURSUIT OF CONFIRMATION OF THE PLAN, THE

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CONSUMMATION OF THE PLAN OR THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, AND, IN ALL RESPECTS, THE EXCULPATED PARTIES SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO THEIR DUTIES AND RESPONSIBILITIES UNDER THE PLAN; PROVIDED, HOWEVER, THAT NOTHING IN THE PLAN SHALL, OR SHALL BE DEEMED TO, RELEASE THE EXCULPATED PARTIES FROM, OR EXCULPATE THE EXCULPATED PARTIES WITH RESPECT TO, THEIR RESPECTIVE OBLIGATIONS OR COVENANTS ARISING PURSUANT TO THIS PLAN.

9.3 RELEASE OF RELEASED PARTIES. AS OF THE EFFECTIVE DATE, IN CONSIDERATION FOR, AND AS PART OF THE TREATMENT AFFORDED TO THE HOLDERS OF CLAIMS AND INTERESTS UNDER THIS PLAN, AND FOR OTHER VALUABLE CONSIDERATION, EACH OF THE DEBTOR, REORGANIZED FNC, KIMCO, THE DIP LENDER, THE CREDITORS' COMMITTEE, THE PLAN INVESTORS AND EACH OF THEIR RESPECTIVE AFFILIATES AND THEIR RESPECTIVE PARENTS, SUBSIDIARIES, AFFILIATES, SHAREHOLDERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, ADVISORS, ATTORNEYS, FINANCIAL ADVISORS, AGENTS OR PROFESSIONALS (COLLECTIVELY, THE "RELEASED PARTIES") SHALL BE DEEMED FOREVER RELEASED AND DISCHARGED FROM ANY AND ALL KNOWN AND UNKNOWN CAUSES OF ACTION OF ANY NATURE THAT ANY PERSON (INCLUDING, WITHOUT LIMITATION, ANY HOLDER OF CLAIMS AND INTERESTS UNDER THE PLAN) MAY HAVE ASSERTED, COULD HAVE ASSERTED, OR COULD IN THE FUTURE ASSERT, DIRECTLY OR INDIRECTLY, AGAINST ANY OF THE RELEASED PARTIES BASED ON ANY ACT OR OMISSION OF THE DEBTOR ON OR PRIOR TO THE EFFECTIVE DATE, EXCLUDING GROSS NEGLIGENCE AND WILLFUL MISCONDUCT ON THE PART OF THE RELEASED PARTY; PROVIDED, HOWEVER, THAT THE FOREGOING RELEASES SHALL NOT APPLY TO CAUSES OF ACTION THAT ARISE FROM OBLIGATIONS OR RIGHTS CREATED UNDER OR IN CONNECTION WITH THE PLAN OR ANY AGREEMENT PROVIDED FOR OR CONTEMPLATED IN THE PLAN.

9.4 MUTUAL RELEASES BY RELEASED PARTIES. AS OF THE EFFECTIVE DATE, EACH OF THE RELEASED PARTIES HEREBY UNCONDITIONALLY FOREVER RELEASES, WAIVES AND DISCHARGES ALL KNOWN AND UNKNOWN CAUSES OF ACTION OF ANY NATURE THAT SUCH RELEASED PARTY HAS ASSERTED MAY HAVE ASSERTED, COULD HAVE ASSERTED, OR COULD IN THE FUTURE ASSERT, DIRECTLY OR INDIRECTLY, AGAINST ANY OF THE OTHER RELEASED PARTIES BASED ON ANY ACT OR OMISSION RELATING TO THE DEBTOR OR ITS BUSINESS OPERATIONS (INCLUDING, WITHOUT LIMITATION, THE ORGANIZATION OR CAPITALIZATION OF THE DEBTOR OR EXTENSIONS OF CREDIT AND OTHER FINANCIAL SERVICES AND ACCOMMODATIONS MADE OR NOT MADE TO THE DEBTOR) OR THE CHAPTER 11 CASE ON OR PRIOR TO THE EFFECTIVE DATE; PROVIDED, HOWEVER, THAT THE FOREGOING RELEASES SHALL NOT APPLY TO CAUSES OF ACTION THAT ARISE FROM OBLIGATIONS OR RIGHTS CREATED UNDER OR IN CONNECTION WITH THE PLAN OR ANY AGREEMENT PROVIDED FOR OR CONTEMPLATED IN THE PLAN.

9.5 INJUNCTIONS.

(a) INJUNCTION RELATED TO DISCHARGE. AS OF THE EFFECTIVE DATE AND SUBJECT TO ITS OCCURRENCE, ALL PERSONS THAT HAVE HELD, CURRENTLY HOLD OR MAY HAVE ASSERTED A CLAIM, A CAUSE OF ACTION OR AN EQUITY INTEREST OR OTHER RIGHT OF A HOLDER OF AN EQUITY INTEREST THAT IS DISCHARGED, RELEASED OR TERMINATED PURSUANT TO THE PLAN, ARE HEREBY PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION OR OTHER PROCEEDING, ENFORCING, ATTACHING, COLLECTING OR RECOVERING IN ANY MANNER ANY JUDGMENT, AWARD, DECREE OR ORDER, CREATING, PERFECTING OR ENFORCING ANY LIEN OR ENCUMBRANCE, ASSERTING A SET-OFF, RIGHT OR SUBROGATION OR RECOUPMENT OF ANY KIND AGAINST ANY DEBT, LIABILITY OR OBLIGATION DUE TO ANY SUCH RELEASING PERSON, AND FROM COMMENCING OR

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CONTINUING ANY ACTION, IN ANY MANNER OR IN ANY PLACE WHERE THE FOREGOING DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THIS PLAN, AND THE CONFIRMATION ORDER SHALL PROVIDE FOR SUCH INJUNCTIONS.

(b) INJUNCTION RELATING TO EXCULPATION AND RELEASE. AS OF THE EFFECTIVE DATE, EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, ALL PERSONS ARE HEREBY PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION OR OTHER PROCEEDING, WHETHER DIRECTLY, DERIVATIVELY OR OTHERWISE AGAINST ANY OR ALL OF THE EXCULPATED PARTIES OR RELEASED PARTIES, ON ACCOUNT OF OR RESPECTING ANY CLAIMS, DEBTS, RIGHTS, CAUSES OF ACTION OR LIABILITIES EXCULPATED, RELEASED OR DISCHARGED PURSUANT TO THE PLAN, AND THE CONFIRMATION ORDER SHALL PROVIDE FOR SUCH INJUNCTIONS.

ARTICLE X

CONDITIONS TO CONFIRMATION AND EFFECTIVENESS OF THE PLAN

10.1 CONDITION TO CONFIRMATION. Unless this condition is satisfied or waived pursuant to Section 10.3 of this Plan, it is a condition to the entry of the Confirmation Order that the Confirmation Order shall be in form and substance reasonably acceptable to the Debtor, the Creditors' Committee and the Plan Investors.

10.2 CONDITIONS PRECEDENT TO EFFECTIVENESS. This Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 10.3 of this Plan:

(a) the Confirmation Order, in form and substance reasonably acceptable to the Debtor, the Creditors' Committee and the Plan Investors shall have been entered by the Bankruptcy Court and shall have become a Final Order;

(b) the Investment Agreement and any related documents shall have been finalized, fully executed, and the transactions contemplated thereby shall have been consummated;

(c) each of the Plan Documents, in form and substance reasonably acceptable to the Debtor, the Creditors' Committee and the Plan Investors, shall have been effected or executed and delivered, and the New FNC Common Stock required to be distributed to the Plan Investors shall be validly issued and outstanding;

(d) the sum of the aggregate amount of Allowed Claims and Disputed Claims for which Cash is maintained in the Disputed Claims Reserve in Class 1 (Priority Claims) and with respect to any unpaid Administrative Expense Claims does not exceed \$5.6 million;

(e) the sum of the aggregate amount of Allowed Claims and Disputed Claims for which Cash is maintained in the Disputed Claims Reserve in Class 4 (General Unsecured Claims) does not exceed \$50 million (excluding the reserve established for Insured Claims pursuant to Section 6.8 of this Plan);

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(f) the sum of Allowed Claims in Class 2 (Kimco Secured Claims) does not exceed \$47.7 million, less the net proceeds received by the Debtor from the sale of any real property owned by the Debtor prior to the Effective Date;

(g) Reorganized FNC shall have sufficient Cash to make all payments required to be made on the Effective Date and to fund all reserves required pursuant to this Plan; and

(h) all actions, other documents and agreements necessary to implement this Plan shall have been effected or executed and delivered.

10.3 WAIVER OF CONDITIONS. The Debtor, with the prior consent of the Plan Investors and the Creditors' Committee, may waive one or more of the conditions set forth in Sections 10.1 and 10.2 of this Plan above.

10.4 EFFECT OF FAILURE OF CONDITIONS. In the event that one or more of the conditions specified in Section 10.2 of the Plan have not occurred on or before 120 days after the Confirmation Date, upon notification submitted by the Debtor (in consultation with the Creditors' Committee) to the Bankruptcy Court, counsel for the Creditors' Committee, counsel for the DIP Lender and counsel for the Plan Investors, (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtor and all holders of Claims and Equity Interests shall be restored to the STATUS QUO ANTE as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (d) the Debtor's obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any person in any further proceedings involving the Debtor.

ARTICLE XI

RETENTION OF JURISDICTION

11.1 RETENTION OF JURISDICTION. The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Case and this Plan pursuant to, and for the purposes of, Sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(a) to hear and determine any and all objections to the allowance of any Claims or any controversies as to the classification of any Claims;

(b) to hear and determine any and all applications by Professionals for compensation and reimbursement of expenses;

(c) to hear and determine any and all pending applications for the rejection and disaffirmance of executory contracts and unexpired leases, and fix and allow any Claims resulting therefrom;

(d) to liquidate any Disputed Claim;

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(e) to enforce the provisions of this Plan, including the discharge, injunction, and exculpation provided for in this Plan;

(f) to enable the Debtor to prosecute any and all proceedings which have been or may be brought prior to the Effective Date, or subsequent to the Effective Date, to set aside liens or encumbrances and to recover any transfers, assets, properties, or damages to which the Debtor may be entitled under applicable provisions of the Bankruptcy Code or any federal, state, or local laws;

(g) to correct any defect, cure any omission, or reconcile any inconsistency in this Plan or in the Confirmation Order as may be necessary to carry out its purpose and the intent of this Plan;

(h) to hear and determine any Claim or liability to a governmental unit which may be asserted as a result of the transactions contemplated herein;

(i) to hear and determine matters concerning state, local, and federal taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code;

(j) to hear and determine any disputes arising under or in connection with the Investment Agreement, the New Senior Notes or the New Senior Notes Indenture; and

(k) to determine such other matters as may be provided for in the Confirmation Order or as may be authorized under the provisions of the Bankruptcy Code.

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 EFFECTUATING DOCUMENTS AND FURTHER TRANSACTIONS. The Debtor or Reorganized FNC, as the case may be, is authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan and any notes or securities issued pursuant to the Plan.

12.2 EXEMPTION FROM TRANSFER TAXES. In accordance with Section 1146(c) of the Bankruptcy Code, (a) the issuance, transfer or exchange of any security under the Plan including, without limitation the New FNC Common Stock or the Equity Participation Right, or the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan, including any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan, or the revesting, transfer or sale of any real or personal property of the Debtor pursuant to, in implementation of, or as contemplated by the Plan including, without limitation, real or personal property transferred or sold prior to the Effective Date, (b) the making, delivery, creation, assignment, amendment or recording of any note or other obligation for the payment of money or any mortgage, deed of trust or other security interest under, in furtherance of, or in connection with the Plan, the

issuance, renewal, modification or securing of indebtedness by such means, and (c) the making, delivery or recording of any deed or other instrument of transfer under, in

furtherance of, or in connection with, the Plan, including, without limitation, the Confirmation Order, shall not be subject to any document recording tax, stamp tax, conveyance fee or other similar tax, mortgage tax, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax or similar tax.

12.3 AMENDMENT OR MODIFICATION OF THIS PLAN. Alterations, amendments or modifications of the Plan may be proposed in writing by the Debtor, with the prior consent of the Plan Investors, the DIP Lender and the Creditors' Committee as to any alterations, amendments or modifications (which consent shall not be unreasonably withheld), at any time prior to the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the conditions of Sections 1122 and 1123 of the Bankruptcy Code, and the Debtor shall have complied with Section 1125 of the Bankruptcy Code. The Plan may be altered, amended or modified at any time before or after the Confirmation Date with the consent of the Creditors' Committee and the Plan Investors (which consent shall not be unreasonably withheld), but before substantial consummation, provided that the Plan, as altered, amended or modified, satisfies the requirements of Sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended or modified, under Section 1129 of the Bankruptcy Code. A holder of a Claim or Interest that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim or Interest of such holder. The Debtor may, with notice to the Creditors' Committee, the DIP Lender and the Plan Investors, but without notice to holders of Claims or Interests insofar as it does not materially and adversely affect the interests of any such holders, correct any defect or omission in this Plan and any exhibit hereto or in any Plan Document under Section 1127(b) of the Bankruptcy Code.

12.4 SEVERABILITY. In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision in this Plan is invalid, void or unenforceable, such provision shall be invalid, void or unenforceable with respect to the holder or holders of such Claims or Equity Interests as to which the provision is determined to be invalid, void or unenforceable. The invalidity, voidness or unenforceability of any such provision shall in no way limit or affect the enforceability and operative effect of any other provision

hereof.

12.5 REVOCATION OR WITHDRAWAL OF THIS PLAN. The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed a waiver or release of any Claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

12.6 PLAN SUPPLEMENT. The Plan Supplement (containing drafts or final versions of the Plan Documents) shall be filed with the Bankruptcy Court as early as practicable (but in no event later than three (3) Business Days) prior to the deadline fixed for filing objections to

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confirmation of this Plan, or on such other date as the Bankruptcy Court may establish. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to the Debtor in accordance with Section 12.8 hereof. The Plan Supplement is incorporated into and a part of the Plan as if set forth in full herein.

12.7 BINDING EFFECT. The Plan shall be binding upon and inure to the benefit of the Debtor, the Plan Investors, the holders of Claims and Equity Interests, and their respective successors and assigns, including, without limitation, Reorganized FNC.

12.8 NOTICES. All notices, requests and demands under this Plan, to be effective, shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to the Debtor:

c/o Frank's Nursery & Crafts, Inc.
580 Kirts Boulevard, Suite 300
Troy, Michigan 48084
fax: 248.712.7336
Attn: Michael McBride, Vice President, Real Estate & Legal

- and -

Proskauer Rose LLP
Attorneys for the Debtor and Debtor-in-Possession
1585 Broadway
New York, New York 10036-8299

fax: 212.969.2900
Attn: Alan B. Hyman, Esq.
Jeffrey W. Levitan, Esq.

If to the Creditors' Committee:

Otterbourg, Steindler, Houston & Rosen, P.C.
Counsel to the Official Committee of Unsecured Creditors
230 Park Avenue
New York, NY 10169
fax: 212.682.6104
Attn: Glenn B. Rice, Esq.
Enid Nagler Stuart, Esq.

If to the Plan Investors:

Kimco Capital Corporation
3333 New Hyde Park Road
New Hyde Park, New York 11042-0020
fax: 516.336.5686

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Attn: Milton Cooper
Raymond Edwards

- and -

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
fax: 212.403.2000
Attn: Scott K. Charles, Esq.
Sarah S. Johnson, Esq.

12.9 TERMINATION OF CREDITORS' COMMITTEE. Except as otherwise provided in this Section 12.9, on the Effective Date, the Creditors' Committee shall cease to exist and its respective members and employees or agents (including, without limitation, attorneys, investment bankers, financial advisors, accountants and other professionals) shall be released and discharged from any further authority, duties, responsibilities and obligations relating to, arising from or in connection with the Creditors' Committee and the Chapter 11 Case. The Creditors' Committee shall continue to exist after such date (i) with respect to all the applications filed pursuant to Sections 330 and 503 of the Bankruptcy Code or Claims for fees and expenses by Professionals, (ii) any post-confirmation modifications to the Plan or Confirmation Order, and (iii) any matters pending as of the Effective Date before the Bankruptcy Court to which the Creditors' Committee is party, until such matters are resolved, at which

time the Creditors' Committee shall dissolve and the members thereof shall be released and discharged from any further responsibility relating to the Creditors' Committee and the Chapter 11 Case. The expenses of the Creditors' Committee and fees and expenses of the Creditors' Committee's Professionals incurred post-Effective Date shall be paid by Reorganized FNC in accordance with Section 2.2(c) of this Plan.

12.10 GOVERNING LAW. Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, or to the extent this Plan provides otherwise, the rights and obligations arising under this Plan shall be governed by and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law of such jurisdiction.

12.11 WITHHOLDING AND REPORTING REQUIREMENTS. In connection with the consummation of the Plan, the Debtor or Reorganized FNC, as the case may be, shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

12.12 HEADINGS. Headings are used in this Plan for convenience and reference only, and shall not constitute a part of this Plan for any other purpose.

12.13 INCONSISTENCY. In the event of any inconsistency between this Plan and the Disclosure Statement, any exhibit to this Plan or Disclosure Statement or any other instrument or document created or executed pursuant to this Plan, this Plan shall govern.

Dated: April 22, 2005
New York, New York

FRANK'S NURSERY & CRAFTS, INC.
Debtor and Debtor-in-Possession

By: /S/ MARK VON MAYRHAUSER

Mark von Mayrhauser
Vice President

PROSKAUER ROSE LLP

By: /S/ ALAN B. HYMAN

Alan B. Hyman (AH-6655)
Jeffrey W. Levitan (JL-6155)
1585 Broadway
New York, New York 10036
(212) 969-3000

Counsel for the Debtor and
Debtor-in-Possession

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER
THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE
Check if an Application to Determine Eligibility of
a Trustee Pursuant to Section 305(b) (2)

WILMINGTON TRUST COMPANY
(Exact name of Trustee as specified in its charter)
DELAWARE 51-0055023
(State or other jurisdiction or I.R.S. Employer Identification No.)
incorporation or organization)

1100 NORTH MARKET STREET
WILMINGTON, DELAWARE 19890-0001
(302) 651-1000
(Address of principal executive offices)

CYNTHIA L. CORLISS
VICE PRESIDENT AND ASSISTANT GENERAL COUNSEL
WILMINGTON TRUST COMPANY
1100 NORTH MARKET STREET
WILMINGTON, DELAWARE 19890
(302) 651-8516
(Name, address, including zip code, and telephone number, including area
code, of agent of service)

FRANK'S NURSERY & CRAFTS, INC.
(Exact name of obligor as specified in its charter)
DELAWARE 47-0863558
(State or other jurisdiction or (I.R.S. Employer Identification No.)
incorporation or organization)

580 KIRTS BLVD., SUITE 300
TROY, MICHIGAN 48084
(248) 712-7000
(Address of principal executive offices)

MICHAEL MCBRIDE
VICE PRESIDENT/LEGAL AND REAL ESTATE AND SECRETARY
580 KIRTS BLVD., SUITE 300
TROY, MICHIGAN 48084
(248) 712-7000
(Name, address, including zip code, and telephone number, including area

CONVERTIBLE PAY-IN-KIND NOTES DUE 2008
(Title of the Indenture Securities)

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ITEM 1. GENERAL INFORMATION.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

Federal Deposit Insurance Co.	State Bank Commissioner
Five Penn Center	Dover, Delaware
Suite #2901	
Philadelphia, PA	

- (b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

ITEM 2. AFFILIATIONS WITH THE OBLIGOR.

If the obligor is an affiliate of the trustee, describe each affiliation:

Based upon an examination of the books and records of the trustee and upon information furnished by the obligor, the obligor is not an affiliate of the trustee.

ITEM 16. LIST OF EXHIBITS.

List below all exhibits filed as part of this Statement of Eligibility and Qualification.

1. Copy of the Charter of Wilmington Trust Company, which includes the certificate of authority of Wilmington Trust Company to commence business (Exhibit 2) and the authorization of Wilmington Trust Company to exercise corporate trust powers (Exhibit 3).

4. Copy of By-Laws of Wilmington Trust Company.

6. Consent of Wilmington Trust Company required by Section 321(b) of Trust Indenture Act.

7. Copy of most recent Report of Condition of Wilmington Trust Company.

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Wilmington Trust Company, a corporation organized and existing under the laws of Delaware, has duly caused this Statement of Eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Wilmington and State of Delaware on the 28th day of April, 2005.

WILMINGTON TRUST COMPANY

[SEAL]

Attest: /s/ Kristin Long

By: /s/ Mary St. Amand

Assistant Secretary

Name: Mary St. Amand
Title: Vice President

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EXHIBIT 1

AMENDED CHARTER

WILMINGTON TRUST COMPANY

WILMINGTON, DELAWARE

AS EXISTING ON MAY 9, 1987

AMENDED CHARTER

OR

ACT OF INCORPORATION

OF

WILMINGTON TRUST COMPANY

WILMINGTON TRUST COMPANY, originally incorporated by an Act of the General Assembly of the State of Delaware, entitled "An Act to Incorporate the Delaware Guarantee and Trust Company", approved March 2, A.D. 1901, and the name of which company was changed to "WILMINGTON TRUST COMPANY" by an amendment filed in the Office of the Secretary of State on March 18, A.D. 1903, and the Charter or Act of Incorporation of which company has been from time to time amended and changed by merger agreements pursuant to the corporation law for state banks and trust companies of the State of Delaware, does hereby alter and amend its Charter or Act of Incorporation so that the same as so altered and amended shall in its

entirety read as follows:

FIRST: - The name of this corporation is WILMINGTON TRUST COMPANY.

SECOND: - The location of its principal office in the State of Delaware is at Rodney Square North, in the City of Wilmington, County of New Castle; the name of its resident agent is WILMINGTON TRUST COMPANY whose address is Rodney Square North, in said City. In addition to such principal office, the said corporation maintains and operates branch offices in the City of Newark, New Castle County, Delaware, the Town of Newport, New Castle County, Delaware, at Claymont, New Castle County, Delaware, at Greenville, New Castle County Delaware, and at Milford Cross Roads, New Castle County, Delaware, and shall be empowered to open, maintain and operate branch offices at Ninth and Shipley Streets, 418 Delaware Avenue, 2120 Market Street, and 3605 Market Street, all in the City of Wilmington, New Castle County, Delaware, and such other branch offices or places of business as may be authorized from time to time by the agency or agencies of the government of the State of Delaware empowered to confer such authority.

THIRD: - (a) The nature of the business and the objects and purposes proposed to be transacted, promoted or carried on by this Corporation are to do any or all of the things herein mentioned as fully and to the same extent as natural persons might or could do and in any part of the world, viz.:

(1) To sue and be sued, complain and defend in any Court of law or equity and to make and use a common seal, and alter the seal at pleasure, to hold, purchase, convey, mortgage or otherwise deal in real and personal estate and property, and to appoint such officers and agents as the business of the Corporation shall require, to make by-laws not inconsistent with the Constitution or laws of the United States or of this State, to discount bills, notes or other evidences of debt, to receive deposits of money, or securities for money, to buy gold and silver bullion and foreign coins, to buy and sell bills of exchange, and generally to use,

exercise and enjoy all the powers, rights, privileges and franchises incident to a corporation which are proper or necessary for the transaction of the business of the Corporation hereby created.

(2) To insure titles to real and personal property, or any estate or interests therein, and to guarantee the holder of such property, real or personal, against any claim or claims, adverse to his interest therein, and to prepare and give certificates of title for any lands or premises in the State of Delaware, or elsewhere.

(3) To act as factor, agent, broker or attorney in the receipt,

collection, custody, investment and management of funds, and the purchase, sale, management and disposal of property of all descriptions, and to prepare and execute all papers which may be necessary or proper in such business.

(4) To prepare and draw agreements, contracts, deeds, leases, conveyances, mortgages, bonds and legal papers of every description, and to carry on the business of conveyancing in all its branches.

(5) To receive upon deposit for safekeeping money, jewelry, plate, deeds, bonds and any and all other personal property of every sort and kind, from executors, administrators, guardians, public officers, courts, receivers, assignees, trustees, and from all fiduciaries, and from all other persons and individuals, and from all corporations whether state, municipal, corporate or private, and to rent boxes, safes, vaults and other receptacles for such property.

(6) To act as agent or otherwise for the purpose of registering, issuing, certificating, countersigning, transferring or underwriting the stock, bonds or other obligations of any corporation, association, state or municipality, and may receive and manage any sinking fund therefor on such terms as may be agreed upon between the two parties, and in like manner may act as Treasurer of any corporation or municipality.

(7) To act as Trustee under any deed of trust, mortgage, bond or other instrument issued by any state, municipality, body politic, corporation, association or person, either alone or in conjunction with any other person or persons, corporation or corporations.

(8) To guarantee the validity, performance or effect of any contract or agreement, and the fidelity of persons holding places of responsibility or trust; to become surety for any person, or persons, for the faithful performance of any trust, office, duty, contract or agreement, either by itself or in conjunction with any other person, or persons, corporation, or corporations, or in like manner become surety upon any bond, recognizance, obligation, judgment, suit, order, or

decree to be entered in any court of record within the State of Delaware or elsewhere, or which may now or hereafter be required by any law, judge, officer or court in the State of Delaware or elsewhere.

(9) To act by any and every method of appointment as trustee, trustee in bankruptcy, receiver, assignee, assignee in bankruptcy, executor,

administrator, guardian, bailee, or in any other trust capacity in the receiving, holding, managing, and disposing of any and all estates and property, real, personal or mixed, and to be appointed as such trustee, trustee in bankruptcy, receiver, assignee, assignee in bankruptcy, executor, administrator, guardian or bailee by any persons, corporations, court, officer, or authority, in the State of Delaware or elsewhere; and whenever this Corporation is so appointed by any person, corporation, court, officer or authority such trustee, trustee in bankruptcy, receiver, assignee, assignee in bankruptcy, executor, administrator, guardian, bailee, or in any other trust capacity, it shall not be required to give bond with surety, but its capital stock shall be taken and held as security for the performance of the duties devolving upon it by such appointment.

(10) And for its care, management and trouble, and the exercise of any of its powers hereby given, or for the performance of any of the duties which it may undertake or be called upon to perform, or for the assumption of any responsibility the said Corporation may be entitled to receive a proper compensation.

(11) To purchase, receive, hold and own bonds, mortgages, debentures, shares of capital stock, and other securities, obligations, contracts and evidences of indebtedness, of any private, public or municipal corporation within and without the State of Delaware, or of the Government of the United States, or of any state, territory, colony, or possession thereof, or of any foreign government or country; to receive, collect, receipt for, and dispose of interest, dividends and income upon and from any of the bonds, mortgages, debentures, notes, shares of capital stock, securities, obligations, contracts, evidences of indebtedness and other property held and owned by it, and to exercise in respect of all such bonds, mortgages, debentures, notes, shares of capital stock, securities, obligations, contracts, evidences of indebtedness and other property, any and all the rights, powers and privileges of individual owners thereof, including the right to vote thereon; to invest and deal in and with any of the moneys of the Corporation upon such securities and in such manner as it may think fit and proper, and from time to time to vary or realize such investments; to issue bonds and secure the same by pledges or deeds of trust or mortgages of or upon the whole or any part of the property held or owned by the Corporation, and to sell and pledge such bonds, as and when the Board of Directors shall determine, and in the promotion of its said corporate business of investment and to the extent authorized by law, to lease, purchase, hold, sell, assign, transfer, pledge, mortgage and convey real

and personal property of any name and nature and any estate or interest therein.

(b) In furtherance of, and not in limitation, of the powers conferred by the laws of the State of Delaware, it is hereby expressly provided that the said Corporation shall also have the following powers:

(1) To do any or all of the things herein set forth, to the same extent as natural persons might or could do, and in any part of the world.

(2) To acquire the good will, rights, property and franchises and to undertake the whole or any part of the assets and liabilities of any person, firm, association or corporation, and to pay for the same in cash, stock of this Corporation, bonds or otherwise; to hold or in any manner to dispose of the whole or any part of the property so purchased; to conduct in any lawful manner the whole or any part of any business so acquired, and to exercise all the powers necessary or convenient in and about the conduct and management of such business.

(3) To take, hold, own, deal in, mortgage or otherwise lien, and to lease, sell, exchange, transfer, or in any manner whatever dispose of property, real, personal or mixed, wherever situated.

(4) To enter into, make, perform and carry out contracts of every kind with any person, firm, association or corporation, and, without limit as to amount, to draw, make, accept, endorse, discount, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures, and other negotiable or transferable instruments.

(5) To have one or more offices, to carry on all or any of its operations and businesses, without restriction to the same extent as natural persons might or could do, to purchase or otherwise acquire, to hold, own, to mortgage, sell, convey or otherwise dispose of, real and personal property, of every class and description, in any State, District, Territory or Colony of the United States, and in any foreign country or place.

(6) It is the intention that the objects, purposes and powers specified and clauses contained in this paragraph shall (except where otherwise expressed in said paragraph) be nowise limited or restricted by reference to or inference from the terms of any other clause of this or any other paragraph in this charter, but that the objects, purposes and powers specified in each of the clauses of this paragraph shall be regarded as independent objects, purposes and powers.

FOURTH: - (a) The total number of shares of all classes of stock which the Corporation shall have authority to issue is forty-one million (41,000,000) shares, consisting of:

(1) One million (1,000,000) shares of Preferred stock, par value \$10.00 per share (hereinafter referred to as "Preferred Stock"); and

(2) Forty million (40,000,000) shares of Common Stock, par value \$1.00 per share (hereinafter referred to as "Common Stock").

(b) Shares of Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the Board of Directors each of said series to be distinctly designated. All shares of any one series of Preferred Stock shall be alike in every particular, except that there may be different dates from which dividends, if any, thereon shall be cumulative, if made cumulative. The voting powers and the preferences and relative, participating, optional and other special rights of each such series, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding; and, subject to the provisions of subparagraph 1 of Paragraph (c) of this Article FOURTH, the Board of Directors of the Corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of a particular series of Preferred Stock, the voting powers and the designations, preferences and relative, optional and other special rights, and the qualifications, limitations and restrictions of such series, including, but without limiting the generality of the foregoing, the following:

(1) The distinctive designation of, and the number of shares of Preferred Stock which shall constitute such series, which number may be increased (except where otherwise provided by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by like action of the Board of Directors;

(2) The rate and times at which, and the terms and conditions on which, dividends, if any, on Preferred Stock of such series shall be paid, the extent of the preference or relation, if any, of such dividends to the dividends payable on any other class or classes, or series of the same or other class of stock and whether such dividends shall be cumulative or non-cumulative;

(3) The right, if any, of the holders of Preferred Stock of such series to convert the same into or exchange the same for, shares of any other class or classes or of any series of the same or any other class or classes of stock of the Corporation and the terms and conditions of such conversion or exchange;

(4) Whether or not Preferred Stock of such series shall be subject to redemption, and the redemption price or prices and the time or times

at which, and the terms and conditions on which, Preferred Stock of such series may be redeemed.

(5) The rights, if any, of the holders of Preferred Stock of such series upon the voluntary or involuntary liquidation, merger, consolidation, distribution or sale

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of assets, dissolution or winding-up, of the Corporation.

(6) The terms of the sinking fund or redemption or purchase account, if any, to be provided for the Preferred Stock of such series; and

(7) The voting powers, if any, of the holders of such series of Preferred Stock which may, without limiting the generality of the foregoing include the right, voting as a series or by itself or together with other series of Preferred Stock or all series of Preferred Stock as a class, to elect one or more directors of the Corporation if there shall have been a default in the payment of dividends on any one or more series of Preferred Stock or under such circumstances and on such conditions as the Board of Directors may determine.

(c) (1) After the requirements with respect to preferential dividends on the Preferred Stock (fixed in accordance with the provisions of section (b) of this Article FOURTH), if any, shall have been met and after the Corporation shall have complied with all the requirements, if any, with respect to the setting aside of sums as sinking funds or redemption or purchase accounts (fixed in accordance with the provisions of section (b) of this Article FOURTH), and subject further to any conditions which may be fixed in accordance with the provisions of section (b) of this Article FOURTH, then and not otherwise the holders of Common Stock shall be entitled to receive such dividends as may be declared from time to time by the Board of Directors.

(2) After distribution in full of the preferential amount, if any, (fixed in accordance with the provisions of section (b) of this Article FOURTH), to be distributed to the holders of Preferred Stock in the event of voluntary or involuntary liquidation, distribution or sale of assets, dissolution or winding-up, of the Corporation, the holders of the Common Stock shall be entitled to receive all of the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them respectively.

(3) Except as may otherwise be required by law or by the provisions of

such resolution or resolutions as may be adopted by the Board of Directors pursuant to section (b) of this Article FOURTH, each holder of Common Stock shall have one vote in respect of each share of Common Stock held on all matters voted upon by the stockholders.

(d) No holder of any of the shares of any class or series of stock or of options, warrants or other rights to purchase shares of any class or series of stock or of other securities of the Corporation shall have any preemptive right to purchase or subscribe for any unissued stock of any class or series or any additional shares of any class or series to be issued by reason of any increase of the authorized capital stock of the Corporation of any class or series, or bonds, certificates of indebtedness, debentures or other securities

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convertible into or exchangeable for stock of the Corporation of any class or series, or carrying any right to purchase stock of any class or series, but any such unissued stock, additional authorized issue of shares of any class or series of stock or securities convertible into or exchangeable for stock, or carrying any right to purchase stock, may be issued and disposed of pursuant to resolution of the Board of Directors to such persons, firms, corporations or associations, whether such holders or others, and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its sole discretion.

(e) The relative powers, preferences and rights of each series of Preferred Stock in relation to the relative powers, preferences and rights of each other series of Preferred Stock shall, in each case, be as fixed from time to time by the Board of Directors in the resolution or resolutions adopted pursuant to authority granted in section (b) of this Article FOURTH and the consent, by class or series vote or otherwise, of the holders of such of the series of Preferred Stock as are from time to time outstanding shall not be required for the issuance by the Board of Directors of any other series of Preferred Stock whether or not the powers, preferences and rights of such other series shall be fixed by the Board of Directors as senior to, or on a parity with, the powers, preferences and rights of such outstanding series, or any of them; provided, however, that the Board of Directors may provide in the resolution or resolutions as to any series of Preferred Stock adopted pursuant to section (b) of this Article FOURTH that the consent of the holders of a majority (or such greater proportion as shall be therein fixed) of the outstanding shares of such series voting thereon shall be required for the issuance of any or all other series of Preferred Stock.

(f) Subject to the provisions of section (e), shares of any series of Preferred Stock may be issued from time to time as the Board of Directors of the Corporation shall determine and on such terms and for such

consideration as shall be fixed by the Board of Directors.

(g) Shares of Common Stock may be issued from time to time as the Board of Directors of the Corporation shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

(h) The authorized amount of shares of Common Stock and of Preferred Stock may, without a class or series vote, be increased or decreased from time to time by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote thereon.

FIFTH: - (a) The business and affairs of the Corporation shall be conducted and managed by a Board of Directors. The number of directors constituting the entire Board shall be not less than five nor more than twenty-five as fixed from time to time by vote of a majority of the whole Board, provided, however, that the number of directors shall not be reduced so as to shorten the term of any director at the time in

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office, and provided further, that the number of directors constituting the whole Board shall be twenty-four until otherwise fixed by a majority of the whole Board.

(b) The Board of Directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the whole Board permits, with the term of office of one class expiring each year. At the annual meeting of stockholders in 1982, directors of the first class shall be elected to hold office for a term expiring at the next succeeding annual meeting, directors of the second class shall be elected to hold office for a term expiring at the second succeeding annual meeting and directors of the third class shall be elected to hold office for a term expiring at the third succeeding annual meeting. Any vacancies in the Board of Directors for any reason, and any newly created directorships resulting from any increase in the directors, may be filled by the Board of Directors, acting by a majority of the directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next annual election of directors. At such election, the stockholders shall elect a successor to such director to hold office until the next election of the class for which such director shall have been chosen and until his successor shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director.

(c) Notwithstanding any other provisions of this Charter or Act of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, this Charter or Act of Incorporation or the By-Laws of the Corporation), any director or the entire Board of Directors of the Corporation may be removed at any time

without cause, but only by the affirmative vote of the holders of two-thirds or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders called for that purpose.

(d) Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. Such nominations shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than 14 days nor more than 50 days prior to any meeting of the stockholders called for the election of directors; provided, however, that if less than 21 days' notice of the meeting is given to stockholders, such written notice shall be delivered or mailed, as prescribed, to the Secretary of the Corporation not later than the close of the seventh day following the day on which notice of the meeting was mailed to stockholders. Notice of nominations which are proposed by the Board of Directors shall be given by the Chairman on behalf of the Board.

(e) Each notice under subsection (d) shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of such nominee and (iii) the number of shares of

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stock of the Corporation which are beneficially owned by each such nominee.

(f) The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(g) No action required to be taken or which may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

SIXTH: - The Directors shall choose such officers, agents and servants as may be provided in the By-Laws as they may from time to time find necessary or proper.

SEVENTH: - The Corporation hereby created is hereby given the same powers, rights and privileges as may be conferred upon corporations organized under the Act entitled "An Act Providing a General Corporation Law", approved March 10, 1899, as from time to time amended.

EIGHTH: - This Act shall be deemed and taken to be a private Act.

NINTH: - This Corporation is to have perpetual existence.

TENTH: - The Board of Directors, by resolution passed by a majority of the whole Board, may designate any of their number to constitute an Executive Committee, which Committee, to the extent provided in said resolution, or in the By-Laws of the Company, shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the Corporation, and shall have power to authorize the seal of the Corporation to be affixed to all papers which may require it.

ELEVENTH: - The private property of the stockholders shall not be liable for the payment of corporate debts to any extent whatever.

TWELFTH: - The Corporation may transact business in any part of the world.

THIRTEENTH: - The Board of Directors of the Corporation is expressly authorized to make, alter or repeal the By-Laws of the Corporation by a vote of the majority of the entire Board. The stockholders may make, alter or repeal any By-Law whether or not adopted by them, provided however, that any such additional By-Laws, alterations or repeal may be adopted only by the affirmative vote of the holders of two-thirds or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class).

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FOURTEENTH: - Meetings of the Directors may be held outside of the State of Delaware at such places as may be from time to time designated by the Board, and the Directors may keep the books of the Company outside of the State of Delaware at such places as may be from time to time designated by them.

FIFTEENTH: - (a) (1) In addition to any affirmative vote required by law, and except as otherwise expressly provided in sections (b) and (c) of this Article FIFTEENTH:

(A) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with or into (i) any Interested Stockholder (as hereinafter defined) or (ii) any other corporation (whether or not itself an Interested Stockholder), which, after such merger or consolidation, would be an Affiliate (as hereinafter defined) of an Interested Stockholder, or

(B) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of related

transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate fair market value of \$1,000,000 or more, or

(C) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of related transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value of \$1,000,000 or more, or

(D) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation, or

(E) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any similar transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder, or any Affiliate of any Interested Stockholder,

shall require the affirmative vote of the holders of at least two-thirds of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for the purpose of this Article FIFTEENTH as one class ("Voting Shares"). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

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(2) The term "business combination" as used in this Article FIFTEENTH shall mean any transaction which is referred to in any one or more of clauses (A) through (E) of paragraph 1 of the section (a).

(b) The provisions of section (a) of this Article FIFTEENTH shall not be applicable to any particular business combination and such business combination shall require only such affirmative vote as is required by law and any other provisions of the Charter or Act of Incorporation or By-Laws if such business combination has been approved by a majority of the whole Board.

(c) For the purposes of this Article FIFTEENTH:

(1) A "person" shall mean any individual, firm, corporation or other entity.

(2) "Interested Stockholder" shall mean, in respect of any business combination, any person (other than the Corporation or any Subsidiary) who or which as of the record date for the determination of stockholders entitled to notice of and to vote on such business combination, or immediately prior to the consummation of any such transaction:

(A) is the beneficial owner, directly or indirectly, of more than 10% of the Voting Shares, or

(B) is an Affiliate of the Corporation and at any time within two years prior thereto was the beneficial owner, directly or indirectly, of not less than 10% of the then outstanding voting Shares, or

(C) is an assignee of or has otherwise succeeded in any share of capital stock of the Corporation which were at any time within two years prior thereto beneficially owned by any Interested Stockholder, and such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(3) A person shall be the "beneficial owner" of any Voting Shares:

(A) which such person or any of its Affiliates and Associates (as hereafter defined) beneficially own, directly or indirectly, or

(B) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise,

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or (ii) the right to vote pursuant to any agreement, arrangement or understanding, or

(C) which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its

Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation.

(4) The outstanding Voting Shares shall include shares deemed owned through application of paragraph (3) above but shall not include any other Voting Shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options or otherwise.

(5) "Affiliate" and "Associate" shall have the respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 31, 1981.

(6) "Subsidiary" shall mean any corporation of which a majority of any class of equity security (as defined in Rule 3a11-1 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 31, 1981) is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Investment Stockholder set forth in paragraph (2) of this section (c), the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(d) majority of the directors shall have the power and duty to determine for the purposes of this Article FIFTEENTH on the basis of information known to them, (1) the number of Voting Shares beneficially owned by any person (2) whether a person is an Affiliate or Associate of another, (3) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in paragraph (3) of section (c), or (4) whether the assets subject to any business combination or the consideration received for the issuance or transfer of securities by the Corporation, or any Subsidiary has an aggregate fair market value of \$1,000,000 or more.

(e) Nothing contained in this Article FIFTEENTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

SIXTEENTH: Notwithstanding any other provision of this Charter or Act of Incorporation or the By-Laws of the Corporation (and in addition to any other vote that may be required by law, this Charter or Act of Incorporation by the By-Laws), the affirmative vote of the holders of at least two-thirds of the outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter or repeal any

provision of Articles FIFTH, THIRTEENTH, FIFTEENTH or SIXTEENTH of this Charter or Act of Incorporation.

SEVENTEENTH: (a) a Director of this Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Laws as the same exists or may hereafter be amended.

(b) Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a Director of the Corporation existing hereunder with respect to any act or omission occurring prior to the time of such repeal or modification."

EXHIBIT 4

BY-LAWS

WILMINGTON TRUST COMPANY

WILMINGTON, DELAWARE

AS EXISTING ON DECEMBER 16, 2004

BY-LAWS OF WILMINGTON TRUST COMPANY

ARTICLE 1

STOCKHOLDERS' MEETINGS

Section 1. ANNUAL MEETING. The annual meeting of stockholders shall be held on the third Thursday in April each year at the principal office at the Company or at such other date, time or place as may be designated by resolution by the Board of Directors.

Section 2. SPECIAL MEETINGS. Special meetings of stockholders may be called at any time by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President.

Section 3. NOTICE. Notice of all meetings of the stockholders shall be given by mailing to each stockholder at least ten (10) days before said meeting, at his last known address, a written or printed notice fixing the time and place of such meeting.

Section 4. QUORUM. A majority in the amount of the capital stock of the Company issued and outstanding on the record date, as herein determined, shall constitute a quorum at all meetings of stockholders for the transaction of any business, but the holders of a smaller number of shares may adjourn from time to time, without further notice, until a quorum is secured. At each annual or special meeting of stockholders, each stockholder shall be entitled to one vote, either in person or by proxy, for each share of stock registered in the stockholder's name on the books of the Company on the record date for any such meeting as determined herein.

ARTICLE 2 DIRECTORS

Section 1. MANAGEMENT. The affairs and business of the Company shall be managed by or under the direction of the Board of Directors.

Section 2. NUMBER. The authorized number of directors that shall constitute the Board of Directors shall be fixed from time to time by or pursuant to a resolution passed by a majority of the Board of Directors within the parameters set by the Charter of the Company. No more than two directors may also be employees of the Company or any affiliate thereof.

Section 3. QUALIFICATION. In addition to any other provisions of these Bylaws, to be qualified for nomination for election or appointment to the Board of Directors, a person must have not attained the age of sixty-nine years at the time of such election or appointment, provided however, the Nominating and Corporate Governance Committee may waive such qualification as to a particular candidate otherwise qualified to serve as a director upon a good faith determination by such committee that such a waiver is in the best interests of the Company and its stockholders. The Chairman of the Board and the Chief Executive Officer shall not be

qualified to continue to serve as directors upon the termination of their service in those offices for any reason.

Section 4. MEETINGS. The Board of Directors shall meet at the principal office of the Company or elsewhere in its discretion at such times to be determined by a majority of its members, or at the call of the Chairman of the Board of Directors, the Chief Executive Officer or the President.

Section 5. SPECIAL MEETINGS. Special meetings of the Board of Directors may

be called at any time by the Chairman of the Board, the Chief Executive Officer or the President, and shall be called upon the written request of a majority of the directors.

Section 6. QUORUM. A majority of the directors elected and qualified shall be necessary to constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 7. NOTICE. Written notice shall be sent by mail to each director of any special meeting of the Board of Directors, and of any change in the time or place of any regular meeting, stating the time and place of such meeting, which shall be mailed not less than two days before the time of holding such meeting.

Section 8. VACANCIES. In the event of the death, resignation, removal, inability to act or disqualification of any director, the Board of Directors, although less than a quorum, shall have the right to elect the successor who shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, and until such director's successor shall have been duly elected and qualified.

Section 9. ORGANIZATION MEETING. The Board of Directors at its first meeting after its election by the stockholders shall appoint an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, and shall elect from its own members a Chairman of the Board, a Chief Executive Officer and a President, who may be the same person. The Board of Directors shall also elect at such meeting a Secretary and a Chief Financial Officer, who may be the same person, and may appoint at any time such committees as it may deem advisable. The Board of Directors may also elect at such meeting one or more Associate Directors. The Board of Directors, or a committee designated by the Board of Directors may elect or appoint such other officers as they may deem advisable.

Section 10. REMOVAL. The Board of Directors may at any time remove, with or without cause, any member of any committee appointed by it or any associate director or officer elected by it and may appoint or elect his successor.

Section 11. RESPONSIBILITY OF OFFICERS. The Board of Directors may designate an officer to be in charge of such departments or divisions of the Company as it may deem advisable.

Section 12. PARTICIPATION IN MEETINGS. The Board of Directors or any committee of the Board of Directors may participate in a meeting of the Board of Directors or such committee, as the case may be, by conference telephone, video facilities or other communications equipment. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all of the members of the Board of Directors

or the committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the Board of Directors or such committee.

ARTICLE 3
COMMITTEES OF THE BOARD OF DIRECTORS

Section 1. AUDIT COMMITTEE.

(A) The Audit Committee shall be composed of not more than five (5) members, who shall be selected by the Board of Directors from its own members, none of whom shall be an officer or employee of the Company, and shall hold office at the pleasure of the Board.

(B) The Audit Committee shall have general supervision over the Audit Services Division in all matters however subject to the approval of the Board of Directors; it shall consider all matters brought to its attention by the officer in charge of the Audit Services Division, review all reports of examination of the Company made by any governmental agency or such independent auditor employed for that purpose, and make such recommendations to the Board of Directors with respect thereto or with respect to any other matters pertaining to auditing the Company as it shall deem desirable.

(C) The Audit Committee shall meet whenever and wherever its Chairperson, the Chairman of the Board, the Chief Executive Officer, the President or a majority of the Committee's members shall deem it to be proper for the transaction of its business. A majority of the Committee's members shall constitute a quorum for the transaction of business. The acts of the majority at a meeting at which a quorum is present shall constitute action by the Committee.

Section 2. COMPENSATION COMMITTEE.

(A) The Compensation Committee shall be composed of not more than five (5) members, who shall be selected by the Board of Directors from its own members, none of whom shall be an officer or employee of the Company, and shall hold office at the pleasure of the Board of Directors.

(B) The Compensation Committee shall in general advise upon all matters of policy concerning compensation, including salaries and employee benefits.

(C) The Compensation Committee shall meet whenever and wherever its

Chairperson, the Chairman of the Board, the Chief Executive Officer, the President or a majority of the Committee's members shall deem it to be proper for the transaction of its business. A majority of the Committee's members shall

constitute a quorum for the transaction of business. The acts of the majority at a meeting at which a quorum is present shall constitute action by the Committee.

Section 3. NOMINATING AND CORPORATE GOVERNANCE COMMITTEE.

(A) The Nominating and Corporate Governance Committee shall be composed of not more than five members, who shall be selected by the Board of Directors from its own members, none of whom shall be an officer or employee of the Company, and shall hold office at the pleasure of the Board of Directors.

(B) The Nominating and Corporate Governance Committee shall provide counsel and make recommendations to the Chairman of the Board and the full Board with respect to the performance of the Chairman of the Board and the Chief Executive Officer, candidates for membership on the Board of Directors and its committees, matters of corporate governance, succession planning for the Company's executive management and significant shareholder relations issues.

(C) The Nominating and Corporate Governance Committee shall meet whenever and wherever its Chairperson, the Chairman of the Board, the Chief Executive Officer, the President, or a majority of the Committee's members shall deem it to be proper for the transaction of its business. A majority of the Committee's members shall constitute a quorum for the transaction of business. The acts of the majority at a meeting at which a quorum is present shall constitute action by the Committee.

Section 4. OTHER COMMITTEES. The Company may have such other committees with such powers as the Board may designate from time to time by resolution or by an amendment to these Bylaws.

Section 5. ASSOCIATE DIRECTORS.

(A) Any person who has served as a director may be elected by the Board of Directors as an associate director, to serve at the pleasure of the Board of Directors.

(B) Associate directors shall be entitled to attend all meetings of directors and participate in the discussion of all matters brought to the Board of Directors, but will not have a right to vote.

Section 6. ABSENCE OR DISQUALIFICATION OF ANY MEMBER OF A COMMITTEE. In the absence or disqualification of any member of any committee created under Article III of these Bylaws, the member or members thereof present at any meeting and not disqualified from voting, whether or not

he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or

disqualified member.

ARTICLE 4
OFFICERS

Section 1. CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such further authority and powers and shall perform such duties the Board of Directors may assign to him from time to time.

Section 2. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall have the powers and duties pertaining to the office of Chief Executive Officer conferred or imposed upon him by statute, incident to his office or as the Board of Directors may assign to him from time to time. In the absence of the Chairman of the Board, the Chief Executive Officer shall have the powers and duties of the Chairman of the Board.

Section 3. PRESIDENT. The President shall have the powers and duties pertaining to the office of the President conferred or imposed upon him by statute, incident to his office or as the Board of Directors may assign to him from time to time. In the absence of the Chairman of the Board and the Chief Executive Officer, the President shall have the powers and duties of the Chairman of the Board.

Section 4. DUTIES. The Chairman of the Board, the Chief Executive Officer or the President, as designated by the Board of Directors, shall carry into effect all legal directions of the Board of Directors and shall at all times exercise general supervision over the interest, affairs and operations of the Company and perform all duties incident to his office.

Section 5. VICE PRESIDENTS. There may be one or more Vice Presidents, however denominated by the Board of Directors, who may at any time perform all of the duties of the Chairman of the Board, the Chief Executive Officer and/or the President and such other powers and duties incident to their respective offices or as the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President or the officer in charge of the department or division to which they are assigned may assign to them from time to time.

Section 6. SECRETARY. The Secretary shall attend to the giving of notice of meetings of the stockholders and the Board of Directors, as well as the committees thereof, to the keeping of accurate minutes of all such meetings, recording the same in the minute books of the Company and in general notifying the Board of Directors of material matters affecting the Company on a timely basis. In addition to the other notice requirements of these Bylaws and as may be practicable under the circumstances, all such notices shall be in writing and mailed well in advance of the scheduled date of any such meeting. He shall have custody of the corporate seal, affix the same to any documents requiring such corporate seal, attest the same and perform other duties incident to his office.

Section 7. CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall have general supervision over all assets and liabilities of the Company. He shall be custodian of and responsible for all monies, funds and valuables of the Company and for the keeping of proper records of the evidence of property or indebtedness and of all transactions of the Company. He shall have general supervision of the expenditures of the Company and periodically shall report to the Board of Directors the condition of the Company, and perform such other duties incident to his office or as the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President may assign to him from time to time.

Section 8. CONTROLLER. There may be a Controller who shall exercise general supervision over the internal operations of the Company, including accounting, and shall render to the Board of Directors or the Audit Committee at appropriate times a report relating to the general condition and internal operations of the Company and perform other duties incident to his office.

There may be one or more subordinate accounting or controller officers however denominated, who may perform the duties of the Controller and such duties as may be prescribed by the Controller.

Section 9. AUDIT OFFICERS. The officer designated by the Board of Directors to be in charge of the Audit Services Division of the Company, with such title as the Board of Directors shall prescribe, shall report to and be directly responsible to the Audit Committee and the Board of Directors.

There shall be an Auditor and there may be one or more Audit Officers, however denominated, who may perform all the duties of the Auditor and such duties as may be prescribed by the officer in charge of the Audit Services Division.

Section 10. OTHER OFFICERS. There may be one or more officers, subordinate in rank to all Vice Presidents with such functional titles as shall be determined from time to time by the Board of Directors, who shall ex officio hold the office of Assistant Secretary of the Company and who may perform such duties as may be prescribed by the officer in charge of the department or division to which they are assigned.

Section 11. POWERS AND DUTIES OF OTHER OFFICERS. The powers and duties of all other officers of the Company shall be those usually pertaining to their respective offices, subject to the direction of the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President and the officer in charge of the department or division to which they are assigned.

Section 12. NUMBER OF OFFICES. Any one or more offices of the Company may be held by the same person, except that (A) no individual may hold more than one of the offices of Chief Financial Officer, Controller or Audit Officer and (B) none of the Chairman of the Board, the Chief Executive Officer or the President may hold any office mentioned in Section 12(A).

ARTICLE 5
STOCK AND STOCK CERTIFICATES

Section 1. TRANSFER. Shares of stock shall be transferable on the books of the Company and a transfer book shall be kept in which all transfers of stock shall be recorded.

Section 2. CERTIFICATES. Every holder of stock shall be entitled to have a certificate signed by or in the name of the Company by the Chairman of the Board, the Chief Executive Officer or the President or a Vice President, and by the Secretary or an Assistant Secretary, of the Company, certifying the number of shares owned by him in the Company. The corporate seal affixed thereto, and any of or all the signatures on the certificate, may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if he were such officer, transfer agent or registrar at the date of issue. Duplicate certificates of stock shall be issued only upon giving such security as may be satisfactory to the Board of Directors.

Section 3. RECORD DATE. The Board of Directors is authorized to fix in advance a record date for the determination of the stockholders entitled to notice of, and to vote at, any meeting of stockholders and any adjournment thereof, or entitled to receive payment of any dividend, or to any allotment of rights, or to exercise any rights in respect of any change, conversion or exchange of capital stock, or in connection with obtaining the consent of stockholders for any purpose, which record date shall not be more than 60 nor less than 10 days preceding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent.

ARTICLE 6
SEAL

The corporate seal of the Company shall be in the following form:

Between two concentric circles the words "Wilmington Trust Company" within the inner circle the words "Wilmington, Delaware."

ARTICLE 7
FISCAL YEAR

The fiscal year of the Company shall be the calendar year.

ARTICLE 8
EXECUTION OF INSTRUMENTS OF THE COMPANY

The Chairman of the Board, the Chief Executive Officer, the President or any Vice President, however denominated by the Board of Directors, shall have full power and authority to enter into, make, sign, execute, acknowledge and/or deliver and the Secretary or any Assistant Secretary shall have full power and authority to attest and affix the corporate seal of the Company to any and all deeds, conveyances, assignments, releases, contracts, agreements, bonds, notes, mortgages and all other instruments incident to the business of this Company or in acting as executor, administrator, guardian, trustee, agent or in any other fiduciary or representative capacity by any and every method of appointment or by whatever person, corporation, court officer or authority in the State of Delaware, or elsewhere, without any specific authority, ratification, approval or confirmation by the Board of Directors, and any and all such instruments shall have the same force and validity as though expressly authorized by the Board of Directors.

ARTICLE 9
COMPENSATION OF DIRECTORS AND MEMBERS OF COMMITTEES

Directors and associate directors of the Company, other than salaried officers of the Company, shall be paid such reasonable honoraria or fees for attending meetings of the Board of Directors as the Board of Directors may from time to time determine. Directors and associate directors who serve as members of committees, other than salaried employees of the Company, shall be paid such reasonable honoraria or fees for services as members of committees as the Board of Directors shall from time to time determine and directors and associate directors may be authorized by the Company to perform such special services as the Board of Directors may from time to time determine in accordance with any guidelines the Board of Directors may adopt for such services, and shall be paid for such special services so performed reasonable compensation as may be determined by the Board of Directors.

ARTICLE 10
INDEMNIFICATION

Section 1. PERSONS COVERED. The Company shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made

a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or associate director of the Company, a member of an advisory board the Board of Directors of the Company or any of its subsidiaries may appoint from time to time or is or was serving at the request of the Company as a director, officer, employee, fiduciary or agent of another corporation, partnership, limited liability company, joint venture, trust, enterprise or non-profit entity that is not a subsidiary or affiliate of the Company, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person. The Company shall be required to indemnify such a person in connection with a proceeding initiated by such person only if the proceeding was authorized by the Board of Directors.

The Company may indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or threatened to be made a party or is otherwise involved in any proceeding by reason of the fact that he, or a person for whom he is the legal representative, is or was an officer, employee or agent of the Company or a director, officer, employee or agent of a subsidiary or affiliate of the Company, against all liability and loss suffered and expenses reasonably incurred by such person. The Company may indemnify any such person in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors.

Section 2. ADVANCE OF EXPENSES. The Company shall pay the expenses incurred in defending any proceeding involving a person who is or may be indemnified pursuant to Section 1 in advance of its final disposition, provided, however, that the payment of expenses incurred by such a person in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by that person to repay all amounts advanced if it should be ultimately determined that the person is not entitled to be indemnified under this Article 10 or otherwise.

Section 3. CERTAIN RIGHTS. If a claim under this Article 10 for (A) payment of expenses or (B) indemnification by a director, associate director, member of an advisory board the Board of Directors of the Company or any of its subsidiaries may appoint from time to time or a person who is or was serving at the request of the Company as a director, officer, employee, fiduciary or agent of another corporation, partnership, limited liability company, joint venture, trust, enterprise or nonprofit entity that is not a subsidiary or affiliate of the Company, including service with respect to employee benefit plans, is not paid in full within sixty days after a written claim therefor has been received by the Company, the claimant may file suit to recover the unpaid amount of such claim and,

if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Company shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 4. NON-EXCLUSIVE. The rights conferred on any person by this Article 10 shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Charter or Act of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5. REDUCTION OF AMOUNT. The Company's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit entity.

Section 6. EFFECT OF MODIFICATION. Any amendment, repeal or modification of the foregoing provisions of this Article 10 shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such amendment, repeal or modification.

ARTICLE 11
AMENDMENTS TO THE BYLAWS

These Bylaws may be altered, amended or repealed, in whole or in part, and any new Bylaw or Bylaws adopted at any regular or special meeting of the Board of Directors by a vote of a majority of all the members of the Board of Directors then in office.

ARTICLE 12
MISCELLANEOUS

Whenever used in these Bylaws, the singular shall include the plural, the plural shall include the singular unless the context requires otherwise and the use of either gender shall include both genders.

EXHIBIT 6

SECTION 321(b) CONSENT

Pursuant to Section 321(b) of the Trust Indenture Act of 1939, as amended, Wilmington Trust Company hereby consents that reports of examinations

by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon requests therefor.

WILMINGTON TRUST COMPANY

Dated: April 28, 2005

By: /s/ Mary St. Amand

Name: Mary St. Amand

Title: Vice President

EXHIBIT 7

NOTICE

This form is intended to assist state nonmember banks and savings banks with state publication requirements. It has not been approved by any state banking authorities. Refer to your appropriate state banking authorities for your state publication requirements.

REPORT OF CONDITION

Consolidating domestic subsidiaries of the

WILMINGTON TRUST COMPANY

of WILMINGTON

Name of Bank

City

in the State of DELAWARE, at the close of business on December 31, 2004.

ASSETS

Thousands of dollars

Cash and balances due from depository institutions:

Noninterest-bearing balances and currency and coins217,290

Interest-bearing balances0

Held-to-maturity securities2,879

Available-for-sale securities1,481,152

Federal funds sold in domestic offices399,698

Securities purchased under agreements to resell14,185

Loans and lease financing receivables:

Loans and leases held for sale0

Loans and leases, net of unearned income6,212,490

LESS: Allowance for loan and lease losses	79,142
Loans and leases, net of unearned income, allowance, and reserve	6,133,348
Assets held in trading accounts	0
Premises and fixed assets (including capitalized leases)	140,369
Other real estate owned	199
Investments in unconsolidated subsidiaries and associated companies	1,619
Customers' liability to this bank on acceptances outstanding	0
Intangible assets:	
a. Goodwill	157
b. Other intangible assets	10,545
Other assets	177,445
Total assets	8,578,886

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LIABILITIES

Deposits:	
In domestic offices	6,713,414
Noninterest-bearing	1,218,281
Interest-bearing	5,495,133
Federal funds purchased in domestic offices	262,816
Securities sold under agreements to repurchase.....	245,758
Trading liabilities (from Schedule RC-D)	0
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases:	529,793
Bank's liability on acceptances executed and outstanding	0
Subordinated notes and debentures	0
Other liabilities (from Schedule RC-G)	143,949
Total liabilities	7,895,730

EQUITY CAPITAL

Perpetual preferred stock and related surplus	0
Common Stock	500
Surplus (exclude all surplus related to preferred stock)	112,358
a. Retained earnings	593,234
b. Accumulated other comprehensive income	(22,936)
Total equity capital	683,156
Total liabilities, limited-life preferred stock, and equity capital ..	8,578,886