

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

KASH N KARRY FOOD STORES INC

CIK: **842913** | IRS No.: **954161591** | State of Incorporation: **DE** | Fiscal Year End: **0730**
Type: **10-Q** | Act: **34** | File No.: **033-25621** | Film No.: **94516225**
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Business Address
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TAMPA FL 33610
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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended January 30, 1994

Commission File No. 33-25621

KASH N' KARRY FOOD STORES, INC.

(Exact name of registrant as specified in charter)

Delaware

(State of incorporation)

95-4161591

(IRS employer identification number)

6422 Harney Road, Tampa, Florida 33610

(Address of registrant's principal executive offices)

(813) 621-0200

(Registrant's telephone number, including area code)

The registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

As of March 11, 1994, there were 2,819,589 shares outstanding of the registrant's common stock, \$0.01 par value.

KASH N' KARRY FOOD STORES, INC.

BALANCE SHEETS

(Dollar Amounts in Thousands, Except Per Share Amounts)

	ASSETS	January 30, 1994	August 1, 1993
		-----	-----
Current assets:		(Unaudited)	
Cash and cash equivalents		\$ 5,000	\$ 2,145
Accounts receivable		10,043	10,888
Inventories		85,952	95,385
Prepaid expenses and other current assets		12,693	13,151
		-----	-----
Total current assets		113,688	121,569
Property and equipment, at cost, less accumulated depreciation		165,518	164,937
Favorable lease interests, less accumulated amortization of \$12,700 and \$7,506		13,155	18,349
Deferred financing costs, less accumulated amortization of \$21,171 and \$19,622		13,282	15,153
Excess of cost over net assets acquired, less accumulated amortization of \$14,872 and \$13,457		98,174	99,589
Other assets		4,337	3,611
		-----	-----
Total assets		\$408,154	\$423,208
		=====	=====
	LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:			
Current portion of long-term debt		\$ 26,951	\$ 22,628
Accounts payable		44,213	42,561
Accrued payroll and benefits		5,343	4,492
Accrued interest		15,920	15,080
Taxes, other than income		8,338	5,708
Other accrued expenses		13,290	11,963
		-----	-----
Total current liabilities		114,055	102,432
Long-term debt, less current obligations		326,772	329,262
Other long-term liabilities		12,718	10,023
Series B Cumulative Preferred Stock of \$.01 par value and a stated value of \$100 a share. Authorized 50,000 shares; 38,750 shares outstanding.		3,875	3,875
Series C Convertible Preferred Stock of \$.01 par value. Authorized 100,000 shares; 77,500 shares outstanding.		775	775

Stockholders' deficit:

Common Stock of \$.01 par value. Authorized 4,000,000 shares; 2,819,589 shares outstanding.	28	28
Capital in excess of par value	77,695	77,695
Accumulated deficit	(127,727)	(100,845)
Less cost of treasury stock - 2,437 shares	(37)	(37)
	-----	-----
Total stockholders' deficit	(50,041)	(23,159)
	-----	-----
Total liabilities and stockholders' deficit	\$408,154	\$423,208
	=====	=====

See accompanying notes to condensed financial statements.

KASH N' KARRY FOOD STORES, INC.
CONDENSED STATEMENTS OF OPERATIONS
(In Thousands)
(Unaudited)

	Thirteen Weeks Ended January 30, 1994	Thirteen Weeks Ended January 31, 1993
	-----	-----
Sales	\$278,166	\$286,858
Cost of sales	221,706	226,859
	-----	-----
Gross profit	56,460	59,999
Selling, general and administrative expenses	45,300	44,305
Depreciation and amortization	6,220	5,380
	-----	-----
Operating income	4,940	10,314
Interest expense	11,372	10,959
	-----	-----
Net loss	(6,432)	(645)
Undeclared dividends on Preferred Stock	116	116
	-----	-----
Loss attributable to Common Stock	\$ (6,548)	\$ (761)
	=====	=====

Twenty-Six Weeks Ended January 30, 1994	Twenty-Six Weeks Ended January 31, 1993
-----	-----

Sales	\$534,801	\$537,773
Cost of sales	425,915	426,842
	-----	-----
Gross profit	108,886	110,931
Selling, general and administrative expenses	90,128	85,223
Depreciation and amortization	12,111	10,658
Store closing and other costs	11,016	--
	-----	-----
Operating income (loss)	(4,369)	15,050
Interest expense	22,513	21,887
	-----	-----
Net loss	(26,882)	(6,837)
Undeclared dividends on Preferred Stock	232	232
	-----	-----
Loss attributable to Common Stock	\$ (27,114)	\$ (7,069)
	=====	=====

See accompanying notes to condensed financial statements.

KASH N' KARRY FOOD STORES, INC.
STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Twenty-Six Weeks Ended January 30, 1994	Twenty-Six Weeks Ended January 31, 1993
	-----	-----
Net cash flow from operating activities:		
Net loss	\$ (26,882)	\$ (6,837)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization, excluding deferred financing costs	12,111	10,658
Store closing and other costs	11,016	--
Amortization of deferred financing costs	1,549	1,416
(Increase) decrease in assets:		
Accounts receivable	660	(2,978)
Inventories	9,433	(11,576)
Prepaid expenses and other assets	(454)	(514)
Increase (decrease) in liabilities:		
Accounts payable	1,652	6,645
Accrued expenses and other liabilities	2,697	(1,253)
	-----	-----

Net cash provided (used) by operating activities	11,782	(4,439)
	-----	-----
Cash used by investing activities:		
Additions to property and equipment	(6,194)	(7,104)
Leased/financed asset additions	(4,412)	(17,117)
Proceeds from sale of property and equipment	359	71
	-----	-----
Net cash used by investing activities	(10,247)	(24,150)
	-----	-----
Cash provided by financing activities:		
Borrowings under revolving loan facility	15,700	36,200
Additions to obligations under capital leases and notes payable	799	8,217
Repayments on revolving loan facility	(9,100)	(12,300)
Repayments on term loan facility	(2,925)	(860)
Repayments of other long-term liabilities	(2,642)	(2,179)
Other financing activities	(512)	(548)
	-----	-----
Net cash provided by financing activities	1,320	28,530
	-----	-----
Net increase (decrease) in cash and cash equivalents	2,855	(59)
Cash and cash equivalents at beginning of period	2,145	4,479
	-----	-----
Cash and cash equivalents at end of period	\$ 5,000	\$ 4,420
	=====	=====

See accompanying notes to condensed financial statements.

KASH N' KARRY FOOD STORES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(In Thousands)
(Unaudited)

1. The condensed financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the fiscal 1993 Form 10-K filed by the Company. The accompanying condensed financial statements have not been audited by independent accountants in accordance with generally accepted auditing standards, but in the opinion of management such condensed financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the twenty-six weeks may not be indicative of the

results that may be expected for the fiscal year ending July 31, 1994.

2. Inventories consist of merchandise held for resale and are stated at the lower of cost or market; cost is determined using average cost, which approximates the first-in, first-out (FIFO) method.

3. The Company has reported a pretax loss for all fiscal years since October 1988 and, consequently, no income tax expense has been reported. Financial Accounting Standards Board Statement 109 (SFAS 109) was adopted by the Company as of August 2, 1993. There was no cumulative effect of this change in accounting for income taxes determined as of August 2, 1993. Prior years' financial statements have not been restated to apply the provisions of SFAS 109. The effect on prior years' financial statements of retroactively implementing SFAS 109 would be immaterial.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at January 30, 1994 are presented below:

Deferred tax assets:

Inventory, principally due to reserves and additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986	\$ 1,100
Insurance and other reserves	5,500
Net operating loss carryforward	30,900
General business credit carryforward	1,100
Charitable contributions carryforward	2,900
Other, net	2,900

Total gross deferred tax assets	44,400
Less valuation allowance	(44,400)

Net deferred tax assets	\$ --
	=====

KASH N' KARRY FOOD STORES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(In Thousands)
(Unaudited)

Upon adoption of SFAS 109, effective August 2, 1993, the Company determined a valuation allowance requirement in the amount of \$36,200. The valuation allowance as of January 30, 1994 has been determined to be \$44,400, resulting in a change in the valuation allowance in the amount of \$8,200.

4. During the first quarter, the Company recorded a non-recurring charge of \$11,016 which reflects expenses associated with a program of closing twelve underperforming stores, reducing administrative staff, and expensing costs associated with unsuccessful financing activities.

5. Cumulative undeclared dividends on Preferred Stock are \$2,331 from October 12, 1988 through January 30, 1994.

KASH N' KARRY FOOD STORES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This analysis should be read in conjunction with the condensed financial statements.

Results of Operations

Operating cash flow (earnings before interest, taxes, depreciation and amortization and store closing and other costs) for the quarter ended January 30, 1994 was \$11.2 million versus \$15.7 million for the quarter ended January 31, 1993. Operating cash flow for the twenty-six weeks ended January 30, 1994 was \$18.8 million compared to \$25.7 million for the twenty-six weeks ended January 31, 1993. The decreases in operating cash flow were attributed to the factors indicated below.

Sales.

	Thirteen Weeks		Twenty-Six Weeks	
	1994	1993	1994	1993
	-----	-----	-----	-----
Sales (in millions)	\$278.2	\$286.9	\$534.8	\$537.8
Change in same store sales	(0.40)%		(2.96)%	
Average sales per store week (in thousands)	\$209	\$193	\$190	\$184

Sales have been favorably impacted by additional advertising and promotional activities and the continued strong performance of new stores and recently acquired and remodeled stores. Additionally, the Company experienced the fewest number of new store openings by traditional competitors in over five years. However, sales growth continues to be adversely affected by the sluggish economy, low overall price inflation and by pricing and promotional changes, particularly in grocery, initiated by certain competitors over the last year. In addition, the Company chose to close seventeen underperforming food stores over the last twelve months as a part of an overall strategic consolidation and upgrade of its store network.

The Company was able to mitigate the sales impact of these store closings by transferring a portion of the sales from the closed stores to operating Kash n' Karry's. The improving sales trend has continued into the third quarter as reflected by slightly positive same store sales results for the last thirteen weeks of operations ended March 13, 1994.

Gross Profit. The Company had gross profit of \$56.5 million, or 20.3% as a percentage of sales, for the thirteen weeks ended January 30, 1994 and gross profit of \$60.0 million, or 20.9% of sales, for the thirteen weeks ended January 31, 1993. The decrease in gross profit is attributable to the impact of lower sales volumes (approximately \$1.8 million), lower grocery margins (approximately \$1.1 million) and reduced investment in forward buy inventory (approximately \$1.5 million), offset by improved efficiencies in distribution and product preparation and handling costs. Gross profit was 20.4% of sales for the twenty-six weeks of operations ended January 30, 1994 and 20.6% of sales for the twenty-six weeks of operations ended January 31, 1993. The decrease in gross profit for the twenty-six week period is primarily attributable to the factors indicated above.

KASH N' KARRY FOOD STORES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Selling, General and Administrative Expenses. The Company had selling, general and administrative expenses of \$45.3 million, or 16.3% as a percentage of sales, for the thirteen weeks ended January 30, 1994 and \$44.3 million, or 15.4% as a percentage of sales, for the thirteen weeks ended January 31, 1993. The increase in selling, general and administrative expenses was attributable to an increase in advertising expenses of approximately \$1.0 million and an increase in repairs and maintenance expenses offset by lower utilities expense. For the twenty-six weeks ended January 30, 1994, selling, general and administrative expenses were \$90.1 million, or 16.9% of sales, compared to \$85.2 million, or 15.8% of sales, for the twenty-six weeks ended January 31, 1993. The increase of \$4.9 million is primarily the result of increased occupancy costs and other expenses related to stores opened, acquired or remodeled, and an increase in insurance reserves and advertising expenses, offset by reduced operating costs due to store closings during the last twelve months. The increase as a percentage of sales is attributable to operating costs of stores open in both periods declining at a lesser rate than the rate of sales decline in those stores.

Depreciation and Amortization. The Company's depreciation and amortization expenses were \$6.2 million for the quarter ended January 30, 1994 compared to \$5.4 million for the quarter ended January 31, 1993. For the twenty-six weeks ended January 30, 1994 depreciation and amortization was \$12.1 million compared to \$10.7 million for the twenty-six weeks ended January 31, 1993. The increase in depreciation and amortization is primarily attributable to new stores and major remodels.

Store Closing and Other Costs. As discussed in Footnote 4 to the condensed financial statements, during its first fiscal quarter the Company recorded a non-recurring charge of \$11.0 million. This charge included \$1.9 million of costs associated with unsuccessful financing activities, \$4.2 million of favorable lease interests written off in connection with the closing of twelve underperforming stores, \$4.0 million representing an adjustment to the expected lease liability on closed stores, net of sublease income, and \$.9 million of other store closing and related expenses.

Interest Expense. The Company's net interest expense for the twenty-six weeks ended January 30, 1994 was \$22.5 million and \$21.9 million for the twenty-six weeks ended January 31, 1993. The increase in interest expense was primarily attributable to higher average outstanding working capital and capital improvement loan balances and increases in capital leases offset slightly by lower interest rates and decreased interest hedge costs.

Income Taxes. As discussed in Footnote 3 to the condensed financial statements, Financial Accounting Standards Board Statement No. 109 (SFAS 109) was adopted by the Company as of August 2, 1993; however, the adoption of SFAS 109 had no impact on the financial statements of the Company.

Financial Condition

The Company continues to explore alternatives for refinancing approximately \$25 million of new store costs (land, building and equipment) advanced through its revolving credit facility. Until such refinancing is completed, availability under the working capital line of the Company's revolving credit facility has been reduced. The Company's sales increase from November through April with the traditional holiday season and the influx of winter residents and visitors and, consequently, inventories normally increase substantially during the second quarter to meet this demand. This year, because of its reduced working capital availability, the Company has had to fund the seasonal inventory build-up by divesting of its profitable investment in forward buy inventories. Management believes that this has cost the Company approximately \$1.5 million in the second quarter and will cost the Company between \$2.0 million and \$2.5 million each quarter until its investment in forward buy inventory can be restored. Additionally, the Company has focused on improving its cash position by managing working capital and reducing capital expenditures, and approximately \$6.3 million of cash was generated as a result of closing thirteen underperforming stores throughout the quarter. Inventories typically increase approximately \$10 million from fiscal year end through the end of the second quarter. However, as a result of the abovementioned reduction of forward buy inventories and store closings, inventories were actually reduced by \$9.4 million during this period without reducing inventory in-stock conditions in the stores.

The Company's Bank Credit Agreement provides for a revolving credit facility with individual sublimits of \$30 million for working capital loans, \$25 million for letters of credit and \$20 million for capital improvement loans, with a maximum of \$60 million outstanding under the total facility at any one time. As of January 31, 1994 the Company had \$20.7 million borrowed under the working capital line, \$13.7 million in capital improvement loans, and \$16.7 million of letters of credit outstanding. As previously disclosed, the Company has retained Morgan Stanley & Co., Incorporated ("Morgan Stanley") to assist in evaluating a number of strategic options for the Company. In this regard, Morgan Stanley has had discussions with several industry participants, a subset of which has expressed an interest in further considering an equity investment in the Company. As these discussions are of a preliminary nature, there can be no assurance as to the timing, terms or ultimate completion of any transaction, but it is the Company's intent to complete any ensuing process prior to the end of its current fiscal year.

The Company believes that it has always maintained excellent relationships with its suppliers and that a key to this has been its openness in informing the trade of its operating performance and financial condition on an ongoing basis. Management of the Company has willingly met with a committee of credit directors representing the trade, and believes that it has been responsive in answering questions and addressing concerns regarding the Company's financial condition. Management is confident that credit terms will remain substantially consistent with past practices during the period of time it takes to complete the Morgan Stanley engagement; however, if credit with its major suppliers is curtailed to any material extent, the Company's liquidity would decrease.

The Company's capital expenditures totalled \$10.6 million for the twenty-six weeks ended January 30, 1994, over half of which was funded through the capital improvement line and through capitalized store equipment leases, and the remainder through funds generated from operations and borrowings under the working capital line. During this period the Company completed one major remodel of an existing store and continued construction of two new stores begun last summer. One of these stores opened in early February and the second is expected to open in mid-May. The Company's capital expenditure program for the remainder of fiscal 1994 is subject to various factors including, but not limited to, availability of capital, restrictions under various of the Company's debt instruments, and working capital requirements. The Company has previously reported that it will not commence any further new store construction pending the results of Morgan Stanley's engagement, but it is committed to continue its maintenance capital program. In the near term, if the Company were to substantially reduce or postpone its new store program, there would be no substantial impact on current operations and it is likely that more cash would be available for debt servicing. In the long term, if these programs were substantially

reduced, in the Company's opinion, its operating business and ultimately its cash flow would be adversely impacted.

In addition to capital expenditures, the Company has certain fixed obligations during the year, including scheduled principal payments on its long-term debt and cash interest. Although operating cash flow for the year is expected to be significantly below historical levels for the reasons explained above under "Results of Operations," the Company believes that its management of working capital will provide the liquidity to meet its fixed obligations for the current fiscal year.

Due to the non-recurring charges incurred during the first quarter as well as its operating performance, the Company breached several financial covenants under its Bank Credit Agreement that were subsequently waived by the banks. Certain of these covenants require revision in order that the Company be able to comply on an ongoing basis. It is anticipated that appropriate revisions will be negotiated in connection with the results of the Morgan Stanley engagement.

The Company has entered into a series of interest rate hedging transactions to reduce its exposure to increases in short-term interest rates on the majority of its floating rate debt. These transactions include swaps and collars and extend through August 1994. The Company estimates the cost to liquidate these contacts to be approximately \$2.2 million at January 30, 1994.

Effects of Inflation

The Company's primary costs, inventory and labor, are affected by a number of factors that are beyond its control, including availability and price of merchandise, the competitive climate and general and regional economic conditions. As is typical of the supermarket industry, the Company has generally been able to maintain margins by adjusting its retail prices, but competitive conditions may from time to time render it unable to do so while maintaining its market share.

Part II - Other Information

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 6. Exhibits and Reports on Form 8-K.

(A) Exhibits:

Exhibit No. -----	Description -----
4.1	Indenture entered into between the Company and First Florida Bank, N.A., relating to the \$105 million 14% Subordinated Debentures due February 1, 2001, dated as of February 8, 1989 (previously filed as Exhibit 4.2(a) to the Company's Annual Report on Form 10-K for the period ended July 30, 1989, which exhibit is hereby incorporated by reference).
4.2	Piggyback Registration Rights Agreement between the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated dated February 8, 1989 (previously filed as Exhibit 4.5 to the Company's Annual Report on Form 10-K for the period ended July 30, 1989, which exhibit is hereby incorporated by reference).
4.3	Indenture entered into between the Company and NCNB National Bank of Florida, as Trustee, relating to the \$85 million Senior Floating Rate Notes due August 2, 1996, dated as of September 14, 1989 (previously filed as Exhibit 4.6(a) to the Company's Annual Report on Form 10-K for the period ended July 30, 1989, which exhibit is hereby incorporated by reference).
4.4(a)	Indenture entered into between the Company and AmeriTrust Texas, N.A., as Trustee, relating to the \$50 Million Senior Notes due 1999 dated as of January 29, 1992 (previously filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the period ended February 2, 1992, which exhibit is hereby incorporated by reference).

Exhibit No. -----	Description -----
4.4(b)	Registration Rights Agreement dated as of January 29, 1992, between the Company and the purchasers of the Senior Notes due 1999 (previously filed as Exhibit 28.1 to the Company's Quarterly Report on Form 10-Q for the period ended February 2, 1992, which exhibit is hereby incorporated by reference).
4.4(c)	Indenture Amendment No. 1 entered into between the

Company and AmeriTrust Texas, N.A., as Trustee, relating to the Series B Senior Notes due 1999 dated as of July 2, 1992 (previously filed as Exhibit 4.7(c) to the Company's Amendment No. 3 to Registration Statement on Form S-1, Registration No. 33-47324, which exhibit is hereby incorporated by reference).

- 10.1(a) Amended and Restated Credit Agreement dated as of September 14, 1989, among the Company, certain lenders, and Security Pacific National Bank, as Agent (previously filed as Exhibit 10.4(g) to the Company's Annual Report on Form 10-K for the period ended July 30, 1989, which exhibit is hereby incorporated by reference).
- 10.1(a)(i) Agreement to Amend and Restate the Credit Agreement, dated as of October 12, 1988 among the Company, certain senior lenders, and Security Pacific National Bank, as Agent, dated as of September 14, 1989, among the Company, certain senior lenders and Security Pacific National Bank, as Agent (previously filed as Exhibit 10.1(a)(i) to the Company's Registration Statement on Form S-1, Registration No. 33-65070, which exhibit is hereby incorporated by reference).
- 10.1(a)(ii) Assignment and Acceptance Agreement among the Company, Security Pacific National Bank, and California Federal Bank, dated as of September 14, 1989 (previously filed as Exhibit 10.1(a)(ii) to the Company's Registration Statement on Form S-1, Registration No. 33-65070, which exhibit is hereby incorporated by reference).
- 10.1(b) First Amendment to Amended and Restated Credit Agreement and Limited Waiver among the Company, certain lenders, and Security Pacific National Bank, as Agent, dated December 28, 1989 (previously filed as Exhibit 10.4(h) to the Company's Annual Report on Form 10-K for the period ended July 29, 1990, which exhibit is hereby incorporated by reference).
- 10.1(c) Second Amendment to Amended and Restated Credit Agreement among the Company, certain lenders, and Security Pacific National Bank, as Agent, dated as of July 10, 1990 (previously filed as Exhibit 10.4(i) to the Company's Annual Report on Form 10-K for the period ended July 29, 1990, which exhibit is hereby incorporated by reference).

Exhibit No.
- - - - -

Description
- - - - -

- 10.1(d) Third Amendment to Amended and Restated Credit Agreement

dated as of November 27, 1990, among the Company, certain lenders, and Security Pacific National Bank, as Agent (previously filed as Exhibit 28.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 28, 1991, which exhibit is hereby incorporated by reference).

- 10.1 (e) Fourth Amendment to Amended and Restated Credit Agreement and Limited Waiver among the Company, certain senior lenders, and Security Pacific National Bank, as Agent, dated as of November 25, 1991 (previously filed as Exhibit 28.1 to the Company's Quarterly Report on Form 10-Q for the period ended November 3, 1991, which exhibit is hereby incorporated by reference).
- 10.1 (f) Fifth Amendment to Amended and Restated Credit Agreement and Limited Waiver and Instruction dated as of January 29, 1992, among the Company, certain lenders, and Security Pacific National Bank (previously filed as Exhibit 28.2 to the Company's Quarterly Report on Form 10-Q for the period ended February 2, 1992, which exhibit is hereby incorporated by reference).
- 10.1 (g) Sixth Amendment to Credit Agreement dated as of January 4, 1993, among the Company, certain lenders, and Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Agent (previously filed as Exhibit 10.1(g) to the Company's Registration Statement on Form S-1, Registration No. 33-65070, which exhibit is hereby incorporated by reference).
- 10.1 (h) Limited Waiver dated as of July 1, 1993, among the Company, certain lenders, and Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Agent (previously filed as Exhibit 10.1(i) to the Company's Registration Statement on Form S-1, Registration No. 33-65070, which exhibit is hereby incorporated by reference).
- 10.1 (i) Limited Waiver dated as of December 15, 1993, among the Company, certain lenders, and Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Agent.
- 10.2 Form of Indemnity Agreement between the Company and its directors and certain of its officers (previously filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1, Registration No. 33-25621, which exhibit is hereby incorporated by reference).

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- 10.3(a) Restated 1988 Management Stock Option Plan (effective for the Plan Years beginning on and after July 30, 1990) (previously filed as Exhibit 10.3(a) to the Company's Annual Report on Form 10-K for the period ended July 28, 1991, which exhibit is hereby incorporated by reference).
- 10.3(b) Form of Management Stock Option Agreement to be entered into between the Company and certain key employees with respect to options granted for Plan Years beginning on and after July 30, 1990 (previously filed as Exhibit 10.3(b) to the Company's Annual Report on Form 10-K for the period ended July 28, 1991, which exhibit is hereby incorporated by reference).
- 10.3(c) Form of Amendment to the Management Stock Option Agreement under the 1988 Restated Management Stock Option Plan dated as of June 19, 1992, entered into between the Company and the holder of each outstanding option granted under the Restated 1988 Management Stock Option Plan (previously filed as Exhibit 10.3(c) to the Company's Annual Report on Form 10-K for the period ended August 2, 1992, which exhibit is hereby incorporated by reference).
- 10.3(d) Form of Second Amendment to Stock Option Agreement dated December 1988 under Restated 1988 Management Stock Option Plan, dated as of December 9, 1993, entered into by and between the Company and the holder of each outstanding option granted under the Restated 1988 Management Stock Option Plan for the Plan Year ended July 31, 1989.
- 10.3(e) Form of Restricted Stock Agreement to be entered into between the Company and certain key employees with respect to stock issued pursuant to options granted under the Restated 1988 Management Stock Option Plan (previously filed as Exhibit 10.3(d) to the Company's Registration Statement on Form S-1, Registration No. 33-65070, which exhibit is hereby incorporated by reference).
- 10.4(a) 1991 Management Stock Option Plan (previously filed as Exhibit 28.2(a) to the Company's Quarterly Report on Form 10-Q for the period ended November 3, 1991, which exhibit is hereby incorporated by reference).
- 10.4(b) Form of Stock Option Agreement entered into between the Company and certain key employees with respect to the options granted pursuant to the 1991 Management Stock

Option Plan (previously filed as Exhibit 28.2(b) to the Company's Quarterly Report on Form 10-Q for the period ended November 3, 1991, which exhibit is hereby incorporated by reference).

Exhibit No.

Description

- 10.4(c) Form of Restricted Stock Agreement to be entered into among the Company, Green Equity Investors, L.P. ("GEI") and certain key employees with respect to stock issued pursuant to options granted pursuant to the 1991 Management Stock Option Plan (previously filed as Exhibit 28.2(c) to the Company's Quarterly Report on Form 10-Q for the period ended November 3, 1991, which exhibit is hereby incorporated by reference).
- 10.5 Amended and Restated Kash n' Karry Retirement Estates and Trust dated October 14, 1993, effective as of January 1, 1992 (previously filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the period ended August 1, 1993, which exhibit is hereby incorporated by reference).
- 10.6 Key Employee Stock Purchase Plan (previously filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1, Registration No. 33-25621, which exhibit is hereby incorporated by reference).
- 10.7 Deferred Compensation Agreement dated October 12, 1988, between the Company and Ronald J. Floto (previously filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1, Registration No. 33-25621, which exhibit is hereby incorporated by reference).
- 10.8 Trademark License Agreement dated as of October 12, 1988, between the Company and Lucky Stores, Inc. (previously filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1, Registration No. 33-25621, which exhibit is hereby incorporated by reference).
- 10.9 Warrant Agreement dated as of October 12, 1988, between the Company and Lucky Stores, Inc. (previously filed as Exhibit 10.15 to the Company's Registration Statement on Form S-1, Registration No. 33-25621, which exhibit is hereby incorporated by reference).
- 10.10 Management Bonus Plan (previously filed as Exhibit 10.16 to the Company's Registration Statement on Form S-1, Registration No. 33-25621, which exhibit is hereby incorporated by reference).

10.11(a) Mortgage, Fixture Filing, Security Agreement and Assignment of Rents between the Company, as Mortgagor, and Sun Life Insurance Co. of America ("Sun Life"), dated as of September 7, 1989 (previously filed as Exhibit 28.1(a) to the Company's Quarterly Report on Form 10-Q for the period ended October 29, 1989, which exhibit is hereby incorporated by reference).

Exhibit No.

Description

10.11(b) Assignment of Rents and Leases and Other Income between the Company and Sun Life dated as of September 7, 1989 (previously filed as Exhibit 28.1(b) to the Company's Quarterly Report on Form 10-Q for the period ended October 29, 1989, which exhibit is hereby incorporated by reference).

10.11(c) Fixture Financing Statement between the Company and Sun Life filed with the Clerk of Hillsborough County, Florida, on September 11, 1989 (previously filed as Exhibit 28.1(c) to the Company's Quarterly Report on Form 10-Q for the period ended October 29, 1989, which exhibit is hereby incorporated by reference).

10.11(d) Partial Release of Mortgage executed by Security Pacific National Bank as of September 7, 1989 (previously filed as Exhibit 28.1(d) to the Company's Quarterly Report on Form 10-Q for the period ended October 29, 1989, which exhibit is hereby incorporated by reference).

10.12(a) Mortgage between the Company, as Mortgagor, and AUSA Life Insurance Company ("AUSA"), as Mortgagee, dated as of November 21, 1989 (previously filed as Exhibit 28.2(a) to the Company's Quarterly Report on Form 10-Q for the period ended October 29, 1989, which exhibit is hereby incorporated by reference).

10.12(b) Conditional Assignment of Leases, Rents and Contracts between the Company and AUSA dated as of November 21, 1989 (previously filed as Exhibit 28.2(b) to the Company's Quarterly Report on Form 10-Q for the period ended October 29, 1989, which exhibit is hereby incorporated by reference).

10.12(c) Financing Statement between the Company and AUSA filed with the Clerk of Hillsborough County, Florida, on November 22, 1989 (previously filed as Exhibit 28.2(c) to

the Company's Quarterly Report on Form 10-Q for the period ended October 29, 1989, which exhibit is hereby incorporated by reference).

10.13(a) Form of Deferred Compensation Agreement dated as of December 21, 1989, between the Company and key employees and a select group of management (KESP) (previously filed as Exhibit 28.3(a) to the Company's Quarterly Report on Form 10-Q for the period ended January 28, 1990, which exhibit is hereby incorporated by reference).

10.13(b) Form of Deferred Compensation Agreement dated as of December 21, 1989, between the Company and Ronald J. Floto (KESP) (previously filed as Exhibit 28.3(b) to the Company's Quarterly Report on Form 10-Q for the period ended January 28, 1990, which exhibit is hereby incorporated by reference).

Exhibit No.
- - - - -

Description
- - - - -

10.13(c) Master First Amendment to Deferred Compensation Agreements, dated as of November 11, 1991, between the Company and the key employees party thereto (previously filed as Exhibit 28.3 to the Company's Quarterly Report on Form 10-Q for the period ended November 3, 1991, which exhibit is hereby incorporated by reference).

10.13(d) Master Second Amendment to Deferred Compensation Agreements, dated as of December 30, 1993, between the Company and the key employees party thereto.

10.14(a) Stockholders Agreement dated as of November 26, 1991, among The Fulcrum III Limited Partnership and The Second Fulcrum III Limited Partnership (collectively, the "Fulcrum Partnership"), GEI and the Company (previously filed as Exhibit 28.2 to the Company's Current Report on Form 8-K dated November 26, 1991, which exhibit is hereby incorporated by reference).

10.14(b) Stock Purchase Agreement dated as of November 15, 1991, among the Company, GEI and the Fulcrum Partnerships (previously filed as Exhibit 10.15(b) to the Company's Registration Statement on Form S-1, Registration No. 33-65070, which exhibit is hereby incorporated by reference).

10.15 Stockholders Agreement dated as of June 19, 1992, between the Company, GEI and certain employee-stockholders

(previously filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the period ended August 2, 1992, which exhibit is hereby incorporated by reference).

- 10.16 Stockholders Agreement dated as of May 3, 1993, between the Company, GEI and certain employee-stockholders (previously filed as Exhibit 10.17 to the Company's Registration Statement on Form S-1, Registration No. 33-65070, which exhibit is hereby incorporated by reference).
- 10.17 Leave Agreement dated as of November 30, 1992, between the Company and Thomas A. Whipple (previously filed as Exhibit 10.18 to the Company's Registration Statement on Form S-1, Registration No. 33-65070, which exhibit is hereby incorporated by reference).
- 10.18 Ronald J. Floto Severance Pay Agreement dated as of February 9, 1994, by and between the Company and Ronald J. Floto.
- 10.19 Form of Senior Management Severance Pay Agreement dated as of February 9, 1994, by and between the Company and the key employees party thereto.

(B) Reports on Form 8-K:

No reports on Form 8-K have been filed during the quarter ended January 30, 1994.

SIGNATURES

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

KASH N' KARRY FOOD STORES, INC.

Date: March 16, 1994

/s/ Raymond P. Springer

Raymond P. Springer
Executive Vice President,

Administration

Date: March 16, 1994

/s/ Richard D. Coleman

Richard D. Coleman
Vice President, Controller
and Secretary

LIMITED WAIVER

THIS LIMITED WAIVER, (this "Waiver"), dated as of December 15, 1993, relates to that certain Credit Agreement dated as of October 12, 1988, and amended and restated as of September 14, 1989 (as further amended through the date hereof, the "Credit Agreement"), among Kash n' Karry Food Stores, Inc. (the "Borrower"), the Senior Lenders referred to therein and Bank of America National Trust & Savings Association (as successor in interest to Security Pacific National Bank) as agent (in such capacity, the "Agent") for the Senior Lenders. Unless otherwise defined herein, terms defined in the Credit Agreement are used herein with the same meanings ascribed to them therein. In addition to the covenants and agreements made in the Credit Agreement, Borrower, the Senior Lenders and the Agent further covenant and agree as follows:

1. Limited Waiver. Subject to the terms and conditions set forth herein, the Requisite Senior Lenders hereby agree to waive, from the Effective Date (as defined below) to the Expiration Date (as defined below), the provisions of:

(a) Section 9.01 of the Credit Agreement in respect (and solely in respect) of Borrower's failure to comply with the Minimum Net Worth amount set forth therein for the first quarter of Fiscal Year 1994;

(b) Section 9.03 of the Credit Agreement in respect (and solely in respect) of Borrower's failure to comply with the Fixed Charge Coverage Ratio set forth therein for the first quarter of Fiscal Year 1994; and

(c) Section 9.04 of the Credit Agreement in respect (and solely in respect) of Borrower's failure to comply with the Interest Coverage Ratio set forth therein for the first quarter of Fiscal Year 1994.

In addition to the foregoing, and for the duration of this Waiver, none of the Senior Lenders shall be obligated to make a Fixed Rate Loan.

2. Effective Date. This Waiver shall become effective upon the date (the "Effective Date") on or before December 15, 1993, on which the Agent has received each of the following:

(a) Counterparts hereof signed by Borrower, the Requisite Senior Lenders and the Agent; and

(b) Payment in the amount of \$50,000 in cash in same day funds to be shared pro rata among the Senior Lenders.

3. Termination Date. This Waiver shall expire and cease to be of any force or effect automatically (without any action by the Agent or any Senior Lender) at 5:00 p.m., Los Angeles time, on the date (the "Termination Date") which is the earlier of (a) March 31, 1994 and (b) the earliest date on which any of the conditions set forth below fails to be satisfied:

(i) No Potential Event of Default shall have occurred (other than those expressly waived by this Waiver);

(ii) No event shall have occurred and be continuing (for at least two Business Days after notice thereof from Agent to Borrower) which materially adversely affects the business, condition, properties or prospects of Borrower and any Subsidiary of Borrower, taken as a whole; and

(iii) Borrower shall have executed and delivered, on or before December 22, 1993, a restricted account agreement with respect to each of Borrower's existing deposit accounts in form and substance acceptable to the Requisite Senior Lenders and Barnett Bank of Tampa (in its capacity as the depository institution with which such deposit accounts are maintained).

4. Representations and Warranties. The Borrower hereby represents and warrants that, as of the date hereof, and after giving effect to this Waiver:

(a) The execution, delivery and performance by Borrower of this Waiver has been duly authorized by all necessary corporate action;

(b) No Event of Default or Potential Event of Default (other than those expressly waived by this Waiver) has occurred or is continuing; and

(c) The representations and warranties of Borrower contained in Section 5.03 of the Credit Agreement and any other Loan Document (other than representations and warranties which expressly speak as of a different date) are true, correct and complete in all material respects, except that such representations and warranties need not be true, correct and complete to the extent that changes in the facts and conditions on which such representations and warranties

are based are required or permitted under the Credit Agreement.

5. Limitation on Waiver. This Waiver shall be limited solely to the matters expressly set forth herein and shall not (i) constitute a waiver or amendment of any other term or condition of the Credit Agreement, or of any instruments or agreements referred to therein, (ii) prejudice any right or rights which the Agent or any of the Senior Lenders may now have or may have in the future under or in connection with the Credit Agreement or any instruments or agreements referred to therein, or (iii) require the Senior Lenders to agree to similar waiver or grant a similar waiver for a similar transaction or on a future occasion. Except to the extent specifically waived herein, the provisions of the Credit Agreement shall not be amended, modified, impaired or otherwise affected hereby, and the Credit Agreement and all of the Obligations are hereby confirmed in full force and effect.

6. Miscellaneous. This Waiver is a Loan Document and, together with the Credit Agreement and the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof. The headings herein are for convenience of reference only and shall not alter or otherwise affect the meaning hereof.

7. Governing Law. This Amendment shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York.

8. Counterparts. This Amendment may be executed in any number of counterparts which, when taken together, shall be deemed to constitute one and the same instrument.

WITNESS the due execution hereof as of the date first above written.

KASH N' KARRY FOOD STORES, INC.,
as Borrower

By: /s/ R. P. Springer
Title: Executive Vice President

BANK OF AMERICA NATIONAL TRUST &
SAVINGS ASSOCIATION (as successor
in interest to SECURITY PACIFIC
NATIONAL BANK), as Agent

By: /s/ Laura Knight
Title: Vice President

BANK OF AMERICA NATIONAL TRUST &
SAVINGS ASSOCIATION (as successor
in interest to SECURITY PACIFIC
NATIONAL BANK), as a Senior Lender

By:
Title: Vice President

WELLS FARGO BANK, N.A.

By: /s/ [illegible]
Title:

BARNETT BANK OF TAMPA (as successor
in interest to FIRST FLORIDA BANK,
N.A.)

By: /s/ Emily D. Waterman
Title: Vice President

NATIONSBANK OF FLORIDA, N.A.

By:
Title:

4/c:/lwh/K6036.LW

KASN N' KARRY FOOD STORES, INC.

SECOND AMENDMENT TO STOCK OPTION AGREEMENT
DATED DECEMBER 1988
UNDER RESTATED 1988 MANAGEMENT STOCK OPTION PLAN

THIS SECOND AMENDMENT to that certain Stock Option Agreement dated on or about December 1988 between Kash n' Karry Food Stores, Inc. (the "Company"), and the person executing this Second Amendment as optionee (the "Optionee"), as amended by that certain First Amendment dated as of June 19, 1992 (as so amended, the "Option Agreement"), is dated as of December 9, 1993.

In consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Amendment. Appendix A to the Option Agreement is hereby amended to extend the Expiration Date to December 27, 1994.

2. Miscellaneous. This Second Amendment is hereby incorporated into and made a part of the Option Agreement as if fully set forth therein. Except as modified herein, the Option Agreement remains in full force and effect. To the extent of any conflict between the provisions of this Second Amendment and the provisions of the Option Agreement, the provisions of this Second Amendment shall govern.

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed on its behalf by its officers, and the Optionee has hereunto set his or her hand as of the day and year first above written.

KASH n' KARRY FOOD STORES, INC.

By: /s/ Ronald J. Floto
Ronald J. Floto, President
and Chief Executive Officer

OPTIONEE

Signature

13/stockopt.ion/K6053-a.93E

MASTER SECOND AMENDMENT TO THE
DEFERRED COMPENSATION AGREEMENTS

This Master Second Amendment to the Deferred Compensation Agreements is entered into this 30th day of December, 1993, by Kash n' Karry Food Stores, Inc.

BACKGROUND

In December of 1989, Kash n' Karry Food Stores, Inc., a Delaware corporation (the "Company"), entered into those certain Deferred Compensation Agreements (collectively referred to as the "Agreements" and singularly referred to as "Agreement") with certain of its key employees (collectively referred to as "Key Employees" and singularly referred to as "Key Employee"). Under subparagraph 7.2 of each Agreement the Company reserved the right to amend the Plan with or without consent of the Employee. The Company in order to reward the past and future loyalty and valuable efforts of its Key Employees, and pursuant to such reserved amendment power, hereby amends the Agreements as set forth below.

TERMS

1. Paragraph 1.24 of the Agreement is hereby amended and restated in its entirety as follows:

1.24 "Vested" means that portion (as determined in accordance with the schedule set forth below) of the Company's Matching Allocations, and Income allocated thereto, allocated for the benefit of the Key Employee under the Plan, as set forth in the Key Employee's Account, that will be distributed to the Key Employee upon the occurrence of a Distribution Event:

Years of Service	Percentage
Less than 3	0%
3 but less than 4	40%
4 but less than 5	80%
5 or more	100%

Notwithstanding any contrary provision of this Agreement, upon the Key Employee's Termination of Employment by reason of the Key Employee's death or Disability, upon a Change in Control, or upon the termination of this Agreement, the Key Employee shall

be 100% vested in the aggregate amount of the Company's Matching Allocation, and Income allocated thereto, allocated for the benefit of the Key Employee under the Plan, as set forth in the Key Employee's Account.

Notwithstanding any contrary provision of this Agreement, the Key Employee shall, at all times, be 100% vested in the aggregate amount of the Elective Deferred Compensation, and Income allocated thereto, allocated for the benefit of the Key Employee under the Plan, as set forth in the Key Employee's Account.

2. A new paragraph 16 is hereby added to the Agreement and shall read in its entirety as follows:

16. Limited Withdrawal Right Subject to Substantial Limitation. Notwithstanding any contrary provision of this Agreement, prior to the occurrence of a Distribution Event the Key Employee shall have the right to make an election to receive a distribution equal to ninety percent (90%) of the Key Employee's Benefit. The election shall be effective, and the amount of such Benefit shall be determined, on the date that the election is received by the Plan Administrator (the "Withdrawal Election Date"). The other ten percent (10%) of the Key Employee's Benefit shall be forfeited and lost by the Key Employee. In addition, the portion of the Key Employee's Matching Allocation, and the Income allocable thereto, that is not Vested on the Withdrawal Election Date shall also be forfeited and lost by the Key Employee. If the Key Employee elects to receive a distribution under this paragraph 16, then the Key Employee shall not be eligible to again participate in the Plan until the beginning of the first Plan Year that follows the one year anniversary of the Withdrawal Election Date. The Key Employee shall make an election to receive a distribution under this paragraph 16 by delivering a written statement signed and dated by the Key Employee to the Plan Administrator. The Company shall pay the ninety percent amount (90%) of the Key Employee's Benefit, less all deductions required by law, to the Key Employee not less than sixty (60) days after the Withdrawal Election Date by either hand delivery to the Key Employee at the Company's office or delivery in accordance with paragraph 15.5 of the Agreement.

3. Unless otherwise provided under this Amendment, the capitalized terms used herein shall have the meanings ascribed to them under the Agreement.

4. Except as hereinabove amended, the Company does hereby republish and affirm all provisions of the Agreements.

IN WITNESS WHEREOF, the Company has executed this Master Second Amendment on this 30th day of December, 1993.

ATTEST:
INC.

KASH N' KARRY FOOD STORES,

/S/ Richard D. Coleman
Secretary

By: /S/ Ronald J. Floto

Its: CEO

4/c:/mdm/pp/K6727-3nd.AMD

RONALD J. FLOTO
SEVERANCE PAY AGREEMENT

This Severance Pay Agreement (the "Agreement") is entered into this 9th day of February, 1994, by and between KASH N' KARRY FOOD STORES, INC., a Delaware corporation (the "Company"), and the person executing this Agreement as key employee (the "Key Employee"). To induce the Key Employee to remain in the employ of the Company, to reward the Key Employee's continued loyalty and valuable efforts, and to provide security to the Key Employee in the event of a change in control of the Company, and in consideration of their mutual covenants and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Key Employee agree as follows:

1. Definitions.

As used in this Agreement and unless the context otherwise plainly requires, the terms defined in this paragraph shall have the meanings ascribed to them and shall include the plural as well as the singular number.

1.1 "Agreement" means this Severance Pay Agreement, as originally executed and as from time to time amended or supplemented.

1.2 "Annual Compensation" means the total amounts paid or projected to be paid by the Company to the Key Employee (determined without regard to this Plan) for services rendered to the Company during the Applicable Plan Year of the Company, including, but not limited to, base salary and target bonuses; but excluding (a) any amount that is not includable in the Key Employee's gross income by reason of sections 125, 132, 402(a)(8), 402(h), or 403(b) of the Internal Revenue Code; (b) any short term or long term disability payment whether paid by the Company or any third party under a program sponsored by the Company; and (c) any automobile allowance paid by the Company. In determining Annual Compensation, the target bonus means the target bonus payable to the Key Employee for the Applicable Plan Year under the Company's Management Incentive Plan (or any successor Plan) computed as if the Company and the Key Employee achieve 100% of their targeted goals for the Applicable Plan Year. Provided, further, if the Key Employee becomes entitled to a Benefit under this Agreement prior to the Company's determination of target bonus goals for the Applicable Plan Year,

then the Key Employee's and the Company's target bonus goals for the Company's preceding fiscal year will be deemed still in effect for the Applicable Plan Year, and the Key Employee's target bonus, for purposes of this Agreement, will be computed as if the Company and the Key Employee achieved 100% of the preceding fiscal year's goals, notwithstanding the Company's and the Key Employee's actual performance in the preceding year.

1.3 "Applicable Period" means the period beginning 183 days prior to a Change in Control and ending 730 days after a Change in Control.

1.4 "Applicable Plan Year" means the Plan Year in which occurs the Involuntary Termination of employment, or the termination of the Plan, as applicable, whichever results in the Key Employee's entitlement to the Benefit under Paragraph 3.1.

1.5 "Beneficiary" means the Person or Persons designated by the Key Employee in Schedule A to this Agreement to receive the remaining unpaid Benefit, if any, payable by reason of the Key Employee's death after the date of the Key Employee's entitlement to the Benefit, but before payment of the Benefit. The Key Employee may change the designated Beneficiary at any time and from time to time, without the consent of any previous Beneficiary, by executing a new Schedule A and delivering it to the Plan Administrator prior to the Key Employee's death. The last Beneficiary designated by the Key Employee in a Schedule A duly executed by the Key Employee and timely delivered to the Plan Administrator shall receive the remaining Benefit. If no Beneficiary is properly designated by the Key Employee in accordance with the provisions of this subparagraph 1.5, then the Key Employee's estate shall be deemed the Beneficiary.

1.6 "Benefit" means an amount equal to twice the Key Employee's Annual Compensation.

1.7 "Change in Control" means the date that any of the following events first occurs:

(a) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (hereafter referred to as the "Exchange Act")), other than (i) Green Equity Investors, L. P. ("GEI"), or The Fulcrum III Limited Partnership or The Second Fulcrum III Limited Partnership (collectively referred to as the "Fulcrum Partnerships"), or (ii) any Person, including, but not limited to, the partners of GEI or either Fulcrum Partnership, to whom GEI or either Fulcrum Partnership is required to transfer any of its securities as determined in accordance with its respective partnership agreement), becomes the

"beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities in any transaction or transactions other than by reason of an initial public offering by the Company of voting securities (or securities convertible into, or exchangeable for, voting securities or any other instrument that grants rights to acquire voting securities);

(b) individuals who constitute the Company's Board of Directors as of the date that this Agreement is executed by the parties (hereafter referred to as the "Incumbent Board") cease for any reason to constitute at least two-thirds thereof; provided, however, any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board shall be, for purposes of this subparagraph 1.7(b), considered as though such individual were a member of the Incumbent Board; provided, however, that any decrease in the number of Directors on the Incumbent Board, or any resignation or removal of a member of the Incumbent Board will not be deemed a Change in Control if approved by a vote of at least two-thirds of the Directors of the Incumbent Board; provided, further, the Incumbent Board will be deemed to be reconstituted for purposes of this subparagraph 1.7(b) each time a two-thirds vote approves a change;

(c) the merger, consolidation, share exchange, or other reorganization of the Company, with or into one or more entities, as a result of which less than fifty percent (50%) of the outstanding voting securities of the surviving or resulting entity are, or are to be, owned by former holders of voting securities of the Company as determined immediately before such event;

(d) the sale of all or substantially all of the Company's business, or assets, or both, to a Person that is not a Subsidiary of the Company; or

(e) approval by the Company's shareholders or Board of Directors of an agreement the consummation of which would result in the occurrence of any event described under subparagraphs (a) through (d), inclusive, of this subparagraph 1.7.

1.8 "Company" means Kash n' Karry Food Stores, Inc., a Delaware corporation, and any Successor Company.

1.9 "For Cause" means if (a) the Key Employee is convicted of a criminal violation involving fraud or dishonesty with respect to the Company or Successor Company; (b) the Key Employee commits an act of gross dishonesty or intentional wrongdoing that results in a substantial economic harm, including any contingent liability or loss, to the Company or Successor Company; (c) the Key Employee dies; or (d) the Key Employee is absent without leave from work for any reason not considered by the Company's senior management as Company business or is unable to perform a majority of the Key Employee's duties for a continuous period of six (6) months.

1.10 "Internal Revenue Code" means the Internal Revenue Code of 1986, as in effect on the date that this Agreement is executed by the parties.

1.11 "Involuntarily Terminated" or "Involuntary Termination" means the Company's or Successor Company's termination of the Key Employee's employment for any reason other than For Cause or if the Key Employee voluntarily terminates employment with the Company immediately following a deemed termination (as hereafter defined). For purposes of this subparagraph 1.11, a deemed termination occurs if:

(a) There is a significant diminution in the scope of the Key Employee's authority;

(b) The Key Employee is assigned duties materially different from the Key Employee's duties as of the date of this Agreement;

(c) There is a more than 10% reduction in the Key Employee's base salary; provided, however, a more than 10% reduction in the Key Employee's base salary will not be deemed a termination if the percentage reduction is part of a uniformly applied percentage salary reduction affecting all senior management, including the Chief Executive Officer of the Company; or,

(d) The Key Employee is required to relocate his day-to-day place of business more than fifty (50) miles from the Key Employee's current residence in order to continue employment, and the Company or Successor Company fails to pay or reimburse promptly the Key Employee for all reasonable costs incurred or actual economic losses sustained by the Key Employee as a result of such relocation (and for this purpose the failure to pay or reimburse promptly any Key Employee for any

expenses or losses arising from a relocation incurred during the Applicable Period shall also be deemed to be an Involuntary Termination that occurs within the Applicable Period).

Notwithstanding anything in this paragraph 1.11 to the contrary, the events described above in subparagraphs (a) through (d) will not be deemed a termination of employment unless and until the Key Employee objects to the event, and the Key Employee will have up to 365 days after the occurrence of the event in which to note his objection in writing, and if such objection in writing is made, then the termination will be deemed to have occurred as of the date of receipt of the objection by the Company.

1.12 "Key Employee" means the individual who signs this Agreement, who is a highly compensated employee or a member of a select management group of the Company, and who has been selected by the Company's chief executive officer to be eligible for the Benefit provided by the Plan.

1.13 "Person" means one or more of the individuals or entities set forth in section 7701(a)(1) of the Internal Revenue Code.

1.14 "Plan" means this Severance Pay Agreement.

1.15 "Plan Administrator" means the Company, unless the Company designates a different person as Plan Administrator.

1.16 "Plan Year" means the fiscal year of the Company, as it may change from time to time. Currently, the Company's fiscal year period ends on the Sunday nearest July 31 of each year. If the Company changes its fiscal year, and that change results in a Plan Year of less than 52 weeks, then the Plan Year referred to in this Agreement shall mean the last preceding fiscal year of the Company containing at least 52 weeks.

1.17 "Subsidiary" means any corporation or other entity a majority or more of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

1.18 "Successor Company" means after a Change in Control any Person that owns all or a substantial portion of the Company's business or assets, and any Person that has an ownership interest in the Company.

2. Employment. Unless otherwise agreed by the Company, the Key Employee agrees to devote his full time and attention to the business and affairs of the Company and to use his best efforts to provide satisfactory services to the Company.

3. Benefit.

3.1 Entitlement to Benefit. If, during the Applicable Period, the Key Employee's employment with the Company or Successor Company is Involuntarily Terminated, or the Plan is terminated by the Company or Successor Company, then the Benefit shall accrue and shall be paid by the Company (or the Successor Company, as applicable) to the Key Employee or to the Key Employee's Beneficiary, as the case may be, in accordance with the terms of Paragraph 3.2. If the Key Employee's entitlement to a Benefit does not accrue during the Applicable Period, then this Agreement shall terminate upon the expiration of the Applicable Period.

3.2 Payment of Benefit. The Benefit amount, if any, less all deductions required by law, shall be paid by the Company (or the Successor Company, as applicable) to the Key Employee or Beneficiary, as the case may be, in a single lump sum payment not later than seven (7) days after the later of the date of the Key Employee's Involuntary Termination, or the date of the termination of the Agreement, as applicable, and payment shall,

in the discretion of the Company (or Successor Company), either be made to the Key Employee or Beneficiary, as applicable, by hand delivery at the office of the Company or delivery in accordance with the provisions of subparagraph 11.5 of this Agreement. Notwithstanding any contrary provisions of this Agreement, the Benefit accrued shall not be paid until the Key Employee terminates employment with the Company or Successor Company, as applicable.

4. Termination or Amendment of Agreement.

4.1 Termination of Agreement. This Agreement shall terminate upon the date that any of the following events first occurs:

- (a) cessation of the Company's business;
- (b) approval by the Company's shareholders or directors to dissolve or liquidate the Company;
- (c) upon the date that the Company breaches any obligation imposed on it under this Agreement (including, but not limited to, adopting an amendment in violation of subparagraph 4.2 of this Agreement) or under any other deferred compensation agreement between the Company and the Key Employee, including, but not limited to, failing to pay all or any portion of any benefits required to be paid to the Key Employee under this Agreement, or any other deferred compensation agreement with the Key Employee, but only if such employee first delivers written

notice by certified or registered mail of such breach to the Company pursuant to subparagraph 11.5, and the Company fails to cure such breach during the period that terminates twenty (20) days after the date such notice is delivered to the Company; or

(d) the decision of the Company to terminate the Plan at any time, with or without cause; or,

(e) the failure of any Successor Company to assume expressly the obligations of this Agreement.

Notwithstanding the foregoing, this Agreement shall remain in full force and effect and shall survive any termination until the Key Employee's entire Benefit, if any, accrued under subparagraph 3.1 of this Agreement as of the date that causes the Agreement's termination, less all deductions required by law, is distributed to the Key Employee in accordance with the provisions of subparagraphs 3.1 and 3.2 of this Agreement.

4.2 Amendment of Agreement. Except as otherwise provided under this Agreement, the Company may terminate, amend or supplement this Agreement, at any time prior to the beginning of the Applicable Period with or without the consent of the Key Employee. The Company shall deliver a copy of the amendment to

the Key Employee. Provided, however, notwithstanding the foregoing, during the Applicable Period, the Company shall not amend this Agreement to: (a) reduce the amount of, or alter the time, method, or form of distributing, the Benefit payable pursuant to this Agreement determined as of the date immediately prior to the date of such amendment; (b) shorten the Applicable Period; or (c) limit the circumstances under which a Change in Control may occur or a Key Employee may be entitled to the Benefit payable pursuant to this Agreement.

5. Funding. The Plan shall be "unfunded" for purposes of federal income taxation and for purposes of the Employee Retirement Income Security Act of 1974, as amended, as that term is interpreted, from time to time, for such purposes; provided, however, the Company may obtain life insurance, disability insurance, or both, to informally fund its obligations hereunder, and the Company shall be the owner and beneficiary of the policy or policies. The Key Employee shall submit to medical examinations, supply information, and execute documents as may be required by the insurance company or companies. Neither the Key Employee, nor the Plan, shall be deemed to have any right, title, or interest in or to any specific assets of the Company, including any insurance policies or the proceeds therefrom, and any such policies shall not in any way be considered to be security for the performance of the obligations under this Agreement. Nothing contained in this Agreement and no action

taken pursuant to its provisions shall create or be construed to create a trust of any kind or a fiduciary relationship between the Company and the Key Employee or the Beneficiary. Any funds that may be invested to meet the provisions of this Agreement shall continue for all purposes to be a part of the general funds of the Company. To the extent any person acquires a right to receive payments from the Company under this Agreement, that right will be no more secure than the right of an general unsecured creditor of the Company. The Benefit payable under this Agreement, if the conditions of Paragraph 3.1 are met, constitutes a mere promise by the Company to make payments in the future.

6. Non-Assignability. The Key Employee or Beneficiary shall not have any right to commute, encumber, transfer, convey, or dispose of the right to the Benefit payable under this Agreement. The Benefit and the right to it are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Key Employee or Beneficiary. Except to the extent contrary to applicable law, the Benefit under this Agreement is not transferable by operation of law if the Key Employee or Beneficiary becomes insolvent or bankrupt. Any attempt by the Key Employee or Beneficiary to commute, encumber, transfer, convey, or dispose of the right to the Benefit payable under this Agreement, shall be void and ineffectual.

7. Participation in Other Plans. Nothing contained in this Agreement shall be construed to alter, abridge, or affect the rights and privileges of the Key Employee to participate in and be covered by any employee plans that the Company now has or may hereafter adopt. Any payment under this Plan shall be independent of, and in addition to, those payable under any other plan or agreement that may be in effect with respect to the Key Employee.

8. Employment Rights. This Agreement shall not be deemed to constitute a contract of employment between the Company and the Key Employee and shall create no right of the Key Employee to continue in the Company's employ, nor shall this Agreement restrict the right of the Company to discharge the Key Employee or to terminate the Key Employee's employment.

9. Plan Administration.

9.1 Plan Administrator. This Agreement and the Plan shall be administered by the Plan Administrator. The Plan Administrator shall make all determinations as to the right of the Key Employee or the Beneficiary, as applicable, to receive the Benefit provided by this Agreement.

9.2 Claims Procedure. If a Benefit under this Agreement is not paid to the Key Employee or the Beneficiary, as applicable, and such person feels entitled to it, such person shall make a claim in writing to the Plan Administrator. If the claim is denied, in whole or in part, the Plan Administrator shall inform the claimant in writing within 45 days setting forth the reasons for denial in layman's terms, with specific reference to the provisions of this Agreement upon which the denial is based, and with a description of the review procedures set forth in subparagraph 9.3.

9.3 Review Procedure. If a claim for the Benefit under this Agreement is denied, the claimant may, within 60 days after the denial, submit to the Plan Administrator, in writing, such information that will, in the claimant's opinion, support the claimant's right to the Benefit. If the Plan Administrator, after reviewing the information submitted by the claimant, determines that the claimant is not entitled to the Benefit claimed, the Plan Administrator shall afford the claimant or his representative a reasonable opportunity to appear personally before the Plan Administrator, to submit oral or written comments, and to review any documents pertinent to the Plan Administrator's decision. The Plan Administrator shall render its final decision, in writing, within 60 days after the appearance, with the specific reasons therefor.

10. Expenses. All costs and expenses of administering the Plan shall be paid by the Company.

11. Miscellaneous.

11.1 Binding Effect. This Agreement shall be binding on the legal representatives, successors, heirs, and assignees of the Company and the Key Employee; provided, further, unless the context clearly provides otherwise, any reference to, or duty or obligation imposed on, the Company shall also be deemed to refer to, and be the binding duty and obligation of, the Successor Company.

11.2 Governing Law. This Agreement has been negotiated and prepared in the State of Florida, and the validity, construction, and enforcement of this Agreement shall be governed by, and construed in accordance with, the laws of Florida (excluding its choice of law provisions if such laws would result in the application of laws of a jurisdiction other than Florida). Each party consents and agrees that Tampa, Hillsborough County, Florida, shall be the proper, exclusive, and convenient venue for any legal proceeding in federal or state court relating to this Agreement, and each party to this Agreement waives any defense, whether asserted by motion or by pleading, that Tampa, Hillsborough County, Florida, is an improper or inconvenient

venue.

11.3 Entire Agreement. This instrument contains the final, complete, and exclusive expression of the parties' understanding and agreement concerning the transactions contemplated by this Agreement and supersedes any prior or contemporaneous agreement or representation, oral or written, by either of them. Any vagueness or ambiguity in the meaning of this Agreement shall be interpreted in a manner most favorable to the Key Employee.

11.4 Descriptive Headings. The titles preceding the text of the paragraphs and subparagraphs of this Agreement are inserted solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, interpretation, or effect.

11.5 Notices. Any notice, communication, or payment of Benefit required or permitted to be sent by either party under this Agreement shall be made in writing and shall be deemed delivered when presented by hand delivery or when deposited in a United States postal service office or letter box for mailing by first class mail or certified mail, return receipt requested (whether or not the return receipt is subsequently received), postage prepaid and addressed to the appropriate party as follows:

If to the Company:

Executive Vice President-Administration
Kash n' Karry Food Stores, Inc.
P.O. Box 11675
Tampa, Florida 33680

If to the Key Employee:

The address set forth in Schedule A

or at such other addresses as either party may designate in writing to the other party.

11.6 Gender. Throughout this Agreement, except where the context otherwise requires, the masculine gender shall be deemed to include the feminine and the neuter and the singular number shall be deemed to include the plural and vice-versa.

11.7 Attorneys' Fees. If any suit or action shall be instituted to enforce or to interpret this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party all costs, and reasonable attorneys' fees, expended as part of such suit, action, or appeal thereof.

IN WITNESS WHEREOF, the Company and the Key Employee have executed this Agreement this 9th day of February, 1994.

ATTEST: KASH N' KARRY FOOD STORES, INC.

/s/ R.P. Springer
Executive Vice President

By: /s/ Ronald J. Floto
Its: CEO

(Corporate Seal)

"COMPANY"

WITNESSES:

/s/ Brenda L. Barrow

/s/ Ronald J. Floto

/s/ Robin Jackman

"Key Employee"

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SCHEDULE A

Beneficiary Designation Form

1. I hereby designate Ronald J. Floto Spousal Revocable Trust of 1992 as my Beneficiary to receive the Benefit remaining unpaid on the date of my death, and if N/A is not then living, then I designate N/A to be my secondary Beneficiary.

2. My current residence address and telephone number for purposes of giving notice under subparagraph 11.5 of the Agreement is:

1110 Flores de Avila
Street

Tampa, FL 33613
City, State, and Zip Code

813-962-4636
Telephone Number

Dated this 14 day of February, 1994.

WITNESSES:

/s/ Jackie L. Heers

/s/ Ronald J. Floto

/s/ Robin Jackman

"Key Employee"

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SENIOR MANAGEMENT
SEVERANCE PAY AGREEMENT

This Severance Pay Agreement (the "Agreement") is entered into this 9th day of February, 1994, by and between KASH N' KARRY FOOD STORES, INC., a Delaware corporation (the "Company"), and the person executing this Agreement as key employee (the "Key Employee"). To induce the Key Employee to remain in the employ of the Company, to reward the Key Employee's continued loyalty and valuable efforts, and to provide security to the Key Employee in the event of a change in control of the Company, and in consideration of their mutual covenants and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Key Employee agree as follows:

1. Definitions.

As used in this Agreement and unless the context otherwise plainly requires, the terms defined in this paragraph shall have the meanings ascribed to them and shall include the plural as well as the singular number.

1.1 "Agreement" means this Severance Pay Agreement, as originally executed and as from time to time amended or supplemented.

1.2 "Annual Compensation" means the total amounts paid or projected to be paid by the Company to the Key Employee (determined without regard to this Plan) for services rendered to the Company during the Applicable Plan Year of the Company, including, but not limited to, base salary and target bonuses; but excluding (a) any amount that is not includable in the Key Employee's gross income by reason of sections 125, 132, 402(a)(8), 402(h), or 403(b) of the Internal Revenue Code; (b) any short term or long term disability payment whether paid by the Company or any third party under a program sponsored by the Company; and (c) any automobile allowance paid by the Company. In determining Annual Compensation, the target bonus means the target bonus payable to the Key Employee for the Applicable Plan Year under the Company's Management Incentive Plan (or any successor Plan) computed as if the Company and the Key Employee achieve 100% of their targeted goals for the Applicable Plan Year. Provided, further, if the Key Employee becomes entitled to a Benefit under this Agreement prior to the Company's

determination of target bonus goals for the Applicable Plan Year, then the Key Employee's and the Company's target bonus goals for the Company's preceding fiscal year will be deemed still in effect for the Applicable Plan Year, and the Key Employee's target bonus, for purposes of this Agreement, will be computed as

if the Company and the Key Employee achieved 100% of the preceding fiscal year's goals, notwithstanding the Company's and the Key Employee's actual performance in the preceding year.

1.3 "Applicable Period" means the period beginning 92 days prior to a Change in Control and ending 365 days after a Change in Control.

1.4 "Applicable Plan Year" means the Plan Year in which occurs the Involuntary Termination of employment, or the termination of the Plan, as applicable, whichever results in the Key Employee's entitlement to the Benefit under Paragraph 3.1.

1.5 "Beneficiary" means the Person or Persons designated by the Key Employee in Schedule A to this Agreement to receive the remaining unpaid Benefit, if any, payable by reason of the Key Employee's death after the date of the Key Employee's entitlement to the Benefit, but before payment of the Benefit. The Key Employee may change the designated Beneficiary at any time and from time to time, without the consent of any previous Beneficiary, by executing a new Schedule A and delivering it to the Plan Administrator prior to the Key Employee's death. The last Beneficiary designated by the Key Employee in a Schedule A duly executed by the Key Employee and timely delivered to the Plan Administrator shall receive the remaining Benefit. If no Beneficiary is properly designated by the Key Employee in accordance with the provisions of this subparagraph 1.5, then the Key Employee's estate shall be deemed the Beneficiary.

1.6 "Benefit" means an amount equal to the Key Employee's Annual Compensation.

1.7 "Change in Control" means the date that any of the following events first occurs:

(a) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (hereafter referred to as the "Exchange Act")), other than (i) Green Equity Investors, L. P. ("GEI"), or The Fulcrum III Limited Partnership or The Second Fulcrum III Limited Partnership (collectively referred to as the "Fulcrum Partnerships"), or (ii) any Person, including, but not limited to, the partners of GEI or either Fulcrum Partnership, to whom GEI or either Fulcrum Partnership is required to transfer any of its

securities as determined in accordance with its respective partnership agreement), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities in any transaction or transactions other than by reason of an initial public

offering by the Company of voting securities (or securities convertible into, or exchangeable for, voting securities or any other instrument that grants rights to acquire voting securities);

(b) individuals who constitute the Company's Board of Directors as of the date that this Agreement is executed by the parties (hereafter referred to as the "Incumbent Board") cease for any reason to constitute at least two-thirds thereof; provided, however, any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board shall be, for purposes of this subparagraph 1.7(b), considered as though such individual were a member of the Incumbent Board; provided, however, that any decrease in the number of Directors on the Incumbent Board, or any resignation or removal of a member of the Incumbent Board will not be deemed a Change in Control if approved by a vote of at least two-thirds of the Directors of the Incumbent Board; provided, further, the Incumbent Board will be deemed to be reconstituted for purposes of this subparagraph 1.7(b) each time a two-thirds vote approves a change;

(c) the merger, consolidation, share exchange, or other reorganization of the Company, with or into one or more entities, as a result of which less than fifty percent (50%) of the outstanding voting securities of the surviving or resulting entity are, or are to be, owned by former holders of voting securities of the Company as determined immediately before such event;

(d) the sale of all or substantially all of the Company's business, or assets, or both, to a Person that is not a Subsidiary of the Company; or

(e) approval by the Company's shareholders or Board of Directors of an agreement the consummation

of which would result in the occurrence of any event described under subparagraphs (a) through (d), inclusive, of this subparagraph 1.7.

1.8 "Company" means Kash n' Karry Food Stores, Inc., a Delaware corporation, and any Successor Company.

1.9 "For Cause" means if (a) the Key Employee is convicted of a criminal violation involving fraud or dishonesty with respect to the Company or Successor Company; (b) the Key Employee commits an act of gross dishonesty or intentional wrongdoing that results in a substantial economic harm, including any contingent liability or loss, to the Company or Successor Company; (c) the Key Employee dies; or (d) the Key Employee is absent without leave from work for any reason not considered by the Company's senior management as Company business or is unable to perform a majority of the Key Employee's duties for a continuous period of six (6) months.

1.10 "Internal Revenue Code" means the Internal Revenue Code of 1986, as in effect on the date that this Agreement is executed by the parties.

1.11 "Involuntarily Terminated" or "Involuntary Termination" means the Company's or Successor Company's termination of the Key Employee's employment for any reason other than For Cause or if the Key Employee voluntarily terminates employment with the Company immediately following a deemed termination (as hereafter defined). For purposes of this subparagraph 1.11, a deemed termination occurs if:

(a) There is a significant diminution in the scope of the Key Employee's authority;

(b) The Key Employee is assigned duties materially different from the Key Employee's duties as of the date of this Agreement;

(c) There is a more than 10% reduction in the Key Employee's base salary; provided, however, a more than 10% reduction in the Key Employee's base salary will not be deemed a termination if the percentage reduction is part of a uniformly applied percentage salary reduction affecting all senior management, including the Chief Executive Officer of the Company; or,

(d) The Key Employee is required to relocate his day-to-day place of business more than fifty (50) miles from the Key Employee's current residence in order to continue employment, and the Company or Successor Company fails to pay or reimburse promptly the Key Employee for all reasonable

costs incurred or actual economic losses sustained by the Key Employee as a result of such relocation (and for this purpose the failure to pay or reimburse promptly any Key Employee for any expenses or losses arising from a relocation incurred during the Applicable Period shall also be deemed to be an Involuntary Termination that occurs within the Applicable Period).

Notwithstanding anything in this paragraph 1.11 to the contrary, the events described above in subparagraphs (a) through (d) will not be deemed a termination of employment unless and until the Key Employee objects to the event, and the Key Employee will have up to 365 days after the occurrence of the event in which to note his objection in writing, and if such objection in writing is made, then the termination will be deemed to have occurred as of the date of receipt of the objection by the Company.

1.12 "Key Employee" means the individual who signs this Agreement, who is a highly compensated employee or a member of a select management group of the Company, and who has been selected by the Company's chief executive officer to be eligible for the Benefit provided by the Plan.

1.13 "Person" means one or more of the individuals or entities set forth in section 7701(a)(1) of the Internal Revenue Code.

1.14 "Plan" means this Severance Pay Agreement.

1.15 "Plan Administrator" means the Company, unless the Company designates a different person as Plan Administrator.

1.16 "Plan Year" means the fiscal year of the Company, as it may change from time to time. Currently, the Company's fiscal year period ends on the Sunday nearest July 31 of each year. If the Company changes its fiscal year, and that change results in a Plan Year of less than 52 weeks, then the Plan Year referred to in this Agreement shall mean the last preceding fiscal year of the Company containing at least 52 weeks.

1.17 "Subsidiary" means any corporation or other entity a majority or more of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

1.18 "Successor Company" means after a Change in Control any Person that owns all or a substantial portion of the Company's business or assets, and any Person that has an ownership interest in the Company.

2. Employment. Unless otherwise agreed by the Company, the Key Employee agrees to devote his full time and attention to

the business and affairs of the Company and to use his best efforts to provide satisfactory services to the Company.

3. Benefit.

3.1 Entitlement to Benefit. If, during the Applicable Period, the Key Employee's employment with the Company or Successor Company is Involuntarily Terminated, or the Plan is terminated by the Company or Successor Company, then the Benefit shall accrue and shall be paid by the Company (or the Successor Company, as applicable) to the Key Employee or to the Key Employee's Beneficiary, as the case may be, in accordance with the terms of Paragraph 3.2. If the Key Employee's entitlement to a Benefit does not accrue during the Applicable Period, then this Agreement shall terminate upon the expiration of the Applicable Period.

3.2 Payment of Benefit. The Benefit amount, if any, less all deductions required by law, shall be paid by the Company (or the Successor Company, as applicable) to the Key Employee or Beneficiary, as the case may be, in a single lump sum payment not later than seven (7) days after the later of the date of the Key Employee's Involuntary Termination, or the date of the termination of the Agreement, as applicable, and payment shall, in the discretion of the Company (or Successor Company), either be made to the Key Employee or Beneficiary, as applicable, by hand delivery at the office of the Company or delivery in accordance with the provisions of subparagraph 11.5 of this Agreement. Notwithstanding any contrary provisions of this Agreement, the Benefit accrued shall not be paid until the Key Employee terminates employment with the Company or Successor Company, as applicable.

4. Termination or Amendment of Agreement.

4.1 Termination of Agreement. This Agreement shall terminate upon the date that any of the following events first occurs:

- (a) cessation of the Company's business;
- (b) approval by the Company's shareholders or directors to dissolve or liquidate the Company;
- (c) upon the date that the Company breaches any obligation imposed on it under this Agreement (including, but not limited to, adopting an amendment in violation of subparagraph 4.2 of this Agreement) or under any other deferred compensation agreement between the Company and the Key Employee, including, but not limited to, failing to pay all or any portion of any benefits required to be paid to the Key Employee under this

Agreement, or any other deferred compensation agreement with the Key Employee, but only if such employee first delivers written notice by certified or registered mail of such breach to the Company pursuant to subparagraph 11.5, and the Company fails to cure such breach during the period that terminates twenty (20) days after the date such notice is delivered to the Company; or

(d) the decision of the Company to terminate the Plan at any time, with or without cause; or,

(e) the failure of any Successor Company to assume expressly the obligations of this Agreement.

Notwithstanding the foregoing, this Agreement shall remain in full force and effect and shall survive any termination until the Key Employee's entire Benefit, if any, accrued under subparagraph 3.1 of this Agreement as of the date that causes the Agreement's termination, less all deductions required by law, is distributed to the Key Employee in accordance with the provisions of subparagraphs 3.1 and 3.2 of this Agreement.

4.2 Amendment of Agreement. Except as otherwise provided under this Agreement, the Company may terminate, amend or supplement this Agreement, at any time prior to the beginning of the Applicable Period with or without the consent of the Key Employee. The Company shall deliver a copy of the amendment to the Key Employee. Provided, however, notwithstanding the foregoing, during the Applicable Period, the Company shall not amend this Agreement to: (a) reduce the amount of, or alter the time, method, or form of distributing, the Benefit payable pursuant to this Agreement determined as of the date immediately prior to the date of such amendment; (b) shorten the Applicable Period; or (c) limit the circumstances under which a Change in Control may occur or a Key Employee may be entitled to the Benefit payable pursuant to this Agreement.

5. Funding. The Plan shall be "unfunded" for purposes of federal income taxation and for purposes of the Employee Retirement Income Security Act of 1974, as amended, as that term is interpreted, from time to time, for such purposes; provided, however, the Company may obtain life insurance, disability insurance, or both, to informally fund its obligations hereunder, and the Company shall be the owner and beneficiary of the policy or policies. The Key Employee shall submit to medical examinations, supply information, and execute documents as may be required by the insurance company or companies. Neither the Key Employee, nor the Plan, shall be deemed to have any right, title, or interest in or to any specific assets of the Company, including any insurance policies or the proceeds therefrom, and any such policies shall not in any way be considered to be security for the performance of the obligations under this

Agreement. Nothing contained in this Agreement and no action taken pursuant to its provisions shall create or be construed to create a trust of any kind or a fiduciary relationship between the Company and the Key Employee or the Beneficiary. Any funds that may be invested to meet the provisions of this Agreement shall continue for all purposes to be a part of the general funds of the Company. To the extent any person acquires a right to receive payments from the Company under this Agreement, that right will be no more secure than the right of an general

unsecured creditor of the Company. The Benefit payable under this Agreement, if the conditions of Paragraph 3.1 are met, constitutes a mere promise by the Company to make payments in the future.

6. Non-Assignability. The Key Employee or Beneficiary shall not have any right to commute, encumber, transfer, convey, or dispose of the right to the Benefit payable under this Agreement. The Benefit and the right to it are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Key Employee or Beneficiary. Except to the extent contrary to applicable law, the Benefit under this Agreement is not transferable by operation of law if the Key Employee or Beneficiary becomes insolvent or bankrupt. Any attempt by the Key Employee or Beneficiary to commute, encumber, transfer, convey, or dispose of the right to the Benefit payable under this Agreement, shall be void and ineffectual.

7. Participation in Other Plans. Nothing contained in this Agreement shall be construed to alter, abridge, or affect the rights and privileges of the Key Employee to participate in and be covered by any employee plans that the Company now has or may hereafter adopt. Any payment under this Plan shall be independent of, and in addition to, those payable under any other plan or agreement that may be in effect with respect to the Key Employee.

8. Employment Rights. This Agreement shall not be deemed to constitute a contract of employment between the Company and the Key Employee and shall create no right of the Key Employee to continue in the Company's employ, nor shall this Agreement restrict the right of the Company to discharge the Key Employee or to terminate the Key Employee's employment.

9. Plan Administration.

9.1 Plan Administrator. This Agreement and the Plan shall be administered by the Plan Administrator. The Plan Administrator shall make all determinations as to the right of the Key Employee or the Beneficiary, as applicable, to receive

the Benefit provided by this Agreement.

9.2 Claims Procedure. If a Benefit under this Agreement is not paid to the Key Employee or the Beneficiary, as applicable, and such person feels entitled to it, such person shall make a claim in writing to the Plan Administrator. If the claim is denied, in whole or in part, the Plan Administrator shall inform the claimant in writing within 45 days setting forth the reasons for denial in layman's terms, with specific reference to the provisions of this Agreement upon which the denial is based, and with a description of the review procedures set forth in subparagraph 9.3.

9.3 Review Procedure. If a claim for the Benefit under this Agreement is denied, the claimant may, within 60 days after the denial, submit to the Plan Administrator, in writing, such information that will, in the claimant's opinion, support the claimant's right to the Benefit. If the Plan Administrator, after reviewing the information submitted by the claimant, determines that the claimant is not entitled to the Benefit claimed, the Plan Administrator shall afford the claimant or his representative a reasonable opportunity to appear personally before the Plan Administrator, to submit oral or written comments, and to review any documents pertinent to the Plan Administrator's decision. The Plan Administrator shall render its final decision, in writing, within 60 days after the appearance, with the specific reasons therefor.

10. Expenses. All costs and expenses of administering the Plan shall be paid by the Company.

11. Miscellaneous.

11.1 Binding Effect. This Agreement shall be binding on the legal representatives, successors, heirs, and assignees of the Company and the Key Employee; provided, further, unless the context clearly provides otherwise, any reference to, or duty or obligation imposed on, the Company shall also be deemed to refer to, and be the binding duty and obligation of, the Successor Company.

11.2 Governing Law. This Agreement has been negotiated and prepared in the State of Florida, and the validity, construction, and enforcement of this Agreement shall be governed by, and construed in accordance with, the laws of Florida (excluding its choice of law provisions if such laws would result in the application of laws of a jurisdiction other than Florida). Each party consents and agrees that Tampa, Hillsborough County, Florida, shall be the proper, exclusive, and convenient venue for any legal proceeding in federal or state court relating to this Agreement, and each party to this Agreement waives any defense, whether asserted by motion or by pleading, that Tampa,

Hillsborough County, Florida, is an improper or inconvenient venue.

11.3 Entire Agreement. This instrument contains the final, complete, and exclusive expression of the parties' understanding and agreement concerning the transactions contemplated by this Agreement and supersedes any prior or contemporaneous agreement or representation, oral or written, by either of them. Any vagueness or ambiguity in the meaning of this Agreement shall be interpreted in a manner most favorable to the Key Employee.

11.4 Descriptive Headings. The titles preceding the text of the paragraphs and subparagraphs of this Agreement are inserted solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, interpretation, or effect.

11.5 Notices. Any notice, communication, or payment of Benefit required or permitted to be sent by either party under this Agreement shall be made in writing and shall be deemed delivered when presented by hand delivery or when deposited in a United States postal service office or letter box for mailing by first class mail or certified mail, return receipt requested (whether or not the return receipt is subsequently received), postage prepaid and addressed to the appropriate party as follows:

If to the Company:

Executive Vice President-Administration
Kash n' Karry Food Stores, Inc.
P.O. Box 11675
Tampa, Florida 33680

If to the Key Employee:

The address set forth in Schedule A

or at such other addresses as either party may designate in writing to the other party.

11.6 Gender. Throughout this Agreement, except where the context otherwise requires, the masculine gender shall be deemed to include the feminine and the neuter and the singular number shall be deemed to include the plural and vice-versa.

11.7 Attorneys' Fees. If any suit or action shall be instituted to enforce or to interpret this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party all costs, and reasonable attorneys' fees, expended as part of such suit, action, or appeal thereof.

IN WITNESS WHEREOF, the Company and the Key Employee have executed this Agreement this 9th day of February, 1994.

ATTEST: KASH N' KARRY FOOD STORES, INC.

/s/ Raymond P. Springer
Executive Vice President

By: /s/ Ronald J. Floto
Its: CEO

(Corporate Seal)

"COMPANY"

WITNESSES:

"Key Employee"

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SCHEDULE A

Beneficiary Designation Form

1. I hereby designate _____
as my Beneficiary to receive the Benefit remaining unpaid on the
date of my death, and if _____ is not then
living, then I designate _____ to be my
secondary Beneficiary.

2. My current residence address and telephone number for
purposes of giving notice under subparagraph 11.5 of the
Agreement is:

Street

City, State, and Zip Code

Telephone Number

Dated this _____ day of _____, 1994.

WITNESSES:

"Key Employee"

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