FORM T-3

Initial application for qualification of trust indentures

Filing Date: **1995-05-10**
SEC Accession No. 0000912057-95-003472

FILER

GRAND UNION CO /DE/

CIK:**316236**| IRS No.: **251518276** | State of Incorp.:**DE** | Fiscal Year End: **0325**
Type: **T-3** | Act: **39** | File No.: **022-22205** | Film No.: **95536338**
SIC: **5411** Grocery stores

Mailing Address
201 WILLOWBROOK BLVD
WAYNE NJ 07470

Business Address
201 WILLOWBROOK BLVD
WAYNE NJ 07470-0966
2018906000

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-3

FOR APPLICATIONS FOR QUALIFICATION OF INDENTURES UNDER THE TRUST INDENTURE ACT OF 1939

THE GRAND UNION COMPANY
(Name of applicant)

201 Willowbrook Boulevard
Wayne, New Jersey 07470-0966
(Address of principal executive offices)

SECURITIES TO BE ISSUED UNDER THE INDENTURE TO BE QUALIFIED

TITLE OF CLASS	AMOUNT
12% Senior Notes due September 1, 2004	$595,475,922

Approximate date of proposed public offering: On or promptly after the Effective Date (as defined in the Second Amended Chapter 11 Plan of Reorganization of The Grand Union Company, dated April 19, 1995).

Name and address of agent for service:

Joseph J. McCaig
President and Chief Executive Officer
The Grand Union Company
201 Willowbrook Boulevard
Wayne, New Jersey 07470-0966

The applicant hereby amends this application for qualification on such date or dates as may be necessary to delay its effectiveness until (i) the 20th day after the filing of a further amendment which specifically states that it shall supersede this amendment, or (ii) such date as the Commission, acting pursuant to Section 307(c) of the Act, may determine upon the written request of the applicant.

GENERAL

1. GENERAL INFORMATION. FURNISH THE FOLLOWING AS TO THE APPLICANT:

a. Form of organization: A corporation.

b. State or other sovereign power under the laws of which organized:

Delaware

2. SECURITIES ACT EXEMPTION APPLICABLE. STATE BRIEFLY THE FACTS RELIED UPON BY THE APPLICANT AS A BASIS FOR THE CLAIM THAT REGISTRATION OF THE INDENTURE SECURITIES UNDER THE SECURITIES ACT OF 1933 IS NOT REQUIRED.

On January 25, 1995 (the "Filing Date"), the applicant, The Grand Union Company (the "Company" or the "Debtor"), commenced a case under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. section 101 et seq. (the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Since the Filing Date, the Debtor has continued to operate as a debtor-in-possession subject to the supervision of the Bankruptcy Court in accordance with the Bankruptcy Code.

The Company proposes to issue, as part of its Second Amended Chapter 11 Plan of Reorganization dated April 19, 1995 (the "Plan"), pursuant to section 1121(a) of the Bankruptcy Code, up to $595,475,922 of its 12% Senior Notes due September 1, 2004 (the "Senior Notes"). The Senior Notes will be issued to discharge in part claims of existing creditors in the bankruptcy proceedings described below.

The Senior Notes are proposed to be issued in reliance upon the exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), set forth in section 1145(a)(1) of the Bankruptcy Code. Section 1145 of the Bankruptcy Code exempts the offer or sale of securities under a plan of reorganization from registration under the Securities Act and state law. Under section 1145, the issuance of securities is exempt from registration if three principal requirements are satisfied: (1) the securities are issued by a debtor, its successor, or an affiliate participating in a joint plan with the debtor (provided that such entity is not an underwriter as defined in section 1145(b) of the Bankruptcy Code) under a plan of reorganization; (2) the recipients of the securities hold a claim against the debtor or such affiliate, an interest in the debtor or such affiliate, or a claim for an administrative expense against the debtor or such affiliate; and (3) the securities are issued entirely in exchange for the recipients' claim against or interest in the debtor or such affiliate, or "principally" in such exchange and "partly" for cash or property.

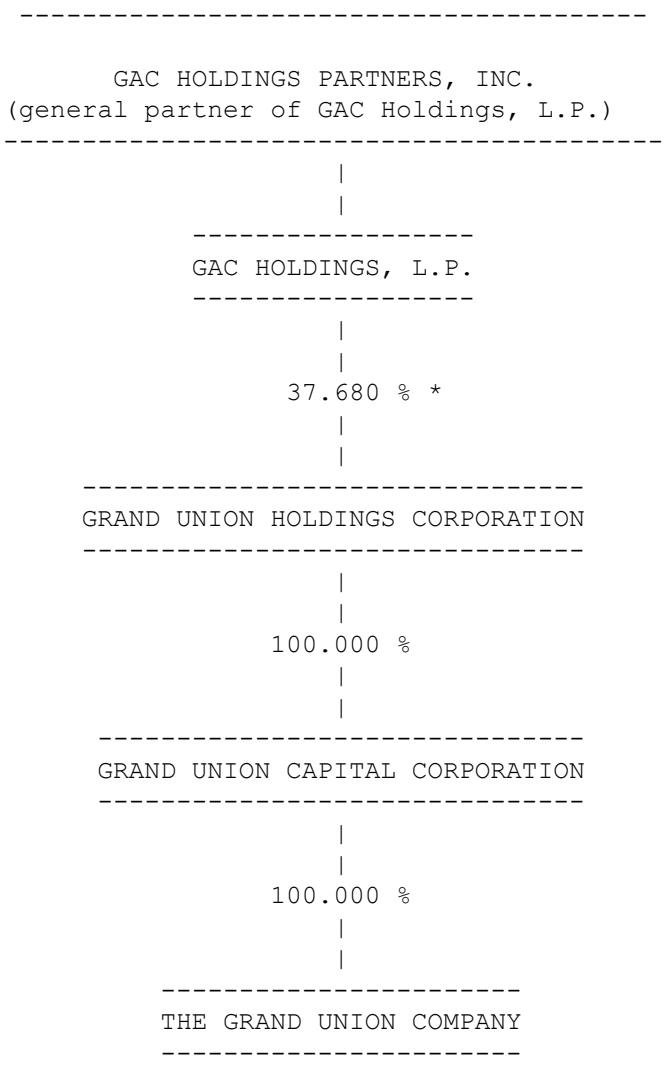
The applicant believes that the issuance of the Senior Notes under the indenture to be entered into by the Company and IBJ Schroder Bank & Trust Company, as Trustee (the "Indenture") to holders of prepetition senior secured notes under the Plan will satisfy all three conditions of section 1145 of the Bankruptcy Code because (a) the issuances are expressly contemplated under the Plan as part of the reorganization; (b) the recipients are holders of "claims" against the Debtor; and (c) the recipients would obtain such Senior Notes in exchange for their claims.

AFFILIATIONS

3. AFFILIATES. FURNISH A LIST OR DIAGRAM OF ALL AFFILIATES OF THE APPLICANT AND INDICATE THE RESPECTIVE PERCENTAGES OF VOTING SECURITIES OR OTHER BASES OF

CONTROL.

AS OF MAY 8, 1995



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* Percentage indicates voting power of, in each case, entity named above percentage in entity named below percentage, on a fully diluted basis.

AS OF EFFECTIVE DATE

The holders of prepetition subordinated debt of The Grand Union Company on the Effective Date will own all of the originally issued shares of common stock of the reorganized company.

4. DIRECTORS AND EXECUTIVE OFFICERS. LIST THE NAMES AND COMPLETE MAILING ADDRESSES OF ALL DIRECTORS AND EXECUTIVE OFFICERS OF THE APPLICANT AND ALL PERSONS CHOSEN TO BECOME DIRECTORS OR EXECUTIVE OFFICERS. INDICATE ALL OFFICES WITH THE APPLICANT HELD OR TO BE HELD BY EACH PERSON NAMED.

AS OF MAY 8, 1995

<TABLE>
<CAPTION>

Name	Address	Office
<S>	<C>	<C>
Gary D. Hirsch	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Director and Chairman
Martin A. Fox	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Director, Vice President and Assistant Secretary
Joseph J. McCaig	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Director, President and Chief Executive Officer
William A. Louttit	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Director, Executive Vice President and Chief Operating Officer
Kenneth R. Baum	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Director, Senior Vice President, Chief Financial Officer and Secretary
Darrell W. Stine	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Executive Vice President - New York Region
John S. McLaughlin	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President - Northern Region
Raymond H. Ayers	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President - Real Estate
Francis E. Nicastro	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President and Treasurer
Glenn L. Goldberg	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President and Assistant Secretary

Name	Address	Office
John Hinkel	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President - Distribution
William E. Kinslow	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President - Management Information Systems
Donald C. Vaillancourt	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President - Corporate Communications
Gilbert Vuolo	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President - Personnel
Louis Andrew DePaolis	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President - Advertising and Sales Promotion
Alfred T. Rossi	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President - Facilities Management
Alan Dudish	The Grand Union Company 201 Willowbrook Boulevard Wayne, New Jersey 07470-0966	Vice President - Nonperishables Merchandising and Distribution

</TABLE>

AS OF EFFECTIVE DATE

The Company intends to name new directors prior to the date on which the Plan is confirmed by the Bankruptcy Court. With the exception of Mr. Hirsch, Mr. Fox and Mr. Goldberg, who will not continue to be employed by the Company, the executive officers are expected to continue.

5. PRINCIPAL OWNERS OF VOTING SECURITIES. FURNISH THE FOLLOWING INFORMATION AS TO EACH PERSON OWNING 10 PERCENT OR MORE OF THE VOTING SECURITIES OF THE APPLICANT.

AS OF MAY 8, 1995

Name and Complete Mailing Address	Title of Class Owned	Amount Owned	Percentage of Voting Securities Owned
Grand Union Capital Corporation	Common Stock	801.5	100%

shares

AS OF EFFECTIVE DATE

The holders of prepetition subordinated debt of The Grand Union Company on the Effective Date will own all of the originally issued shares of common stock of the reorganized company.

UNDERWRITERS

6. UNDERWRITERS. GIVE THE NAME AND COMPLETE MAILING ADDRESS OF (A) EACH PERSON WHO, WITHIN THREE YEARS PRIOR TO THE DATE OF FILING THE APPLICATION, ACTED AS AN UNDERWRITER OF ANY SECURITIES OF THE OBLIGOR WHICH WERE OUTSTANDING ON THE DATE OF FILING THE APPLICATION, AND (B) EACH PROPOSED PRINCIPAL UNDERWRITER OF THE SECURITIES PROPOSED TO BE OFFERED. AS TO EACH PERSON SPECIFIED IN (A), GIVE THE TITLE OF EACH CLASS OF SECURITIES UNDERWRITTEN.

a. Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

and

BT Securities Corporation
130 Liberty Street
New York, New York 10006

Goldman, Sachs & Co. and BT Securities Corporation each served as underwriter for the Company's issuances of 11-1/4% Senior Notes due 2000 and 12-1/4% Senior Subordinated Notes due 2002.

b. None

CAPITAL SECURITIES

7. CAPITALIZATION. (A) FURNISH THE FOLLOWING INFORMATION AS TO EACH AUTHORIZED CLASS OF SECURITIES OF THE APPLICANT.

AS OF MAY 8, 1995

<TABLE>
<CAPTION>

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT OUTSTANDING
<S>	<C>	<C>
Common Stock, $50,000 par value	900 shares	801.5 shares
13% Senior Subordinated	$200,000,000	$ 16,150,000

Notes Due 1998		
11-1/4% Senior Notes Due 2000	$350,000,000	$350,000,000
12-1/4% Senior Subordinated Notes Due 2002	$500,000,000	$500,000,000
11-3/8% Senior Notes Due 1999	$175,000,000	$175,000,000
12-1/4% Senior Subordinated Notes Due 2002, Series A	$ 50,000,000	$ 50,000,000

</TABLE>

AS OF EFFECTIVE DATE

<TABLE>
<CAPTION>

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT OUTSTANDING
<S>	<C>	<C>
12% Senior Notes Due 2004	$595,475,922	$595,475,922
Common Stock, $1.00 par value	30 million shares	10 million shares
Preferred Stock, $1.00 par value	10 million shares	none

</TABLE>

(B) GIVE A BRIEF OUTLINE OF THE VOTING RIGHTS OF EACH CLASS OF VOTING SECURITIES REFERRED TO IN PARAGRAPH (A) ABOVE.

AS OF MAY 8, 1995

With respect to the voting rights of the common stock of the Company, each holder of a share of such common stock is entitled to one vote on all matters on which such shareholders are entitled to vote.

AS OF EFFECTIVE DATE

With respect to the voting rights of the common stock of the Company, each holder of a share of such common stock will be entitled to one vote on all matters on which such shareholders are entitled to vote.

INDENTURE SECURITIES

8. ANALYSIS OF INDENTURE PROVISIONS. INSERT AT THIS POINT THE ANALYSIS OF INDENTURE PROVISIONS REQUIRED UNDER SECTION 305(A)(2) OF THE ACT.

(a) Definition of Default: Events of Default under the Indenture include the following:

(i) the failure by the Company to pay interest on any Senior Note for a period of 30 days after such interest becomes due and payable;

(ii) the failure by the Company to pay the principal of (or premium, if any, on) any Senior Note when such principal becomes due and payable, whether at the stated maturity or upon acceleration, redemption or otherwise;

(iii) a default in the observance of any other covenant contained in the Indenture that continues for 30 days after the Company has been given notice of the default by the Trustee or the holders of 25% in principal amount of the Senior Notes then outstanding;

(iv) a default or defaults on other Indebtedness (as defined in the Indenture) of the Company or any subsidiary, which Indebtedness has an outstanding principal amount of more than $15,000,000 individually or in the aggregate if such Indebtedness has attained final maturity or if the holders of such Indebtedness have accelerated payment thereof under the terms of the instrument under which such Indebtedness is or may be outstanding and, in each case, it remains unpaid;

(v) one or more judgments or decrees is entered against the Company or any subsidiary involving a liability (not paid or fully covered by insurance) of $5,000,000 or more in the case of any one such judgment or decree and $10,000,000 or more in the aggregate for all such judgments and decrees for the Company and all its subsidiaries and all such judgments and decrees have not been vacated, discharged or stayed or bonded pending appeal within 30 days from the date of entry thereof;

(vi) the Company or any Material Subsidiary (as defined in the Indenture) pursuant to or within the meaning of the Bankruptcy Code (as defined in the Indenture):

(1) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights that is similar to the Bankruptcy Code;

(2) consents by answer or otherwise to the commencement against it of an involuntary case or proceeding of bankruptcy or insolvency;

(3) seeks or consents to the appointment of a receiver, trustee, assignee, liquidator, custodian or similar official (collectively, a "Custodian") of it or for all or substantially all of its Property (as defined in the Indenture);

(4) makes a general assignment for the benefit of its creditors; or

(5) consents to the entry of a judgment, decree or order for relief against it in an involuntary case; and

(vii) a court of competent jurisdiction enters a judgment, order or decree under any Bankruptcy Code (as defined in the Indenture) that is for relief against the Company or any Material Subsidiary in an involuntary case or proceeding which shall:

(1) approve a petition seeking reorganization, arrangement, adjustment or composition in respect of the Company or any Material Subsidiary of the Company,

(2) appoint a Custodian for the Company or any Material Subsidiary or for all or substantially all of the Property of any of them; or

(3) order the winding up or liquidation of the Company or any Material Subsidiary,

and in each case the judgment, order or decree remains unstayed and in effect for 60 days, or any dismissal, stay, rescission or termination ceases to remain in effect.

Within 90 days after the occurrence of an Event of Default that is continuing, the Trustee shall give notice thereof to the Holders; PROVIDED, HOWEVER, that, except in the case of a default in payment of principal of or interest on the Senior Notes, the Trustee may withhold such notice as long as it in good faith determines that such withholding is in the interests of the Holders. (Section 5.01)

(b) Authentication and Delivery; Application of Proceeds.

The Indenture provides that, upon a written order of the Company signed by two officers, the Trustee shall authenticate Senior Notes for original issue up to $595,475,922. The Senior Notes will be signed for the Company by the Company's President or a Vice President and shall be attested by the Company's Secretary or an Assistant Secretary. A Senior Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Senior Note has been authenticated under the Indenture.

The Trustee may appoint an Authenticating Agent acceptable to the Company to authenticate Senior Notes. An Authenticating Agent may authenticate Senior Notes whenever the Trustee may do so. Each reference in the Indenture to authentication by the Trustee includes authentication by such agent. An Authenticating Agent has the same rights as an Agent (as defined in the Indenture) to deal with the Company or an Affiliate (as defined in the Indenture). (Section 2.02)

The Senior Notes will be issued in exchange for claims against the Company or its affiliates as provided in the Plan, and accordingly, the issuance of the Senior Notes will not result in proceeds to the Company.

(c) Release and Substitution of Property Subject to the Lien of the Indenture: Not Applicable.

(d) Satisfaction and Discharge. The Company may terminate its obligations under the Indenture when all outstanding Senior Notes theretofore authenticated

and issued have been delivered to the Trustee for cancellation. In addition, the Company shall be Discharged (as defined in the Indenture) from its obligations with respect to the Senior Notes (except with respect to (A) the rights of the holders of the Senior Notes to receive, from the trust fund described in Section 7.01 of the Indenture, payment of the principal of, premium, if any, and the interest on such Senior Notes when such payments are due, (B) the Company's obligations under Sections 2.03, 2.04, 2.05, 2.06, 2.07, 3.17, 6.07 and 6.08 of the Indenture and (C) the rights, powers, trusts, duties and immunities of the Trustee

under the Indenture) when the Company deposits with the Trustee, in trust, money or U.S. Government Obligations (as defined in the Indenture) which, through the payment of interest thereon and principal thereof in accordance with their terms, will provide money in an amount sufficient to pay all the principal of and interest on the Senior Notes on the dates such payments are due in accordance with the terms of the Senior Notes. (Section 7.01)

(e) Evidence of Compliance.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a certificate signed by two officers of the Company (one of whom must be the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of the Company), stating that a review of the activities of the Company and its subsidiaries during the preceding fiscal year has been made and, as to each such officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in the Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions thereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Defaults of which he or she may have knowledge and the status thereof).

The Company shall, as long as any of the Senior Notes are outstanding, deliver to the Trustee, promptly, but in any case within 10 Business Days (as defined in the Indenture) of any Officer becoming aware of any Default, Event of Default or default in the performance of any covenant, agreement or condition contained in the Indenture, a certificate signed by two officers of the Company (one of whom must be the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of the Company) specifying such Default or Event of Default and the status thereof.

Upon payment in full of all outstanding Indebtedness under the Bank Credit Agreement (as defined in the Indenture), the Company shall deliver a certificate signed by two officers of the Company (one of whom must be the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of the Company) to the Trustee stating that such Indebtedness has been paid in full and discharged. (Section 3.18)

9. OTHER OBLIGORS. GIVE THE NAME AND COMPLETE MAILING ADDRESS OF ANY PERSON, OTHER THAN THE APPLICANT, WHO IS AN OBLIGOR UPON THE INDENTURE SECURITIES.

There are no other obligors with respect to the Senior Notes.

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

a. Pages numbered 1 to 15, consecutively.

b. The statement of eligibility and qualification of the trustee under the Indenture to be qualified.

c. The following exhibits in addition to those filed as a part of the statement of eligibility and qualification of the trustee.

Exhibit T3A1. Certificate of Incorporation of the Company, as amended, incorporated by reference to Exhibit No. 3.1 to the Registration Statement on Form S-1 of the Company, Grand Union Capital Corporation and Grand Union Holdings Corporation (Registration No. 33-48282 (the "1992 Grand Union Registration Statement")

Exhibit T3A2. Proposed Restated Certificate of Incorporation of the Company (included in Exhibit T3E1 hereof)

Exhibit T3B1. By-Laws of the Company, incorporated by reference to Exhibit No. 3.4 to the 1992 Grand Union Registration Statement

Exhibit T3B2. Proposed Restated By-Laws of the Company (included in Exhibit T3E1 hereof)

Exhibit T3C. Form of Indenture

Exhibit T3E1. Disclosure Statement for Second Amended Chapter 11 Plan of Reorganization of The Grand Union Company dated April 19, 1995, including Plan as an exhibit thereto, as filed with the United States Bankruptcy Court for the District of Delaware

Exhibit T3E2. Order approving disclosure statement, establishing voting procedures and setting confirmation hearing

Exhibit T3E3. Notice of hearing to consider confirmation of and time fixed for voting on the Second Amended Chapter 11 Plan of Reorganization filed by The Grand Union Company

Exhibit T3E4. Ballots for voting on Second Amended Plan of Reorganization, dated April 19, 1995, submitted by The Grand Union Company, Class 4-Senior Note Claims

Exhibit T3E5. Summary ballots for voting on Second Amended Plan of Reorganization, dated April 19, 1995, submitted by The Grand Union Company, Class 4-Senior Note Claims

Exhibit T3F. Cross Reference Sheet showing the location in the Indenture of the provisions inserted therein pursuant to Section 310 through 318(a), inclusive, of the Trust Indenture Act of 1939 (included in Exhibit T3C hereof)

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the applicant, The Grand Union Company, a corporation organized and existing under the laws of the State of Delaware, has duly caused this application to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the City of Wayne, and State of New Jersey, on the 8th day of May, 1995.

THE GRAND UNION COMPANY

[SEAL]

By: /s/ Kenneth R. Baum

_____

Name: Kenneth R. Baum
Title: Senior Vice President,
Chief Financial Officer
and Secretary

Attest:

/s/ Francis E. Nicastro

_____

Name: Francis E. Nicastro
Title: Vice President and Treasurer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2)
--

IBJ SCHRODER BANK & TRUST COMPANY
(Exact name of trustee as specified in its charter)

New York (Jurisdiction of incorporation or organization if not a U.S. national bank)	13-5375195 (I.R.S. employer identification No.)
One State Street, New York, New York (Address of principal executive offices)	10004 (Zip code)

IBJ SCHRODER BANK & TRUST COMPANY
1 State Street
New York, New York 10004
(212) 858-2000
(Name, address and telephone number of agent for service)

The Grand Union Company
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	22-1518276 (I.R.S. employer identification No.)
201 Willowbrook Boulevard Wayne, New Jersey (Address of principal executive offices)	07470-0966 (Zip code)

12% Senior Notes due September 1, 2004
(Title of indenture securities)

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Item 1. General information

Furnish the following information as to the trustee:

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

New York State Banking Department, Two Rector Street, New York, New York

Federal Deposit Insurance Corporation, Washington, D.C.

Federal Reserve Bank of New York Second District,
33 Liberty Street, New York, New York

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

Yes

Item 2. Affiliations with the obligor.

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

The obligor is not an affiliate of the trustee.

(See Note on Page 8)

Item 3. Voting securities of the trustee.

Furnish the following information as to each class of voting securities of the trustee:

As of April 24, 1995

Col. A Title of class	Col. B Amount outstanding

Not Applicable

Item 4. Trusteeships under other indentures.

If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, furnish the following information:

(a) Title of the securities outstanding under each such other indenture.

Not Applicable

(b) A brief statement of the facts relied upon as a basis for the claim that no conflicting interest within the meaning of Section 310(b)(1) of the Act arises as a result of the trusteeship under any such other indenture, including a statement as to how the indenture securities will rank as compared with the securities issued under such other indenture.

Not Applicable

Item 5. Interlocking directorates and similar relationships with the obligor or underwriters.

If the trustee or any of the directors or executive officers of the trustee is a director, officer, partner, employee, appointee, or representative of the obligor or of any underwriter for the obligor, identify each such person having any such connection and state the nature of each such connection.

Not Applicable

Item 6. Voting securities of the trustee owned by the obligor or its officials.

Furnish the following information as to the voting securities of the trustee owned beneficially by the obligor and each director, partner, and executive officer of the obligor:

As of April 24, 1995

Col A	Col. B	Col. C	Col. D
Name of owner	Title of class	Amount owned	Percent of voting

		beneficially	securities represented by amount given in Col. C

Not Applicable

Item 7. Voting securities of the trustee owned by underwriters or their officials.

Furnish the following information as to the voting securities of the trustee owned beneficially by each underwriter for the obligor and each director, partner, and executive officer of each such underwriter:

As of April 24, 1995

Col A Name of Owner	Col. B Title of class	Col. C Amount owned beneficially	Col. D Percent of voting securities represented by amount given in Col. C

Not Applicable

Item 8. Securities of the obligor owned or held by the trustee.

Furnish the following information as to securities of the obligor owned beneficially or held as collateral security for obligations in default by the trustee:

As of April 24, 1995

Col A Title of class	Col. B Whether the securities are voting or nonvoting securities	Col. C Amount owned beneficially or held as collateral security for obligations in default	Col. D Percent of class represented by amount given in Col. C

Not Applicable

Item 9. Securities of underwriters owned or held by the trustee.

If the trustee owns beneficially or holds as collateral security for obligations in default any securities of an underwriter for the obligor, furnish the following information as to each class of securities of such underwriter any of which are so owned or held by the trustee:

As of April 24, 1995

Col A Title of issuer and title of class	Col. B Amount outstanding	Col. C Amount owned beneficially or held as collateral security for obligations in default by trustee	Col. D Percent of class represented by amount given in Col. C
- ----------	----------	----------	----------

Not Applicable

Item 10. Ownership or holdings by the trustee of voting securities of certain affiliates or security holders of the obligor.

If the trustee owns beneficially or holds as collateral security for obligations in default voting securities of a person who, to the knowledge of the trustee (1) owns 10 percent or more of the voting securities of the obligor or (2) is an affiliate, other than a subsidiary, of the obligor, furnish the following information as to the voting securities of such person:

As of April 24, 1995

Col A Title of issuer and title of class	Col. B Amount outstanding	Col. C Amount owned beneficially or held as collateral security for obligations in default by trustee	Col. D Percent of class represented by amount given in Col. C
- ----------	----------	----------	----------

Not Applicable

Item 11. Ownership or holdings by the trustee of any securities of a person owning 50 percent or more of the voting securities of the obligor.

If the trustee owns beneficially or holds as collateral security for obligations in default any securities of a person who, to the knowledge of the trustee, owns 50 percent or more of the voting securities of the obligor, furnish the following information as to each class of securities of such person any of which are so owned or held by the trustee:

As of April 24, 1995

Col A Title of issuer and title of class	Col. B Amount outstanding	Col. C Amount owned beneficially or held as collateral security for obligations in default by trustee	Col. D Percent of class represented by amount given in Col. C
- ----------	----------	----------	----------

Not Applicable

Item 12. Indebtedness of the Obligor to the Trustee.

Except as noted in the instructions, if the obligor is indebted to the trustee, furnish the following information:

As of April 24, 1995

Col. A Nature of Indebtedness	Col. B Amount Outstanding	Col. C Date Due
----------	----------	------

Not Applicable

Item 13. Defaults by the Obligor.

(a) State whether there is or has been a default with

respect to the securities under this indenture. Explain the nature of any such default.

None

(b) If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, or is trustee for more than one outstanding series of securities under the indenture, state whether there has been a default under any such indenture or series, identify the indenture or series affected, and explain the nature of any such default.

None

Item 14. Affiliations with the Underwriters.

If any underwriter is an affiliate of the trustee, describe each such affiliation.

Not Applicable

Item 15. Foreign Trustee.

Identify the order or rule pursuant to which the foreign trustee is authorized to act as sole trustee under indentures qualified or to be qualified under the Act.

Not Applicable

Item 16. List of exhibits.

List below all exhibits filed as part of this statement of eligibility.

*1. A copy of the Charter of IBJ Schroder Bank & Trust Company as amended to date. (See Exhibit 1A to Form T-1, Securities and Exchange Commission File No. 22-18460).

*2. A copy of the Certificate of Authority of the trustee to Commence Business (Included in Exhibit 1 above).

*3. A copy of the Authorization of the trustee to exercise corporate trust powers, as amended to date (See Exhibit 4 to Form T-1,

Securities and Exchange Commission File No. 22-19146).

*4. A copy of the existing By-Laws of the trustee, as amended to date (See Exhibit 4 to Form T-1, Securities and Exchange Commission File No. 22-19146).

5. Not Applicable

6. The consent of United States institutional trustee required by Section 321(b) of the Act.

7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.

* The Exhibits thus designated are incorporated herein by reference as exhibits hereto. Following the description of such Exhibits is a reference to the copy of the Exhibit heretofore filed with the Securities and Exchange Commission, to which there have been no amendments or changes.

NOTE

In answering any item in this Statement of Eligibility which relates to matters peculiarly within the knowledge of the obligor and its directors or officers, the trustee has relied upon information furnished to it by the obligor.

Inasmuch as this Form T-1 is filed prior to the ascertainment by the trustee of all facts on which to base responsive answers to Item 2, the answer to said Item are based on incomplete information.

Item 2, may, however, be considered as correct unless amended by an amendment to this Form T-1.

Pursuant to General Instruction B, the trustee has responded to Items 1, 2 and 16 of this form since to the best knowledge of the trustee as indicated in Item 13, the obligor is not in default under any indenture under which the applicant is trustee.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the trustee, IBJ Schroder Bank & Trust Company, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly

authorized, all in the City of New York, and State of New York, on the 24th day of April, 1995.

IBJ SCHRODER BANK & TRUST COMPANY

By: /s/Thomas J. Bogert

Thomas J. Bogert
Assistant Vice President

EXHIBIT 6

CONSENT OF TRUSTEE

Pursuant to the requirements of Section 321(b) of the Trust Indenture Act of 1939, as amended, in connection with the issue by The Grand Union Company of its 12% Senior Notes due September 1, 2004, we hereby consent that reports of examinations by Federal, State, Territorial, or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

IBJ SCHRODER BANK & TRUST COMPANY

By: /s/Thomas J. Bogert

Thomas J. Bogert
Assistant Vice President

Dated: April 24, 1995

EXHIBIT 7

CONSOLIDATED REPORT OF CONDITION OF
IBJ SCHRODER BANK & TRUST COMPANY
OF NEW YORK, NEW YORK
AND FOREIGN AND DOMESTIC SUBSIDIARIES

REPORT AS OF DECEMBER 31, 1994

BALANCE SHEET
ASSETS

<TABLE>
<CAPTION>

	DOLLAR AMOUNTS IN THOUSANDS
<S>	<C>
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 25,481
Interest-bearing balances	$ 289,418
Securities: Held to Maturity	$ 51,486
Available-for-sale	$ 31,056
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiares, and in IBFs:	
Federal Funds sold	$ 37,417
Securities purchased under agreements to resell	$ 1,061,745
Loans and lease financing receivables:	
Loans and leases, net of unearned income	$2,145,876
LESS: Allowance for loan and lease losses	$ 48,256
LESS: Allocated transfer risk reserve	$ 441
Loans and leases, net of unearned income, allowance, and reserve	$ 2,097,179
Assets held in trading accounts	$ 824,995
Premises and fixed assets	$ 10,452
Other real estate owned	$ 802
Investments in unconsolidated subsidiaries and associated companies	$ 0

Customers' liability to this bank on acceptances outstanding	$ 1,565
Intangible assets	$ 62,530
Other assets	$ 159,872
TOTAL ASSETS	$ 4,653,998

LIABILITIES

Deposits:		
In domestic offices		$ 633,082
Noninterest-bearing	$187,256	
Interest-bearing	$445,826	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		$ 854,734
Noninterest-bearing	$ 14,039	
Interest-bearing	$840,695	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds purchased		$ 247,200
Securities sold under agreements to repurchase		$ 766,161
Demand notes issued to the U.S. Treasury		$ 9,925
Trading Liabilities		$ 689,931
Other borrowed money		$ 802,560
Mortgage indebtedness and obligations under capitalized leases		$ 9,077
Bank's liability on acceptances executed and outstanding		$ 1,565
Subordinated notes and debentures		$ 0
Other liabilities		$ 302,325
TOTAL LIABILITIES		$4,316,560

Limited life preferred stock and related surplus	$	0

EQUITY CAPITAL

Perpetual preferred stock and related surplus	$	50,000
Common Stock	$	41,473
Surplus (excluding surplus related to preferred stock)	$	282,945
Undivided profits and capital reserves	$	(36,920)
Plus: Net unrealized gains (losses) on available-for-sale equity securities	$	(60)
Cumulative foreign currency translation adjustments	$	0
TOTAL EQUITY CAPITAL	$	337,438
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK AND EQUITY CAPITAL	$	4,653,998

</TABLE>

Exhibit T3C

DRAFT 4/13/95

THE GRAND UNION COMPANY, as Issuer

and IBJ SCHRODER BANK & TRUST COMPANY, as Trustee

$595,475,922

- ----------

INDENTURE

Dated as of _____, 1995

- ----------

12% Senior Notes due September 1, 2004

CROSS REFERENCE TABLE(1)

[SUBJECT TO FURTHER REVIEW]

Trust Indenture Act Section	Reference Section
310(a)(1)	6.10
(a)(2)	6.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	6.10
(b)	6.10, 6.08(c)
(c)	N.A.
311(a)	6.11
(b)	6.11
(c)	N.A.
312(a)	2.05
(b)	10.03
(c)	10.03
313(a)	6.06
(b)(1)	N.A.
(b)(2)	6.06
(c)	6.06, 10.02
(d)	6.06
314(a)	3.07(a), 3.18(a)
(b)	N.A.
(c)(1)	10.04
(c)(2)	10.04
(c)(3)	N.A.
(d)	N.A.
(e)	10.05
315(a)	6.01(b)
(b)	6.05, 10.02
(c)	6.01(a)
(d)	6.01(c)
(e)	5.11
316(a)	2.09
(a)(1)(A)	5.05
(a)(1)(B)	5.04
(a)(2)	N.A.
(b)	5.07
(c)	8.04(b)
317(a)(1)	5.08
(a)(2)	5.09
(b)	2.04
318(a)	10.01

N.A. means not applicable

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(1) This Cross-Reference Table is not part of the Indenture.

TABLE OF CONTENTS

INDENTURE dated as of _____, 1995 between THE GRAND UNION COMPANY, a Delaware corporation (the "Company"), and IBJ SCHRODER BANK & TRUST COMPANY, a banking company organized under the laws of the State of New York, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's 12% Senior Notes due September 1, 2004 (the "Securities").

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01.

(a) DEFINITIONS.

"ADDITIONAL ASSETS" means any Property or assets substantially related to the Company's primary business.

"AFFILIATE" means, with respect to any referenced Person, a Person (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under direct or indirect common control with, such referenced Person, (ii) which directly or indirectly through one or more intermediaries beneficially owns or holds 5% or more of the combined voting power of the total Voting Stock of such referenced Person or (iii) of which 5% or more of the combined voting power of the total Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) directly or indirectly through one or more intermediaries is beneficially owned or held by such referenced Person, or a Subsidiary of such referenced Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; PROVIDED, HOWEVER, that beneficial ownership of 5% or more of the voting securities of another Person, shall be deemed to be control. When used herein without reference to any Person, Affiliate means an Affiliate of the Company.

"AGENT" means any Registrar, Paying Agent or co-Registrar.

"ASSET SALE" means the sale or other disposition, in a transaction which is not a Sale and Leaseback Transaction permitted under the terms of this Indenture, by the Company or any of its Subsidiaries to any Person other than the Company or another of its Subsidiaries of (i) any of the Capital Stock of any of the Subsidiaries of the Company or (ii) any other assets of the Company or any other assets of its Subsidiaries outside the ordinary course of business of the Company or such Subsidiary.

"AVERAGE LIFE" means, as of the date of determination, with respect to any debt security, the quotient obtained by dividing (i) the sum of the products of (x) the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such debt security multiplied by (y) the amount of such principal payment by (ii) the sum of all such principal payments.

"BANK CREDIT AGREEMENT" means either (i) the Bankers Trust Bank Credit Agreement, (ii) the Alternative Credit Documents, if the Company has made the election provided for in Section 6.01(a) (ii) of the Plan, or (iii) any successor agreement, together with documents related thereto, including, without limitation, any security agreements, pledge agreements, mortgages or guarantees in each case as such agreements may be amended, restated, supplemented or otherwise modified from time to time and includes any agreement renewing, extending the maturity of, refinancing (including by way of placement or issuance of notes) or restructuring (including the inclusion of additional borrowers, guarantors or lenders) all or any portion of the Indebtedness under such agreements.

"BANKERS TRUST BANK CREDIT AGREEMENT" means the Amended and Restated Credit Agreement dated as of _____, 1995 among the Company, Bankers Trust Company, for itself and as agent, and the other parties thereto, as it may be amended from time to time.

"BANKRUPTCY CODE" means Title 11 of the United States Code, as from time to time in effect. For purposes of Sections 5.01, 6.07 and 6.08 hereof, the term "Bankruptcy Code" also includes any similar federal, state or foreign law relating to bankruptcy, insolvency, receivership, winding-up, liquidation, reorganization or relief of debtors or any amendment to, succession to or change in any such law.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any duly authorized committee of such board.

"BORROWING SUBSIDIARY" means any direct or indirect wholly-owned Subsidiary of the Company which is permitted to

incur Indebtedness under the terms of this Indenture pursuant to Section 3.09 hereof and which is primarily engaged in any business in which a supermarket chain is at the time engaged or any related business or in any business in which the Company is engaged on the Issue Date.

"BUSINESS DAY" means any day which is not a Legal Holiday.

"CAPITAL STOCK" means, with respect to any Person, any and all shares, interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, including, without limitation, preferred or

preference stock, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock.

"CAPITALIZED LEASE OBLIGATIONS" means, at the time any determination thereof is made, as to any Person, the obligation of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real or personal Property which obligation is required to be classified and accounted for as a capital lease obligation on a balance sheet of such Person under GAAP and, for purposes of this Indenture, the amount of such obligation at any date shall be the outstanding amount thereof at such date, determined in accordance with GAAP.

"CHANGE OF CONTROL" means the occurrence of any of the following events:

(a) any Person or Persons acting together which would constitute a "group" (a "Group") for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto, together with any Affiliates thereof (other than a Permitted Holder or Permitted Holders), is or becomes the beneficial owner of more than 50% of the total Voting Stock of the Company;

(b) the Company consolidates with, or merges into, another Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person in one transaction or a series of related transactions, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities (other than Voting Stock) or other property with the effect that any Person or Group (other than a Permitted Holder or Permitted

Holders) becomes the beneficial owner of more than 50% of the total Voting Stock of the Company or any successor corporation or securities representing more than 50% of the total Voting Stock of the Company or any successor corporation;

(c) during any consecutive two-year period, commencing as of the date of this Indenture, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board or whose nomination for election by the stockholders of the Company was approved by a vote of 66 2/3% of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason (other than death or disability) to constitute a majority of the Board of Directors of the Company then in office; or

(d) any order, judgment or decree shall be entered against the Company decreeing the dissolution or split-up of the Company and such order shall remain undischarged or unstayed for a period in excess of 60 days;

PROVIDED, HOWEVER, that none of the events described in the foregoing clauses (a) through (d) shall constitute a "Change of Control" unless Standard & Poor's Corporation or Moody's Investors Service, Inc. shall within 180 days after the occurrence of such event (such 180-day period to be extended by that number of days, not exceeding 45 days, during which the Securities shall have been placed after the date of such event on credit watch with negative implications status) have downgraded the rating assigned by such agency to the Securities on the date of such event.

"COMPANY" means the Person designated as the "Company" in the first paragraph of this instrument until any successor corporation shall have become such Person pursuant to the terms of this Indenture, and thereafter means any such successor.

"CONSOLIDATED INTEREST COVERAGE RATIO" means, with respect to the Company for any period, the ratio of:

(i) the aggregate amount of Consolidated Operating Income of the Company for the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date

to

(ii) the aggregate amount of Consolidated Interest Expense of the Company for the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date; PROVIDED, HOWEVER, that, for purposes of calculating the Consolidated Interest Coverage Ratio of the Company, (a) Consolidated Operating Income shall be calculated on the basis of the first-in, first-out method of inventory valuation, as determined in accordance with GAAP, (b) the Consolidated Operating Income and Consolidated Interest Expense of the Company shall include the Consolidated Operating Income and Consolidated Interest Expense of any Person to be acquired by the Company or any of its Subsidiaries in connection with the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio, on a pro forma basis for the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date and shall also include the Consolidated Operating Income and Consolidated Interest Expense of any other Person which has been acquired during such four consecutive fiscal quarters, on a pro forma basis from the beginning of such four consecutive fiscal quarters through the date first included in the Company's Consolidated Operating Income and Consolidated Interest Expenses, such pro forma Consolidated Operating

Income and Consolidated Interest Expense to be determined on the same basis as used in determining such items for the Company, and (c) Consolidated Interest Expense and Redeemable Dividends shall be calculated as if (i) any Indebtedness incurred or proposed to be incurred or issued since the beginning of the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date, or to be incurred or issued at or prior to the time of the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio is effected (the "Transaction Time"), had been incurred or issued as of the beginning of such four quarter period, and (ii) any Indebtedness repaid since the beginning of such four quarter period or to be repaid with the proceeds of such Indebtedness or equity incurred or issued or to be incurred or issued at or prior to the Transaction Time, had been repaid as of the beginning of such four quarter period. For purposes of determining the Consolidated Interest Coverage Ratio of the Company for any period, (i) any Indebtedness incurred or proposed to be incurred or Redeemable Stock issued or proposed to be issued which for purposes of clause (c) above is deemed to have been incurred or issued as of the beginning of the four quarter period described in clause (c) which bears

interest at a fluctuating rate will be deemed to have borne interest during such four quarter period at the rate in effect on the Transaction Date and (ii) "Subsidiary" shall mean any Subsidiary of the Company other than any Subsidiary (and Subsidiaries of such Subsidiary) of which the Company does not own or control, directly or indirectly, a sufficient amount of Voting Stock in order to cause a merger of such Subsidiary into the Company or another Subsidiary without the approval of any other holder of Voting Stock of such Subsidiary.

"CONSOLIDATED INTEREST EXPENSE" means, for any period, without duplication (A) the sum of (i) the aggregate amount of interest recognized by the Company and its Subsidiaries during such period in respect of Indebtedness of the Company and its Subsidiaries (including, without limitation, all interest capitalized by the Company or any of its Subsidiaries during such period and all commissions, discounts and other fees and charges owed by the Company and its Subsidiaries with respect to letters of credit and bankers' acceptance financing and the net costs associated with Interest Swap Obligations of the Company and its Subsidiaries), (ii) to the extent any Indebtedness of any Person is guaranteed by the Company or any of its Subsidiaries, the aggregate amount of interest paid or accrued by such Person during such period attributable to any such Indebtedness, and (iii) any cash Redeemable Stock dividend accrued and payable, and less (B) amortization or write-off of deferred financing costs of the Company and its Subsidiaries during such period and, to the extent included in (A) above, any charge related to any premium or penalty paid in connection with redeeming or retiring any Indebtedness prior to its stated maturity, and in the case of both (A) and (B) above, elimination of intercompany accounts among the Company and its Subsidiaries and as determined in accordance with GAAP.

"CONSOLIDATED NET INCOME" means, for any period, the aggregate net income of the Company and its Subsidiaries for such period on a consolidated basis, determined in accordance with GAAP but excluding for such purpose the impact of any Fresh Start Accounting adjustment; PROVIDED, HOWEVER, that there shall be excluded therefrom, after giving effect to any related tax effect, (i) gains and losses from Asset Sales or reserves relating thereto, (ii) items classified as extraordinary or nonrecurring, including without limitation income relating to the cancellation of indebtedness resulting from the Restructuring, (iii) the income (or loss) of any Joint Venture, except to the extent of the amount of cash dividends or other distributions in respect of its capital stock or interest in the Joint Venture actually paid to, and received by, the Company or any of its Subsidiaries during

such period by such Joint Venture out of funds legally available therefor, (iv) except to the extent includable pursuant to clause (iii), the income (or loss) of any Person accrued or attributable to any period prior to the date it becomes a Subsidiary of the Company or is merged into or consolidated with the Company or any of its Subsidiaries or that Person's assets (or a portion thereof) are acquired by the Company or any of its Subsidiaries and (v) the cumulative effect of changes in accounting principles in the year of adoption of such change.

"CONSOLIDATED OPERATING INCOME" means, with respect to the Company for any period, the Consolidated Net Income of the Company and its Subsidiaries for such period (A) increased by the sum of (i) Consolidated Interest Expense of the Company for such period, (ii) income tax expense of the Company and its Subsidiaries, on a consolidated basis, for such period (after giving effect to any income tax expense adjustments made in arriving at Consolidated Net Income), (iii) depreciation expense of the Company and its Subsidiaries, on a consolidated basis, for such period, (iv) amortization expense of the Company and its Subsidiaries, on a consolidated basis, for such period, (v) amortization or write-off of deferred financing costs of the Company and its Subsidiaries, on a consolidated basis, for such period and (vi) other non cash items, but only to the extent the items referred to in subclauses (i) through (vi) of this clause (A) reduced such Consolidated Net Income and (B) decreased by the sum of (i) non cash items increasing such Consolidated Net Income and (ii) any revenues received or accrued by the Company or any of its Subsidiaries from any Person (other than the Company or any of its Subsidiaries) in respect of any Investment for such period (other than revenue from any Qualified Investment), but only to the extent that subclauses (i) and (ii) of this clause (B) increased such Consolidated Net Income, all as determined in accordance with GAAP.

"DEFAULT" means an event or condition that is, or, with the lapse of time or the giving of notice or both, would become, an Event of Default as defined in Section 5.01.

"FAIR MARKET VALUE" means, with respect to any Asset Sale or any non-cash consideration received by or transferred to any Person, the sale value

that would be obtained in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer, as determined in good faith by the Board of Directors of the Company.

"FRESH START ACCOUNTING" means Fresh Start Accounting as described in Statement of Position 90-7,

"Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (Am. Inst. of Certified Public Accountants 1990), as then in effect, or such comparable statement then in effect.

"GAAP" means, at any particular time, generally accepted accounting principles as in effect in the United States of America at such time.

"GUARANTEE" means any direct or indirect obligation, contingent or otherwise, of a Person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person in any manner.

"HOLDER" means a Person in whose name a Security is registered.

"INDEBTEDNESS," as applied to any Person, means, without duplication, (i) any obligation, contingent or otherwise, for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (ii) any obligation owed for all or any part of the purchase price of Property or other assets or for the cost of Property or other assets constructed or of improvements thereto (including any obligation under or in connection with any letter of credit related thereto), other than accounts payable included in current liabilities incurred in respect of Property and services purchased in the ordinary course of business which are not overdue by more than 90 days, according to the terms of sale, unless being contested or negotiated in good faith, (iii) any obligation, contingent or otherwise, of a Person under or in connection with any letter of credit issued for the account of such Person, and all drafts drawn, or demands for payment honored, thereunder, (iv) any obligation, contingent or otherwise, as set forth in subclauses (i) and (ii) of this definition, secured by any Lien in respect of Property even though the Person owning the Property has not assumed or become liable for payment of such obligation, (v) any Capitalized Lease Obligation, (vi) any note payable, bond, debenture, draft accepted or similar instrument representing an extension of credit (other than extensions of credit for Property and services purchased in the ordinary course of business which are not overdue by more than 90 days, according to the terms of sale, unless being contested or negotiated in good faith), whether or not representing an obligation for borrowed money, (vii) the maximum fixed repurchase price of any Redeemable Stock, (viii) any obligations of such Person in respect of Interest Swap Obligations and (ix) any Guarantees and any obligation which is in economic effect a Guarantee, regardless of its characterization, with respect to Indebtedness (of a kind otherwise described in this definition) of another Person.

For purposes of the preceding sentence, the maximum fixed repurchase price of any Redeemable Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Stock as if such Redeemable Stock were repurchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability of any such contingent obligations at such date.

"INDENTURE" means this Indenture, as amended, modified or supplemented from time to time, together with any exhibits, schedules or other attachments hereto.

"INTEREST SWAP OBLIGATIONS" means the obligations of any Person pursuant to any interest rate swap agreement, interest rate cap, collar or floor agreement or other similar agreement or arrangement.

"INVESTMENT" means, with respect to any Person (such Person being referred to in this definition as the "Investor"), (i) any amount paid by the Investor, directly or indirectly, or any transfer of Property by the Investor, directly or indirectly (such amount to be the Fair Market Value of such Property at the time of transfer by the Investor), to any other Person for Capital Stock of, or as a capital contribution to, any other Person; (ii) any direct or indirect loan or advance to any other Person (other than accounts receivable of such Investor arising in the ordinary course of business); and (iii) Guarantees of the Indebtedness of another Person.

"ISSUE DATE" means _____, 1995, the date on which the Securities are first to be issued under this Indenture.

"JOINT VENTURE" means any Person (other than a Subsidiary of the Company) in which any Person other than the Company or any of its Subsidiaries has a joint or shared equity interest with the Company or any of its Subsidiaries.

"LIEN" means any mortgage, lien (statutory or other), charge, pledge, hypothecation, conditional sales agreement, adverse claim, title retention agreement or other security interest, encumbrance or title defect in or on, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale, trust receipt or other title retention agreement with respect to, any Property or asset of such Person.

"MATERIAL ACQUISITION" means any merger, consolidation, acquisition or lease of assets, acquisition of securities or other business combination or acquisition, or any two or more such transactions if part of a common plan to acquire a business or group of businesses, if the assets thus acquired in the aggregate would have constituted a Material Subsidiary if they had been acquired as a Subsidiary, based upon the consolidated financial statements of the Company and its Subsidiaries for the most recent fiscal year for which financial statements are available.

"MATERIAL SUBSIDIARY" means, with respect to the Company, at any time, each existing Subsidiary and each Subsidiary hereafter acquired or formed which (i) for the most recent fiscal year of the Company for which financial statements are available accounted for more than 10% of the consolidated revenues of the Company and its Subsidiaries or (ii) as at the end of such fiscal year, was the owner (beneficial or otherwise) of more than 10% of the consolidated assets of the Company and its Subsidiaries, all as shown on the consolidated financial statements of the Company and its Subsidiaries for such fiscal year.

"NET PROCEEDS" means, with respect to an Asset Sale by the Company or any of its Subsidiaries, (i) the gross proceeds received by the Company or its Subsidiary in connection with such Asset Sale (the amount of any non-cash consideration received as proceeds to be the Fair Market Value of such consideration, provided that liabilities assumed by the buyer shall not be deemed proceeds received by the Company or its Subsidiary), minus (ii) the sum of (a) reasonable fees and expenses incurred by the Company or such Subsidiary in connection with such Asset Sale, including any tax on income resulting from the gain realized from such Asset Sale, (b) payments made with respect to liabilities associated with the assets which are the subject of the Asset Sale, including without limitation, trade payables and other accrued liabilities, and payments made to retire Indebtedness where the assets disposed of in such Asset Sale constituted security for or had been pledged to secure such Indebtedness and payment of such Indebtedness is required in connection with such Asset Sale and (c) appropriate amounts to be provided by the Company or any Subsidiary thereof, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such assets and retained by the Company or any Subsidiary thereof, as the case may be, after such Asset Sale, including, without limitation, liabilities under any indemnification obligations and severance and other employee termination costs associated with such Asset Sale.

"NON-BORROWING SUBSIDIARY" means any direct or indirect wholly-owned Subsidiary of the Company which (i) is not permitted to incur Indebtedness and does not at any time, in the present or future, have outstanding Indebtedness and (ii) which is not permitted to issue preferred or preference stock, pursuant to its certificate of incorporation or otherwise, and does not at any time, in the present or the future, have outstanding preferred or preference stock.

"OFFICER" means the Chairman of the Board of Directors, the President, any Vice President, the Treasurer, the Secretary, any Assistant Treasurer or any Assistant Secretary of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers of the Company, one of whom must be the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of the Company.

"OPINION OF COUNSEL" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"PERMITTED HOLDERS" means any Person which directly or indirectly through one or more intermediaries beneficially owns or holds or is entitled to receive on the Issue Date 20% or more of the combined voting power of the Voting Stock of the Company, or any Affiliate of any such Person.

"PERSON" means any individual, corporation, limited or general partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PLAN" means the plan of reorganization of the Company, as confirmed by the United States Bankruptcy Court for the District of Delaware on _____, 1995.

"PRINCIPAL", or "PRINCIPAL" of a debt security means the principal amount of a debt security plus the premium, if any, on such debt security.

"PROPERTY" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"QUALIFIED INVESTMENT" means the following kinds of instruments if, on the date of purchase or other acquisition of any such instrument by the Company or any Subsidiary the remaining term to maturity thereof is not more than one year: (i) obligations issued or unconditionally guaranteed as to

principal and interest by the United States of America or by any agency or authority controlled or supervised by and acting as an instrumentality of the United States of America; (ii) obligations (including, but not limited to, demand or time deposits, bankers' acceptances and certificates of deposit) issued by (a) a depository institution or trust company incorporated under the laws of the United States of America, any state thereof or the District of Columbia or (b) a United States branch office or agency of any foreign depository institution guaranteed by such U.S. bank or depository, provided that such U.S. bank trust company or United States branch office or agency has, at the time of the Company's or any Subsidiary's investment therein or contractual commitment providing for such investment, capital, surplus and undivided profits

(as of the date of such institution's most recently published financial statements) in excess of $100 million and the long-term unsecured debt obligations (other than such obligations rated on the basis of the credit of a person or entity other than such institution) of such institution, at the time of the Company's or any Subsidiary's investment therein or contractual commitment providing for such investment, is rated at least A-1 by Standard & Poor's Corporation or A3 by Moody's Investors Service, Inc.; and (iii) debt obligations (including, but not limited to, commercial paper and medium-term notes) issued or unconditionally guaranteed as to principal and interest by any corporation, state or municipal government or agency or instrumentality thereof, or foreign sovereignty if the commercial paper of such corporation, state or municipal government or foreign sovereignty has, at the time of the Company's or any Subsidiary's investment therein or contractual commitment providing for such investment, credit ratings of A-1 by Standard & Poor's Corporation, or P-1 by Moody's Investors Service, Inc., or the debt obligations of such corporation, state or municipal government or foreign sovereignty, at the time of the Company's or any Subsidiary's investment therein or contractual commitment providing for such investment, have credit ratings of at least A-1 by Standard & Poor's Corporation or A3 by Moody's Investors Service, Inc.

"REDEEMABLE DIVIDEND" means, for any dividend payable with regard to Redeemable Stock, the quotient of the dividend divided by the difference between one and the maximum statutory federal income tax rate (expressed as a decimal number between 1 and 0) then applicable to the issuer of such Redeemable Stock.

"REDEEMABLE STOCK" means, with respect to any Person, any equity security that by its terms or otherwise is required to be redeemed or is redeemable at the option of the

holder thereof at any time prior to the maturity of the Securities.

"REDEMPTION DATE" means, when used with respect to any Security to be redeemed, the date fixed for such redemption pursuant to this Indenture and the Securities.

"REDEMPTION PRICE" means, when used with respect to any Security to be redeemed, the price fixed for such redemption pursuant to this Indenture and the Securities as set forth in Article 9 of this Indenture and paragraph 6 of the Securities.

"RESTRICTED PAYMENT" means (i) a dividend or other distribution declared and paid on the Capital Stock of the Company to its stockholders (in their capacity as such), other than dividends or distributions consisting of shares of the Company's Capital Stock (or rights or warrants to subscribe for or purchase shares of such Capital Stock), (ii) a payment made by the Company or any Subsidiary to purchase, redeem, acquire or retire any Capital Stock of the Company (or rights or warrants to subscribe for or purchase shares of such Capital Stock), (iii) a payment made by the Company or any Subsidiary to

acquire, retire or redeem any debt of or equity interest in any Affiliate of the Company or any of its Subsidiaries, (iv) any other Investment in any Affiliate of the Company or any of its Subsidiaries (other than in any Non-Borrowing Subsidiary) or (v) a payment made in purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt.

"RESTRUCTURING" means the restructuring of the Company's debt and equity capitalization pursuant to the Plan.

"REVOLVING CREDIT FACILITY" means (i) the revolving credit facility (or any similar facility) available under the Bankers Trust Bank Credit Agreement, including any related letters of credit, or (ii) any other credit facility secured by accounts receivable, inventory and proceeds thereof.

"SALE AND LEASEBACK TRANSACTION" means any direct or indirect arrangement with any Person or to which such Person is a party, providing for the leasing to the Company or a Subsidiary of any Property, whether owned at the date of this Indenture or thereafter acquired, which has been or is to be sold or transferred by the Company or such Subsidiary to such Person, or to any other Person to whom funds have been or are to be advanced by such Person, on the security of such Property.

"SEC" means the Securities and Exchange Commission.

"SECURITIES" has the meaning set forth in the second paragraph of this Indenture.

"SENIOR INDEBTEDNESS" means, at any date, (i) Indebtedness under the Bank Credit Agreement and the Securities including, in each case, interest thereon accruing at the contract rate, whether or not an allowed claim in a case under the Bankruptcy Code, and all other obligations and indemnities owing thereunder; (ii) any renewals, extensions, modifications, amendments or refundings of Indebtedness under the Securities; (iii) Indebtedness arising as a result of Interest Swap Obligations of the Company or any Subsidiary; and (iv) any other Indebtedness of the Company for money borrowed or under letters of credit, in either case entered into in compliance with the Indenture, unless the instrument under which such Indebtedness is created, incurred, assumed or guaranteed expressly provides that such Indebtedness is subordinated in right of payment to any Indebtedness.

"SUBORDINATED DEBT" means, at any date, any Indebtedness of the Company that is expressly subordinated in any respect in right of payment to the Securities, Indebtedness under the Bank Credit Agreement or to any other Senior Indebtedness, including, without limitation, principal, premium, interest, fees, indemnities and amounts in respect of claims and rights of rescission.

"SUBSIDIARY" means, with respect to any Person, any corporation, association or other business entity of which securities representing more than

50% of the combined voting power of the total Voting Stock (or in the case of an association or other business entity which is not a corporation, more than 50% of the equity interest) is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof. When used herein without reference to any Person, Subsidiary means a Subsidiary of the Company.

"SURVIVING CORPORATION" means the corporation formed by or surviving any consolidation or merger involving the Company or to which a transfer, sale or lease of all or substantially all of the Company's Property is made.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb), as amended by the Trust Indenture Reform Act of 1990, as in effect on the date of execution of this Indenture, except as provided in Section 8.03.

"TRANSACTION DATE" means the date of the transaction giving rise to the need to calculate the Consolidated Interest

Coverage Ratio; PROVIDED that if such transaction is related to or in connection with any acquisition of any Person, the Transaction Date shall be the earlier of (i) the date on which the Company or any of its Subsidiaries enters into an agreement with such Person to effect such acquisition, (ii) the date on which the Company or any of its Subsidiaries first makes a public announcement of any offer or proposal to effect such acquisition, (iii) the date on which the Company or any of its Subsidiaries first makes a filing with the SEC or the Federal Trade Commission in connection with any proposed acquisition, and (iv) the date such acquisition is consummated, PROVIDED, HOWEVER, that if subsequent to the occurrence of an event described in clause (i), (ii) or (iii) above or clause (A), (B) or (C) below the Company or any of its Subsidiaries shall amend the terms of such acquisition with respect to the consideration payable by the Company or any of its Subsidiaries in connection with such acquisition, the Transaction Date shall be the earlier of (A) the date on which the Company or any of its Subsidiaries enters into a binding written agreement with such Person to effect such acquisition on such amended terms, (B) the date on which the Company or any of its Subsidiaries makes a public announcement of any offer or proposal to effect such acquisition on such amended terms and (C) the date on which the Company or any of its Subsidiaries first makes a filing disclosing such amended terms with the SEC or the Federal Trade Commission in connection with any proposed acquisition.

"TRUSTEE" means the party named as such above unless and until a successor replaces it in accordance with the terms of this Indenture and thereafter means such successor.

"TRUST OFFICER," when used with respect to the Trustee, means any officer within the Corporate Trust and Agency Group (or any successor group) of the Trustee, including without limitation any Vice President, Assistant Vice President, Secretary or any other officer customarily performing functions

similar to those performed by any of the above-designated officers who shall, in any case, be responsible for the administration of this Indenture or have familiarity with it, and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"VOTING STOCK" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to vote for the election of directors, managers or trustees of any Person (irrespective of whether or not at the time stock of any class or classes will have or might have voting power by the reason of the happening of any contingency).

(b) ACCOUNTING TERMS. Unless otherwise specified herein, all accounting terms herein shall be interpreted, all accounting determinations shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP.

SECTION 1.02. OTHER DEFINITIONS.

Term	Defined in Section
"Authenticating Agent"	6.12
"Custodian"	5.01
"Discharged"	7.01
"Event of Default"	5.01
"Exchange Act"	3.07
"Legal Holiday"	10.07
"Paying Agent"	2.03
"Registrar"	2.03
"Repayment Date"	4.01
"U.S. Government Obligations"	7.01

SECTION 1.03. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following

meanings:

"indenture securities" means the Securities;

"indenture security holder" means a Holder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee;

"obligor" on the Securities means the Company.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings assigned to them thereby.

SECTION 1.04. RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in effect on the date of the construction of such term;

(c) "OR" is not exclusive;

(d) words in the singular include the plural, and in the plural include the singular; and

(e) provisions apply to successive events and transactions.

ARTICLE 2

THE SECURITIES

SECTION 2.01. FORM AND DATING.

The Securities shall be substantially in the form of Exhibit A, which is part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage. If determined to be necessary by the Company or its counsel, the Company may require that a legend be placed on the Securities relating to original issue discount or other applicable tax matters or as required by any securities exchange on which the Securities may be listed. The Company shall furnish any such legend in writing to the Trustee. Each Security shall be dated the date of its authentication.

SECTION 2.02. EXECUTION AND AUTHENTICATION.

The Securities shall be signed for the Company by the Company's President or a Vice President and shall be attested by the Company's Secretary or an Assistant Secretary, in each case by manual or facsimile signature. The Company's seal shall be reproduced on the Securities.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee shall authenticate Securities for original issue up to $595,475,922 upon a written order of the Company signed by two Officers. The aggregate principal amount of Securities outstanding at any time may not exceed the amount of $595,475,922 except as provided in Section 2.07.

The Trustee may appoint an Authenticating Agent acceptable to the Company to authenticate Securities. An Authenticating Agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An Authenticating Agent has the same rights as an Agent to deal with the Company or an Affiliate. The Trustee initially appoints _____, a _____ banking corporation ("_____"), as Authenticating Agent.

SECTION 2.03. REGISTRAR AND PAYING AGENT.

The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Securities may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint one or more co-Registrars and one or more additional Paying Agents. The term Paying Agent includes any additional Paying Agent. The Company or any of its Subsidiaries may act as Paying Agent, Registrar or co-Registrar. Upon any bankruptcy or reorganization proceeding relative to the Company, the Trustee shall serve as the Paying Agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture that shall implement the provisions of this Indenture that relate to such Agent. The Company shall give prompt written notice to the Trustee of the name and address of any such Agent and any change in the address of such Agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such. The Company initially appoints _____ as Paying Agent and Registrar.

SECTION 2.04. PAYING AGENT TO HOLD MONEY IN TRUST.

The Company shall require each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree that such Paying Agent will:

(a) hold all sums held by it for the payment of the principal of, premium, if any, or interest on the Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal, premium, if any, or interest; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

Upon such payment over to the Trustee, the Paying Agent shall have no further liability for such money.

SECTION 2.05. HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee not less than ten days before each interest payment date and at such other times as the Trustee may request in writing all information in the possession or control of the Company or any Paying Agent as to the names and addresses of the Holders, in such form and as of such date as the Trustee may reasonably require.

SECTION 2.06. TRANSFER AND EXCHANGE.

When Securities are presented to the Registrar or a co-Registrar with a request to register the transfer of, or to exchange them for an equal principal amount of Securities of other denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfer and exchanges, the Company shall issue and the Trustee shall authenticate Securities at the Registrar's request.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may

require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange.

The Company shall not be required (i) to issue, register the transfer of or exchange Securities during a period beginning at the opening of business 15 days before the day of any selection of Securities for redemption under Section 9.02 and ending at the close of business on the day of such day of selection, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 2.07. REPLACEMENT SECURITIES.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the Trustee's requirements are met. If required by the Trustee or the Company, such Holder shall provide an indemnity bond sufficient in the judgment of both the Company and the Trustee to protect the Company, the Trustee, any Agent or any Authenticating Agent from any loss which any of them may suffer if a Security is replaced. The Company may charge the Holder for its expenses in replacing a Security.

Every replacement Security issued pursuant to the provisions of this Section 2.07 by virtue of the fact that any Security is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionally with any and all other Securities duly issued hereunder.

SECTION 2.08. OUTSTANDING SECURITIES.

The Securities outstanding at any time are all the Securities authenticated by the Trustee except for (a) those canceled by it, (b) those delivered to it for cancellation and (c) those described in this Section as not outstanding.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof

satisfactory to it that the replaced Security is held by a bona fide purchaser.

If Securities are considered paid under Section 3.01, they cease to be outstanding and interest on them ceases to accrue.

Except as provided in Section 2.09, a Security does not cease to be outstanding because the Company or an Affiliate holds the Security.

SECTION 2.09. TREASURY SECURITIES.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or an Affiliate shall be considered as though they are not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee actually knows are so owned shall be so considered.

SECTION 2.10. TEMPORARY SECURITIES.

Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and deliver to the Trustee, and the Trustee shall authenticate, definitive Securities in exchange for temporary Securities.

SECTION 2.11. CANCELLATION.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy canceled Securities and deliver a certificate of such destruction to the Company. Subject to Section 2.07, the Company may not issue new Securities to replace Securities that it has paid or that have been delivered to the Trustee for cancellation.

SECTION 2.12. DEFAULTED INTEREST.

If the Company fails to make a payment of interest on the Securities, it shall pay such interest thereafter in

any lawful manner. It may pay such interest, plus any interest payable on it, to the Persons who are Holders on a subsequent special record date. The Company shall fix such special record date and payment date, except for a payment of

interest made within the 30-day period in paragraph (i) of Section 5.01 of this Indenture which may be paid to the holders of the Securities on the regular record date for such interest payment. Such special record date shall not be less than 10 days prior to the payment date of such defaulted interest. The Company shall notify the Trustee, in writing, of the amount of defaulted interest proposed to be paid on each Security and the date of the proposed payment, and at the same time, the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such defaulted interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money, when deposited, to be held in trust for the benefit of the Person entitled to such defaulted interest as provided in this section. At least 5 days before such record date, the Company shall mail to Holders a notice that states the record date, payment date, and amount of such interest to be paid.

ARTICLE 3

COVENANTS

SECTION 3.01. PAYMENT OF SECURITIES.

The Company shall punctually pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent holds on that date money designated for and sufficient to pay all principal and interest then due.

The Company shall pay interest on overdue principal and premium, if any, at the rate borne by the Securities; it shall pay interest on overdue installments of interest at the same rate to the extent permitted by law.

SECTION 3.02. LIMITATION ON RESTRICTED PAYMENTS.

(a) The Company shall not, nor shall it permit any of its Subsidiaries to, make any Restricted Payment (other than Investments in (i) Affiliates which are not wholly-owned Subsidiaries in an aggregate amount not to exceed $20 million at any time outstanding and (ii) Borrowing Subsidiaries in an aggregate amount at any time outstanding not to exceed the sum of (x) $30 million less (y) the aggregate amount of outstanding Investments in Affiliates which are not

wholly-owned Subsidiaries permitted by clause (i) hereof) if, after giving effect thereto:

(A) any Default shall have occurred and be continuing, or

(B) the Company could not incur at least $1.00 of additional

Indebtedness pursuant to Section 3.03(a) of this Indenture, or

(C) the aggregate amount of Restricted Payments made subsequent to the date of this Indenture by the Company and its Subsidiaries (other than (i) Investments in Affiliates which are not wholly-owned Subsidiaries in an amount not to exceed $20 million in the aggregate and (ii) Investments in Borrowing Subsidiaries in an aggregate amount not to exceed the sum of (x) $30 million less (y) the aggregate amount of outstanding Investments in Affiliates which are not wholly-owned Subsidiaries permitted by clause (i) of the first paragraph of this Section 3.02(a)) would exceed the sum of (a) 50% (or minus 100% in the event of a deficit) of aggregate Consolidated Net Income (which is defined to exclude the impact of any Fresh Start Accounting adjustment and any extraordinary income, including income relating to cancellation of indebtedness resulting from the Restructuring) of the Company for the period commencing on April 2, 1995 and ending on the last day of the fiscal quarter immediately preceding the date of such payment, and (b) the aggregate Net Proceeds, including cash and the Fair Market Value of Property other than cash, received by the Company subsequent to the Issue Date from capital contributions from any of its stockholders or from the issuance or sale (other than to a Subsidiary) subsequent to the Issue Date of shares of its Capital Stock (other than Redeemable Stock) of any class (or rights or warrants to subscribe for or purchase shares of such capital stock) or of any convertible securities or debt obligations which have been converted into, exchanged for or satisfied by the issuance of shares of the Company's Capital Stock (other than Redeemable Stock).

(b) The provisions of this Section 3.02 shall not prevent the Company from (i) paying a dividend on Capital Stock within 60 days after the declaration thereof if, on the date on which the dividend was declared, the Company could have paid such dividend in accordance with the provisions of this Indenture, or (ii) repurchasing shares of its Capital Stock (X) solely in exchange for other shares of its Capital Stock (other than Redeemable Stock) or (Y) pursuant to a court order.

(c) The provisions of this Section 3.02 shall not prevent redemptions or repurchases of the Company's common

stock in connection with repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees, PROVIDED that such redemptions or purchases shall not exceed $2,000,000 in any fiscal year or $5,000,000 in the aggregate subsequent to the date hereof.

(d) Payments made in purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt must meet the tests set forth in paragraph (a) of this Section 3.02 except to the extent that any such purchase, redemption, defeasance or other acquisition or retirement for value is made out of the proceeds of the issuance of (i) Subordinated Debt having a final maturity no earlier than the final maturity of, and an Average Life equal to or

longer than, the Indebtedness being retired or repurchased or (ii) Capital Stock (other than Redeemable Stock) of the Company.

SECTION 3.03. LIMITATION ON INDEBTEDNESS.

(a) The Company shall not create, incur, assume, guarantee or otherwise become liable with respect to, or become responsible for the payment of, any Indebtedness, unless, after giving effect thereto, the Consolidated Interest Coverage Ratio of the Company on a pro forma basis for the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to any Transaction Date that is prior to September, 1997 would be greater than 1.85:1 and for any Transaction Date thereafter would be greater than 2.0:1.

(b) Notwithstanding the foregoing, the Company may incur, create, assume, guarantee or otherwise become liable with respect to, any or all of the following Indebtedness:

(i) Indebtedness evidenced by the Securities, and Indebtedness under the Bank Credit Agreement (including any refinancings thereof permitted by clause (ii) of this Section 3.03(b)) in a maximum principal amount at any time outstanding not to exceed the greater of (x) $250 million or (y) the sum of $100 million plus 65% of the total inventory of the Company and its Subsidiaries (calculated on a "first-in" "first-out" basis) plus 85% of the total accounts receivable of the Company and its Subsidiaries, subject to one or more permanent reductions of both (x) and (y) as provided in clause (iii) of Section 3.05 and the proviso set forth in the second paragraph of Section 3.06(a);

(ii) Indebtedness the proceeds of which are used to refinance (x) all or a portion of the Indebtedness evidenced by the Securities, or (y) Indebtedness under

the Bank Credit Agreement (as limited by clause (i) of this Section 3.03(b)) or (z) other Indebtedness of the Company and of its Subsidiaries, in each case in a principal amount not to exceed the principal amount so refinanced (or, if such Indebtedness provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof, in an amount not greater than such lesser amount) plus any prepayment penalties and premiums, accrued and unpaid interest on the Indebtedness so refinanced, plus customary fees, expenses and costs related to the incurrence of such refinancing Indebtedness, PROVIDED that, in the case of this clause (ii),

(1) if the Securities are refinanced in part, such new Indebtedness is expressly made pari passu or subordinate in right of payment to the remaining Securities,

(2) if the Indebtedness to be refinanced is subordinate in right of payment to the Securities, such new Indebtedness is subordinate in right of payment to the Securities at least to the extent that the Indebtedness to be refinanced is subordinate in right of payment to the Securities,

(3) if the Indebtedness to be refinanced is pari passu in right of payment to the Securities, such new Indebtedness is expressly made pari passu or subordinate in right of payment to the Securities, and

(4) if the Securities are refinanced in part or if the Indebtedness to be refinanced is pari passu or subordinate in right of payment to the Securities and scheduled to mature after the maturity date of the Securities, such new Indebtedness as of the date of incurrence does not mature prior to the final scheduled maturity date of the Securities and has an Average Life equal to or greater than the remaining Average Life of the Securities;

(iii) Indebtedness of the Company remaining outstanding immediately after the issuance of the Securities;

(iv) Indebtedness to a Subsidiary of the Company;

(v) Indebtedness incurred in connection with the refurbishment, improvement, construction or acquisition (whether by acquisition of stock, assets or otherwise) of

any Property or Properties of the Company or of any Subsidiary that constitute a part of the then present business of the Company or of any Subsidiary (or incurred within twelve months of any such acquisition or the completion of such refurbishment, improvement or construction), PROVIDED THAT at the time of the incurrence thereof:

(a) (1) such Indebtedness, together with any other then outstanding Indebtedness incurred during the most recently completed four consecutive fiscal quarter period in reliance upon either this clause (v) or clause (vi) of Section 3.09 hereof does not exceed, in the aggregate, 3% of consolidated net sales of the Company and its Subsidiaries during the four consecutive fiscal quarter period ended immediately prior to the date of calculation; provided, that for purposes of this clause (a)(1), such Indebtedness shall include, without limitation, an amount equal to (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into during the four consecutive fiscal quarter period ended immediately prior to the date of calculation, less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with

the Net Proceeds of any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the Property that is the subject of any such transaction; and

(2) such Indebtedness, together with all then outstanding Indebtedness incurred in reliance upon either this clause (v) or clause (vi) of Section 3.09 hereof does not exceed, in the aggregate, 3% of the consolidated net sales of the Company and its Subsidiaries during the most recently completed twelve consecutive fiscal quarter period; provided that, for purposes of this clause (a)(2), such Indebtedness shall include, without limitation, an amount equal to (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transactions to which the Company or any Subsidiary is then a party less (y) the aggregate principal amount of any Senior

Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the Property that is the subject of any such transaction; except that, for purposes of calculating the limitation set forth in clause (a)(2) the seven Sale and Leaseback Transactions identified in clause (ii) of Section 3.05 hereof shall not be included; or

(b) such Indebtedness (including an amount equal to the sum of (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transaction to which the Company or any Subsidiary is then a party less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction) does not exceed the amount of proceeds received by the Company or any of its Subsidiaries from insurance policies maintained by the Company or any Subsidiary in respect of such Property or Properties;

(vi) Indebtedness consisting of Guarantees by the Company of Indebtedness of any Subsidiary, provided that such Indebtedness is otherwise permitted under this Indenture;

(vii) Indebtedness under Interest Swap Obligations, PROVIDED that such Interest Swap Obligations are related to payment obligations on Indebtedness otherwise permitted under this Section 3.03;

(viii) commercial letters of credit and standby letters of credit incurred in the ordinary course of business by the Company;

(ix) Indebtedness represented by industrial revenue or development bonds, provided that the aggregate amount of Indebtedness incurred in reliance upon the exception of this clause (ix) or of clause (x) of Section 3.09 shall not exceed at any one time an aggregate principal amount outstanding of $25,000,000;

(x) Capitalized Lease Obligations relating to Property used in the business of the Company;

(xi) Indebtedness incurred in respect of performance bonds and performance and completion Guarantees incurred in the ordinary course of business;

(xii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, PROVIDED that such Indebtedness is extinguished within five Business Days from the date of its incurrence; and

(xiii) other Indebtedness for borrowed money in an amount not to exceed $75,000,000 in the aggregate.

SECTION 3.04. LIMITATION ON LIENS.

Neither the Company nor any Subsidiary shall create, incur, assume or permit to exist any Lien on or with respect to any Property or assets of the Company or of any Subsidiary or any interest therein or any income or profits therefrom, other than:

(i) any Lien existing as of the date of this Indenture and any Lien securing Indebtedness under the Bank Credit Agreement pursuant to the terms of such Bank Credit Agreement as in effect on the Issue Date;

(ii) any Lien arising in the ordinary course of business, other than in connection with Indebtedness for borrowed money;

(iii) any Lien on the Company's or a Subsidiary's accounts receivable, inventories, and proceeds thereof securing Indebtedness incurred pursuant to the provisions of the Revolving Credit Facility;

(iv) any Lien on Property acquired by the Company or by any Subsidiary after the date of this Indenture created solely to secure Indebtedness incurred to finance such acquisition or assumed in connection with such acquisition, whether by acquisition of stock, assets or otherwise (or entered into in connection with Indebtedness that is permitted under clause (v) of Section 3.03(b) or clause (vi) of Section 3.09), PROVIDED that in

each case such acquisition does not constitute a Material Acquisition;

(v) any Lien on Property acquired by the Company or any Subsidiary which constitutes a Material Acquisition created solely to secure Indebtedness incurred to finance such Material Acquisition or assumed in connection with

such Material Acquisition, PROVIDED that after giving effect to such Indebtedness the Consolidated Interest Coverage Ratio would be greater than the then applicable Consolidated Interest Coverage Ratio described in Section 3.03(a) above;

(vi) any Lien on any asset of the Company or any Subsidiary created solely to secure Indebtedness incurred to finance the refurbishment, improvement, construction or acquisition (whether by acquisition of stock, assets or otherwise) of such asset (or created within twelve months of any such acquisition or the completion of such refurbishment, improvement or construction) or relating to Indebtedness assumed in connection with any such acquisition, PROVIDED that such Lien secures Indebtedness permitted under clause (v) of Section 3.03(b), or clause (vi) of Section 3.09;

(vii) any Lien created in connection with a Capitalized Lease Obligation that the Company or a Subsidiary is permitted to enter into under the terms of this Indenture;

(viii) any Lien relating to judgments or awards that the Company or any Subsidiary is contesting in good faith;

(ix) any Lien for taxes that are not yet due or that the Company or any Subsidiary is contesting in good faith; and

(x) any Lien extending, renewing or replacing any Liens permitted by clauses (i), (iv), (v), (vi) or (vii).

In the case of Liens permitted under clauses (i), (iv), (v), (vi), (vii) and (x), such Liens may relate solely to the Property (including any improvements thereon) subject thereto as of the date of this Indenture or the date such Lien was incurred, as the case may be (and, in the case of Indebtedness under the Bank Credit Agreement, any after acquired Property), and may secure the payment only of the Indebtedness so secured as of such date.

SECTION 3.05. LIMITATION ON SALE AND LEASEBACK TRANSACTIONS.

The Company shall not, and shall not permit any Subsidiary to, enter into, assume, guarantee or otherwise become liable with respect to any Sale and Leaseback Transaction, PROVIDED, that the Company may enter into:

(i) a Sale and Leaseback Transaction that, had such Sale and Leaseback Transaction been structured as a mortgage rather than as a Sale and Leaseback Transaction, the Company would have been permitted to enter into such transaction pursuant to clause (v) of Section 3.03(b), clause (vi) of Section 3.04 and clause (vi) of Section 3.09, PROVIDED, HOWEVER, that such Sale and Leaseback Transaction is entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the Property that is the subject of any such transactions;

(ii) a Sale and Leaseback Transaction with respect to the Company's Property located in New Fairfield, Connecticut, Dumont, New Jersey, Valatie, New York, Morrisville, Vermont, Corinth, New York, Tannersville, New York and Manchester Center, Vermont; and

(iii) a Sale and Leaseback Transaction if within 90 days of entering into such arrangement either (1) the Company applies the Net Proceeds of the sale of the Property leased pursuant to such Sale and Leaseback Transaction to the payment of Senior Indebtedness other than Indebtedness incurred under the Bank Credit Agreement (except that Indebtedness under the Bank Credit Agreement may be repaid from such Net Proceeds to the extent the principal amount of Indebtedness under the Bank Credit Agreement permitted by Section 3.03(b) is permanently reduced by an amount equal to the principal amount of the Indebtedness under the Bank Credit Agreement so repaid from Net Proceeds) or (2)(a) if such arrangement is entered into prior to September 1, 2000, the Company makes a pro rata offer to all Holders of Securities to repurchase Securities at 104% of their principal amount, plus accrued and unpaid interest through the date of repurchase, or (b) if such arrangement is entered into on or after September 1, 2000, the Company redeems the Securities, in either case at par plus the then applicable premium, if any, and in an aggregate amount equal to the greater of the Net Proceeds of the sale of the Property leased pursuant to such Sale and Leaseback Transaction or the Fair Market Value of the Property so leased at the time of entering into such Sale and Leaseback Transaction.

SECTION 3.06. LIMITATION ON ASSET SALES.

(a) The Company shall not consummate, and shall not permit any Subsidiary to consummate, any Asset Sale unless (i) such sale is for Fair Market Value and (ii) at least 75% of the Net Proceeds thereof received by the Company or such Subsidiary is in the form of cash; PROVIDED, that for purposes

of this covenant securities received by the Company or any Subsidiary from such transferee that are promptly converted by the Company or such Subsidiary into cash shall be deemed to be cash, and provided further, that notwithstanding any

other provision in this paragraph, the Company or any Subsidiary may consummate Asset Sales for which it receives, in a single transaction or in a series of related transactions, aggregate Net Proceeds in an amount not to exceed $25,000,000 without regard to the foregoing limitation on receiving a specified percentage of the Net Proceeds in cash.

To the extent the Company or such Subsidiary has not reinvested such Net Proceeds in Additional Assets or used such Net Proceeds to repay Senior Indebtedness (other than the Securities) within twelve months following the consummation of the Asset Sale (or in the case of Net Proceeds received in the form of securities, within twelve months after such securities are converted into cash), the Company either shall apply such Net Proceeds (or any portion thereof) to the repayment of such Senior Indebtedness or apply such Net Proceeds (or the remaining portion thereof) in accordance with the following paragraph; PROVIDED, HOWEVER, that if Net Proceeds of Asset Sales are applied to reduce the Indebtedness under the Bank Credit Agreement (or any refinancing or renewal thereof), the principal amount of Indebtedness under the Bank Credit Agreement permitted by Section 3.03(b) shall be reduced permanently by an amount equal to the principal amount of the Indebtedness under the Bank Credit Agreement so repaid from Net Proceeds.

If (1) no Senior Indebtedness other than the Securities is outstanding at such time or the Company does not apply any or applies only a portion of such Net Proceeds to the repayment of Senior Indebtedness other than the Securities or (2) the application of such Net Proceeds results in the payment of all outstanding Senior Indebtedness other than the Securities, then such Net Proceeds or any remaining portion thereof, in each case not so applied to the payment of Senior Indebtedness other than the Securities, shall be applied to a pro rata offer to all Holders of Securities to repurchase the Securities at a purchase price in cash equal to 102% of their principal amount plus accrued and unpaid interest through the date of repurchase. Notwithstanding the foregoing, in the event the Net Proceeds resulting from any Asset Sale, after giving effect to any related repayment of Senior Indebtedness other than Securities, are less than $25,000,000, the Company may defer extending such pro rata offer to repurchase Securities until such time as such Net Proceeds, plus the aggregate amount of Net Proceeds resulting from any subsequent Asset Sale or Asset Sales not otherwise reinvested in Additional Assets or applied to repay Senior Indebtedness other than Securities, are equal to at least $25,000,000, at which

time the Company shall apply the aggregate amount of such Net Proceeds to a pro rata offer to repurchase the Securities at a purchase price in cash equal to 102% of their principal amount, plus accrued and unpaid interest through the date of repurchase.

(b) Pending the application thereof in accordance with paragraph (a) of this Section, the Company shall either apply the Net Proceeds of any Asset Sale to repay temporarily any Senior Indebtedness other than the Securities or invest such Net Proceeds in Qualified Investments.

SECTION 3.07. SEC REPORTS.

(a) The Company shall deliver to the Trustee within 5 days after filed with the SEC, copies of the annual, quarterly and periodic reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company files with the SEC pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Whether or not required by the rules and regulations of the SEC, as long as any Securities are outstanding, the Company shall continue to file with the SEC for public availability (unless the SEC will not accept such a filing) and the Trustee on the same timely basis such reports, information and other documents as the Company would be required to file with the SEC if the Company were subject to the requirements of such Section 13 or 15(d) of the Exchange Act and had a class of securities listed on a national securities exchange. The Company also will make such information available to Holders who request it in writing and shall comply with the other provisions of TIA Section 314(a).

(b) So long as any of the Securities remain outstanding, the Company shall cause any annual report to stockholders and any quarterly or other financial reports furnished by it to stockholders, excluding internal management reports and distributions to stockholders in their capacity as directors or officers of the Company, to be filed with the Trustee and mailed to the Holders at their addresses appearing in the register of Securities maintained by the Registrar. If the Company is not required to furnish annual or quarterly reports to its stockholders pursuant to the Exchange Act, the Company shall cause its consolidated financial statements, including any notes thereto, and with respect to the annual information only, a report thereon by the Company's certified independent accountants, and a "Management's Discussion and Analysis of Financial Condition and Results of Operations," comparable to that which would have been required to appear in annual or quarterly reports filed under Section 13 or 15(d) of the Exchange Act if the Company had a class of securities

listed on a national securities exchange, to be so filed with the Trustee and mailed to the Holders at their addresses appearing in the register of Securities maintained by the Registrar within 100 days after the end of each fiscal year and within 60 days after the end of each of the Company's first three fiscal quarters in each fiscal year.

(c) The Company shall furnish to Holders and to beneficial owners of Securities and to prospective purchasers of Securities that are designated by Holders, upon their request, the information required to be delivered pursuant to Rule 144(A)(d)(4) under the Securities Act of 1933, as amended.

SECTION 3.08. LIMITATION ON PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES.

The Company shall not, and shall not permit any Subsidiary to, create

or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction that by its terms expressly restricts the ability of any Subsidiary to:

(a) pay dividends or make any other distributions on such Subsidiary's capital stock or pay any Indebtedness owed to the Company or any Subsidiary,

(b) make any loans or advances to the Company or any Subsidiary, or

(c) transfer any of its Property to the Company or any Subsidiary,

other than, with respect to clauses (b) and (c) of this Section, encumbrances or restrictions specifically:

(i) permitted under the terms of any instrument or agreement relating to any Indebtedness of the Company or any Subsidiary existing on the date of this Indenture, including, without limitation, this Indenture or the Bank Credit Agreement;

(ii) relating to any Property acquired by the Company or any of its Subsidiaries after the date of this Indenture, provided that such encumbrance or restriction relates only to the Property which is acquired, and, in the case of any encumbrance or restriction that constitutes a Lien, the Company or such Subsidiary would be permitted to incur the Lien under Section 3.04 of this Indenture;

(iii) relating to (x) any industrial revenue or development bonds, (y) any obligation of the Company or any Subsidiary incurred in the ordinary course of business to pay the purchase price of Property acquired by the Company or such Subsidiary, or (z) any lease of Property by the Company or such Subsidiary in the ordinary course of business, provided that such encumbrance or restriction relates only to the Property which is the subject of such industrial revenue or development bond, such Property purchased or such Property leased and any such lease, as the case may be;

(iv) relating to any Indebtedness of any Subsidiary at the date of acquisition of such Subsidiary by the Company or any Subsidiary of the Company, provided that such Indebtedness was not incurred in connection with or in anticipation of such acquisition and, provided further that the Company or Subsidiary would be permitted to incur any Lien securing such Indebtedness under Section 3.04 of this Indenture; or

(v) under any replacement or refinancing agreements of instruments referred to in clauses (i), (ii) and (iii), provided that the provisions relating to such encumbrance or restriction contained in any such replacement or refinancing agreement or instrument are no more restrictive than the provisions relating to such encumbrance or restriction contained in such original agreement or instrument.

SECTION 3.09. LIMITATION ON INDEBTEDNESS AND PREFERRED STOCK OF SUBSIDIARIES (OTHER THAN NON-BORROWING SUBSIDIARIES)

The Company shall not permit any Subsidiary to create, incur, guarantee, assume or issue any Indebtedness or issue any preferred or preference stock, except for:

(i) Indebtedness or preferred stock outstanding on the date of this Indenture;

(ii) Indebtedness or preferred stock issued to and held by the Company or a wholly-owned Subsidiary (but only as long as held or owned by the Company or a wholly-owned Subsidiary);

(iii) Indebtedness or preferred stock issued by a Person prior to the time (a) such Person becomes a Subsidiary, (b) such Person merges with or into a Subsidiary or (c) a Subsidiary merges with or into such Person, provided that such Indebtedness or preferred stock was not issued or incurred by such Person in

anticipation of the type of transaction contemplated by subclauses (a), (b) or (c);

(iv) Indebtedness under the Bank Credit Agreement;

(v) Indebtedness the proceeds of which are used to refinance any other Indebtedness of any Subsidiary, in each case in a principal amount not to exceed the principal amount so refinanced (or, if such Indebtedness provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof, in an amount not greater than such lesser amount), plus any prepayment penalties and premiums, accrued and unpaid interest on the Indebtedness so refinanced, plus customary fees, expenses and costs related to the incurrence of such refinancing Indebtedness;

(vi) Indebtedness incurred in connection with the refurbishment, improvement, construction or acquisition (whether by acquisition of stock, assets or otherwise) of any Property or Properties of a Subsidiary of the Company that constitute a part of the then present business of the Company or any Subsidiary of the Company (or incurred within twelve months of any such acquisition or the completion of such refurbishment, improvement or construction), provided that either:

(a) (1) such Indebtedness, together with any other Indebtedness incurred during the most recently completed four consecutive fiscal quarter period in reliance upon either this clause (vi) or clause (v) of Section 3.03(b) hereof does not exceed in the aggregate 3% of

consolidated net sales of the Company and its Subsidiaries during the four consecutive fiscal quarter period ended immediately prior to the date of calculation; provided that (a) for purposes of this clause (a)(1), such Indebtedness shall include, without limitation, an amount equal to (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into during the four consecutive fiscal quarter period ended immediately prior to the date of calculation, less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the

Property that is the subject of any such transaction; and

(2) such Indebtedness, together with all then outstanding Indebtedness incurred in reliance upon either this clause (vi) or clause (v) under Section 3.03(b) hereof does not exceed in the aggregate 3% of the consolidated net sales of the Company and its Subsidiaries during the most recently completed twelve consecutive fiscal quarter period; provided that, for purposes of this clause (a)(2), such Indebtedness shall include, without limitation, an amount equal to (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transactions to which the Company or any Subsidiary is then a party less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the Property that is the subject of any such transaction; except that, for purposes of calculating the limitation set forth in clause (a)(2), the seven Sale and Leaseback Transactions identified in clause (ii) of Section 3.05 shall not be included; or

(b) such Indebtedness (including an amount equal to the sum of (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transaction to which the Company or any Subsidiary is then a party less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction) does not exceed the amount of proceeds received by the Company or any of its Subsidiaries from insurance maintained by the Company or any Subsidiary in respect of such Property or Properties;

(vii) Indebtedness consisting of Guarantees by a Subsidiary of Indebtedness of the Company or any other Subsidiary, provided that such Indebtedness is otherwise permitted under this Indenture;

(viii) Indebtedness under Interest Swap Obligations, provided that such Interest Swap Obligations

are related to payment obligations on Indebtedness otherwise permitted under this Section 3.09;

(ix) commercial letters of credit and standby letters of credit incurred in the ordinary course of business by a Subsidiary;

(x) Indebtedness represented by industrial revenue or development bonds, provided that the aggregate amount of Indebtedness incurred in reliance upon this clause (x) or clause (ix) of Section 3.03(b) shall not exceed at any one time an aggregate principal amount outstanding of $25,000,000;

(xi) Capitalized Lease Obligations relating to Property used in the business of a Subsidiary;

(xii) Indebtedness incurred in respect of performance bonds and performance and completion Guarantees incurred in the ordinary course of business; and

(xiii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within five Business Days of its incurrence.

SECTION 3.10. LIMITATION ON INDEBTEDNESS OF NON-BORROWING SUBSIDIARIES.

The Company shall not permit any Non-Borrowing Subsidiary to create, incur, assume, issue or guarantee any Indebtedness or issue any preferred or preference stock, or to engage in any Sale and Leaseback Transaction.

SECTION 3.11. TRANSACTIONS WITH AFFILIATES.

(a) The Company shall not, and shall not permit any Subsidiary to, enter into any transaction after the date of the issuance of the Securities with any Affiliate (other than the Company or a Subsidiary) unless (i) the Board of Directors of the Company determines, in its reasonable good faith judgment, that such transaction is in the best interests of the Company or such Subsidiary, based on full disclosure of all relevant facts and circumstances, (ii) such transaction is on terms no less favorable to the Company or such Subsidiary than those that could be obtained in a comparable arm's-length transaction with an

entity that is not an

Affiliate, and (iii) the transaction is otherwise permissible under this Indenture.

(b) This covenant does not apply to redemptions or repurchases of common stock in connection with repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees, PROVIDED that such redemptions or purchases shall not exceed $2,000,000 in any fiscal year or $5,000,000 in the aggregate subsequent to the date of this Indenture.

(c) The provisions of this Section 3.11 shall not prevent the Company from (i) paying a dividend on Capital Stock within 60 days after the declaration thereof if, on the date on which the dividend was declared, the Company could have paid such dividend in accordance with the provisions of this Indenture, or (ii) repurchasing shares of its Capital Stock (x) solely in exchange for other shares of its Capital Stock (other than Redeemable Stock) or (y) pursuant to a court order.

SECTION 3.12. RESTRICTIONS ON BECOMING AN INVESTMENT COMPANY.

Neither the Company nor any Subsidiary shall become an investment company within the meaning of the Investment Company Act of 1940, as such statute and the regulations thereunder and any successor statute or regulations thereto may from time to time be in effect.

SECTION 3.13. CONTINUED EXISTENCE AND RIGHTS.

Subject to Article 4, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its existence as a corporation, and the corporate partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Subsidiary and (ii) the licenses, rights (charter and statutory) and franchises of the Company and its Subsidiaries; PROVIDED, HOWEVER, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries, taken as a whole.

SECTION 3.14. MAINTENANCE OF PROPERTIES AND OTHER MATTERS.

(a) The Company shall, and shall cause each of its Subsidiaries to, maintain its Properties in good working order and condition to the extent material to the operations of the Company and make all necessary repairs, renewals, replacements, additions, betterments and improvements thereto, ordinary wear and tear excepted, to the extent and in the manner customary for similar types of business; PROVIDED, HOWEVER, that nothing in this Section shall prevent the Company or any of its Subsidiaries from discontinuing the operation and maintenance of any of its Properties, if such discontinuance is, in the judgment of the Company or the Subsidiary, as the case may be, desirable in the conduct of its respective business and not disadvantageous in any material respect to the Holders.

(b) The Company shall insure and keep insured, and shall cause each Subsidiary to insure and keep insured, with financially sound and reputable insurers, so much of their respective Properties and in such amounts as is usually and customarily insured by companies engaged in a similar business with respect to Properties of a similar character against loss by fire and the extended coverage perils. The Trustee shall not be required to see that such insurance is effected or maintained.

(c) The Company shall keep, and shall cause each Subsidiary to keep, proper books of record and account in which full and correct entries shall be made of all its business transactions, and shall reflect in its financial statements adequate accruals and appropriations to reserves. The Company shall cause its books of record and account and those of each of its Subsidiaries to be examined, either on a consolidated or an individual basis, by one or more firms of independent public accountants not less frequently than annually and shall not make any change in the accounting principles applied to its financial statements not concurred in by such firm or firms. The Company shall prepare its financial statements in accordance with GAAP.

(d) The Company shall, and shall cause each of its Subsidiaries to, comply with all applicable statutes, laws, orders, ordinances and all rules, regulations and restrictions of any governmental department, commission, board, regulatory authority, bureau, agency and instrumentality of the foregoing and to obtain all licenses, permits, franchises and other governmental authorizations necessary to the ownership or operation of its Properties and to the conduct of its business, except such as are being contested in good faith and by appropriate proceedings and

except if such non-compliance or failure to obtain does not materially adversely affect, and as far the Company can at the time foresee, is not reasonably likely to materially and adversely affect, the business, earnings, Properties, prospects or condition, financial or other, of the Company and its Subsidiaries taken as a whole.

SECTION 3.15. TAXES AND CLAIMS.

The Company shall pay, and shall cause each of its Subsidiaries to, pay (or, if appropriate, withhold and pay over) prior to delinquency:

(i) all material taxes, assessments and governmental charges or levies imposed upon it or its Property (or required by it to withhold and pay over), and

(ii) all material claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons which if unpaid might result in the creation of a Lien upon its Properties;

PROVIDED that items of the foregoing description need not be paid while being contested in good faith (and by appropriate proceedings in the opinion of the Company's independent counsel in any case involving more than $1,000,000); and PROVIDED FURTHER that adequate book reserves (in the opinion of the Company's independent accountants) have been established with respect thereto; and PROVIDED FURTHER that the owning company's title to, and its right to use, its Property is not materially adversely affected thereby.

SECTION 3.16. STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants, or the performance, of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 3.17. MONEY FOR SECURITY PAYMENTS TO BE HELD IN TRUST.

(a) If the Company shall at any time act as its own Paying Agent, it shall, on or before each due date of the principal of, premium, if any, and interest on the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, and interest so becoming due until such sum shall be paid to such Persons or otherwise disposed of as herein provided, and shall promptly notify the Trustee of its action or failure so to act.

(b) Whenever the Company shall have one or more Paying Agents, it shall, on or prior to each date for the payment of the principal of or interest on the Securities, deposit with a Paying Agent a sum sufficient to pay the

principal, premium, if any, and interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such payments; and, unless such Paying Agent is the Trustee, the Company shall promptly notify the Trustee of its action or failure so to act.

(c) For the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, the Company may at any time pay, or direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent, as the case may be, shall be released from all further liability with respect to such money.

SECTION 3.18. COMPLIANCE CERTIFICATE.

(a) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, an Officers' Certificate, complying with Section 314(a)(4) of the TIA, stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing

all such Defaults or Events of Defaults of which he or she may have knowledge and the status thereof).

(b) The Company shall, as long as any of the Securities are outstanding, deliver to the Trustee, promptly, but in any case within 10 Business Days of any Officer becoming aware of any Default, Event of Default or default in the performance of any covenant, agreement or condition contained in this Indenture, an Officers' Certificate specifying such Default or Event of Default and the status thereof.

(c) Upon payment in full of all outstanding Indebtedness under the Bank Credit Agreement, the Company shall deliver an Officers' Certificate to the Trustee stating that such Indebtedness has been paid in full and discharged.

ARTICLE 4

SUCCESSORS; CHANGE OF CONTROL; OPTIONAL PREPAYMENT

SECTION 4.01. WHEN COMPANY MAY MERGE, ETC.; CHANGE OF CONTROL; HOLDERS' RIGHT OF OPTIONAL PREPAYMENT.

(a) The Company shall not consolidate with or merge into, or transfer, sell or lease all or substantially all of its Property to, another Person unless (i) the Surviving Corporation is a United States corporation, (ii) the Surviving Corporation is bound by all the terms of this Indenture, (iii) immediately after giving effect to such transaction no Default or Event of Default exists, (iv) the consolidated net worth (determined in accordance with GAAP) of the Surviving Corporation is equal to or greater than the consolidated net worth of the Company immediately prior to such transaction and (v) in the case of any such consolidation, merger, transfer, sale or lease other than into or to a wholly-owned Subsidiary of the Company, immediately after and giving effect to any such consolidation, merger, transfer, sale or lease and any financings or other transactions in connection therewith the Consolidated Interest Coverage Ratio of the Surviving Corporation would be greater than the then applicable Consolidated Interest Coverage Ratio described under paragraph (a) of Section 3.03 of this Indenture.

(b) In the event of a Change of Control, the Company shall be obligated to make an offer to purchase all of the then outstanding Securities at a purchase price in cash equal to 101% of its principal amount plus accrued interest, after the occurrence of such Change of Control.

(c) Not less than 20 nor more than 60 Business Days prior to the consummation of a merger, consolidation, transfer, sale or lease that would constitute a Change of Control and not more than 45 Business Days following the occurrence of any other event constituting a Change of Control, the Company shall give Holders notice of such right of prepayment, mailed by first class mail to the Holders' last addresses as they appear upon the register. Such notice shall state: (i) that Holders are entitled to have their Securities prepaid in whole but not in part at 101% of their principal amount plus accrued interest through the payment date pursuant to this Section 4.01; (ii) if a Change of Control has occurred, that a Change of Control has occurred, or, if a proposed merger, consolidation, transfer, sale or lease would constitute a Change of Control, the proposed date of the consummation of the merger, consolidation, transfer, sale or lease; (iii) that Holders shall be entitled to tender their Securities for repayment, specifying the repayment price and the repayment date (the "Repayment Date") (which, in the case of a merger, consolidation, transfer, sale or lease that would constitute a Change of Control shall not be later than the consummation date of the merger, consolidation, transfer, sale or lease, and, in the case of any other Change of Control, shall be no earlier than 30 days and no later than 60 days after the date such notice is mailed) and that Holders shall be entitled to tender their Securities for repayment until five Business Days prior to the Repayment Date, (iv) the name and address of the Paying Agent, (v) that the Securities must be tendered to the Paying Agent by five Business Days prior to the Repayment Date to collect the principal, premium and accrued interest thereon, (vi) that any Security not

tendered by five Business Days prior to the Repayment Date shall continue to accrue interest at the applicable rate borne by the Security, (vii) that any Security accepted for payment shall cease to accrue interest after the Repayment Date, (viii) that Holders electing to have a Security repurchased shall be required to surrender the Security, with the form entitled "Option of Holder to Elect Repurchase" on the reverse of the Security completed, to the Paying Agent at the address specified in the Notice on or prior to the close of business on the fifth Business Day preceding the Repayment Date, (ix) that Holders shall be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the fifth Business Day preceding the Repayment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Securities the Holder delivered for repurchase, the certificate number(s) of the Securities the Holder delivered for repurchase and a statement that such Holder is withdrawing his election to have such Securities repurchased, (x) that Holders electing to have their Securities repurchased must tender all Securities which they hold and (xi) any other information

necessary to enable Holder to tender Securities and have such Securities repurchased pursuant to this Section. Notwithstanding that the Company shall have given any such notice pursuant to this paragraph, the Company shall have no obligation to consummate a merger, consolidation, transfer, sale or lease that would constitute a Change of Control that is the subject of any such notice, provided that the Company shall mail a notice to Holders, stating that the proposed merger, consolidation, transfer, sale or lease was not consummated and that Holders shall not have the right to require the Company to prepay their Securities, not later than two Business Days after the Company determines that such proposed merger, consolidation, transfer, sale or lease shall not be consummated, and the Company shall promptly return any Securities tendered for prepayment to their respective Holders.

(d) The Company shall deliver to the Trustee, contemporaneously with the mailing of the notice specified in paragraph (c) of this Section informing Holders of their right to tender their Securities for prepayment, (i) an Officers' Certificate to the foregoing effect stating that the Holders are entitled to have their Securities repaid and (ii) an Opinion of Counsel stating that the proposed transaction complies with this Indenture and that all conditions precedent to the consummation of the transaction under this Indenture have been met. The Company shall also deliver to the Trustee an Officers' Certificate and an Opinion of Counsel in connection with any Supplemental Indenture upon the execution thereof, as specified in Section 8.06 of this Indenture.

ARTICLE 5

DEFAULTS AND REMEDIES

SECTION 5.01. EVENTS OF DEFAULT.

Each of the following events is an "EVENT OF DEFAULT":

(i) the failure by the Company to pay interest on any Security for a period of 30 days after such interest becomes due and payable;

(ii) the failure by the Company to pay the principal of (or premium, if any, on) any Security when such principal becomes due and payable, whether at the stated maturity or upon acceleration, redemption or otherwise;

(iii) a default in the observance of any other covenant contained in this Indenture that continues for 30 days after the Company has been given notice of the

default by the Trustee or the Holders of 25% in principal amount of the Securities then outstanding;

(iv) a default or defaults on other Indebtedness of the Company or any Subsidiary, which Indebtedness has an outstanding principal amount of more than $15,000,000 individually or in the aggregate if such Indebtedness has attained final maturity or if the holders of such Indebtedness have accelerated payment thereof under the terms of the instrument under which such Indebtedness is or may be outstanding and, in each case, it remains unpaid;

(v) one or more judgments or decrees is entered against the Company or any Subsidiary involving a liability (not paid or fully covered by insurance) of $5,000,000 or more in the case of any one such judgment or decree and $10,000,000 or more in the aggregate for all such judgments and decrees for the Company and all its Subsidiaries and all such judgments and decrees have not been vacated, discharged or stayed or bonded pending appeal within 30 days from the date of entry thereof;

(vi) the Company or any Material Subsidiary pursuant to or within the meaning of the Bankruptcy Code:

(1) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights that is similar to the Bankruptcy Code;

(2) consents by answer or otherwise to the commencement against it of an involuntary case or proceeding of bankruptcy or insolvency;

(3) seeks or consents to the appointment of a receiver, trustee, assignee, liquidator, custodian or similar official (collectively, a "Custodian") of it or for all or substantially all of its Property;

(4) makes a general assignment for the benefit of its creditors; or

(5) consents to the entry of a judgment, decree or order for relief against it in an involuntary case; and

(vii) a court of competent jurisdiction enters a judgment, order or decree under any Bankruptcy Code

that is for relief against the Company or any Material Subsidiary in an involuntary case proceeding which shall:

(1) approve a petition seeking reorganization, arrangement, adjustment or composition in respect of the Company or any Material Subsidiary of the Company,

(2) appoint a Custodian for the Company or any Material Subsidiary or for all or substantially all of the property of any of them; or

(3) order the winding up or liquidation of the Company or any Material Subsidiary,

and in each case the judgment, order or decree remains unstayed and in effect for 60 days, or any dismissal, stay, rescission or termination ceases to remain in effect.

Within 90 days after the occurrence of an Event of Default that is continuing, the Trustee shall give notice thereof to the Holders; PROVIDED, HOWEVER, that, except in the case of a default in payment of principal of or interest on the Securities, the Trustee may withhold such notice as long as it in good faith determines that such withholding is in the interests of the Holders.

SECTION 5.02. ACCELERATION.

If an Event of Default (other than an Event of Default relating to the Company or a Material Subsidiary described in paragraphs (vi) or (vii) of Section 5.01 of this Indenture) shall have occurred and be continuing, the Trustee by written notice to the Company, or the Holders of at least 25% in principal amount of the Securities by written notice to the Company and the Trustee, may declare to be due and payable the principal amount of the Securities, plus accrued interest, and such amounts shall become due and payable upon the earlier of (x) five days from the date of such notice, so long as the Event of Default giving rise to such notice has not been cured or waived and (y) the acceleration of the Indebtedness under the Bank Credit Agreement (or any renewal or refinancing thereof). If an Event of Default relating to the Company

or a Material Subsidiary of the kind described in paragraphs (vi) or (vii) of Section 5.01 of this Indenture shall occur, such amount shall IPSO FACTO become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

Subject to Sections 5.07 and 8.02, the Holders of not less than a majority in principal amount of the then

outstanding Securities by written notice to the Trustee, on behalf of the Holders of all the Securities, may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration, (a) if the rescission would not conflict with any judgment or decree, (b) if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of acceleration, (c) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by the declaration of acceleration, has been paid, and (d) in the event of the cure or waiver of a Default or Event of Default under Section 5.01(iv), the Trustee shall have received an Officers' Certificate and an Opinion of Counsel that such Default or Event of Default has been cured or waived. Upon any such rescission, such Default shall cease to exist and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no rescission shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 5.03. OTHER REMEDIES.

(a) If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by an action at law, suit in equity or other appropriate proceeding to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

(b) The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default or a Default shall not impair the right or remedy or constitute a waiver of or acquiescence in such Event of Default or a Default. All remedies are cumulative to the extent permitted by law.

SECTION 5.04. WAIVER OF DEFAULTS.

Subject to Sections 5.07 and 8.02, the Holders of not less than a majority in principal amount of the then outstanding Securities by written notice to the Trustee may waive any existing Default or Event of Default and its consequences except a continuing Default or Event of Default in the payment of the principal, premium, if any, or interest on any Security.

SECTION 5.05. CONTROL BY MAJORITY.

The Holders of a majority in principal amount of the then outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or is unduly prejudicial to the rights of other Holders or would subject the Trustee to personal liability. The Company may, but shall not be obligated to, pursuant to the procedures of paragraph (b) of Section 8.04 of this Indenture, fix a record date for the purpose of determining the Holders entitled to vote on the direction of any such proceeding.

SECTION 5.06. LIMITATION ON SUITS.

(a) Except to enforce the right to receive payment of principal, premium (if any) or interest when due (including in connection with an offer to purchase or call), no Holder may institute any proceeding with respect to this Indenture or for any remedy hereunder unless such Holder has previously given to the Trustee written notice of a continuing Event of Default and unless the Holders of at least 25% in principal amount of the Securities have requested the Trustee in writing to pursue remedies in respect of such Event of Default and have offered the Trustee indemnity satisfactory to the Trustee against loss, liability, or expense to be thereby incurred and the Trustee has failed so to act for 60 days after receipt of the same and during which 60 days no contrary instruction has been received by the Trustee from the Holders of a majority in principal amount of the then outstanding Securities.

(b) A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 5.07. RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal, premium (if any) and interest on the Securities on or after the respective due dates expressed in the Securities (including in connection with an offer to purchase or call), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

SECTION 5.08. COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in paragraphs (a) or (b) of Section 5.01 of this Indenture occurs and is continuing, the Trustee is authorized to recover, in any proceeding that it deems, in its sole discretion, most

effective to protect the interests of the Holders, judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal, premium (if any) and interest remaining unpaid on the Securities and interest on overdue principal and to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 5.09. TRUSTEE MAY FILE PROOFS OF CLAIM.

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other securities or property payable or deliverable upon the conversion or exchange of the Securities or upon any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 of this Indenture.

(b) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or

adopt on behalf of any Holder any plan of reorganization, arrangement,

adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 5.10. PRIORITIES.

Any money collected by the Trustee pursuant to this Article shall be paid and applied in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 6.07 of this Indenture;

Second: to Holders for amounts due and unpaid on the Securities for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal, premium, if any, and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders under this Section.

SECTION 5.11. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted to be taken by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs including reasonable attorneys' fees and disbursements, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 5.06 of this Indenture, or a suit by Holders of more than 10% in principal amount of the then outstanding Securities.

ARTICLE 6

TRUSTEE

SECTION 6.01. DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, in the absence of bad faith on its part, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. The Trustee, however, shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.05 of this Indenture.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree with the Company. Money held in trust by the Trustee need not be

segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall require the Trustee to expend or risk any of its own funds or incur any liability.

SECTION 6.02. RIGHTS OF TRUSTEE.

(a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not

investigate any fact or matter stated in the document. The Trustee may conclusively rely as to the identity and addresses of Holders and other matters contained therein on the register of the Securities maintained by the Registrar pursuant to Section 2.03 of this Indenture and shall not be affected by notice to the contrary.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate and an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Certificate or Opinion or both. The Trustee may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and reliance thereon.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

SECTION 6.03. INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any Affiliate with the same rights it would have as if it were not Trustee. Any Agent may do the same with like rights. The Trustee, however, is subject to Sections 6.10 and 6.11 of this Indenture.

SECTION 6.04. TRUSTEE'S DISCLAIMER.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, or any money paid to the Company or upon the

Company's direction under any provision hereof, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement in the Securities other than its certificate of authentication or for any statement of the Company in this Indenture.

SECTION 6.05. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is known to a Trust Officer of the Trustee, the Trustee shall mail the Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment on any Security,

the Trustee may withhold notice if and so long as a Committee of Trust Officers in good faith determines that withholding the notice is in the interest of Holders.

SECTION 6.06. REPORTS BY TRUSTEE TO HOLDERS.

If required by the TIA, within 60 days after each February 15 following the date of this Indenture, the Trustee shall mail to Holders and the Company a brief report dated as of such February 15 that complies with TIA Section 313(a). The Trustee shall also comply with TIA Section 313(b)(2) and transmit all reports in accordance with TIA Section 313(c).

A copy of each such report shall be filed, at the time of its mailing to Holders, with the SEC and each stock exchange, if any, on which the Securities are listed. The Company shall notify the Trustee in writing when the Securities are listed or delisted on or from any stock exchange.

SECTION 6.07. COMPENSATION AND INDEMNITY.

(a) The Company shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it. Such expenses shall include the reasonable compensation and out-of-pocket expenses of the Trustee's agents and counsel.

(b) The Company shall defend and indemnify the Trustee against any loss or liability incurred by it in connection with its services hereunder except as set forth in the next paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity.

(c) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence, bad faith or wilful misconduct.

(d) The Trustee may have separate counsel, and the Company shall pay the reasonable fees and expenses of such counsel.

(e) To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or Property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Securities. Such lien shall survive the satisfaction and discharge of this Indenture or any other termination under the Bankruptcy Code.

(f) When the Trustee incurs expenses or renders services after an Event of Default specified in paragraph (vi) or (vii) of Section 5.01 of this Indenture occurs, such expenses and the compensation for such services are intended to constitute expenses of administration under the Bankruptcy Code.

SECTION 6.08. REPLACEMENT OF TRUSTEE.

(a) A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

(b) The Trustee may resign by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Securities may remove the Trustee by so notifying the Trustee and the Company. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 6.10;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under the Bankruptcy Code;

(3) a Custodian or public officer takes charge of the Trustee or its Property; or

(4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding

Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the then outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 6.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien

provided for in Section 6.07 of this Indenture.

(g) Notwithstanding the replacement of the Trustee pursuant to this Section 6.08, the Company's obligations under Section 6.07 of this Indenture hereof shall continue for the benefit of the retiring Trustee in connection with the rights and duties hereunder prior to such replacement.

SECTION 6.09. SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 6.10. ELIGIBILITY; DISQUALIFICATION.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a). The Trustee shall always have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. Neither the Company nor any Person directly or indirectly controlling, controlled by, or under common control with the Company shall serve as trustee. The Trustee is subject to TIA Section 310(b).

SECTION 6.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee is subject to TIA Section 311(a). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

SECTION 6.12. AUTHENTICATING AGENT.

(a) Each Authenticating Agent appointed by the Trustee pursuant to Section 2.02 of this Indenture (an "Authenticating Agent") shall at all times be a corporation organized and doing business under the laws of the United States, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $5,000,000 and subject to supervision or examination by federal or state authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

(b) Any corporation into which an Authenticating Agent may be merged

or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, PROVIDED such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Company, the Trustee or the Authenticating Agent.

(c) An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.12, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment to all Holders of the Securities. Any successor Authenticating Agent, upon acceptance of its appointment hereunder, shall become vested with all the rights, powers and duties of its predecessor hereunder, with

like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

(d) The Company agrees to pay each Authenticating Agent from time to time reasonable compensation for its services under Section 2.02 of this Indenture and this Section 6.12 and the Trustee shall be entitled to be reimbursed for any such payments made by it. Initially, _____ is appointed as Authenticating Agent for the Trustee.

(e) If an appointment is made pursuant to Section 2.02 of this Indenture or this Section 6.12, the Securities may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

"This is one of the 12% Senior Notes due September 1, 2004 issued under the within-mentioned Indenture.

Dated:

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By:_____
as Authenticating Agent

By:_____
Authorized Signatory"

ARTICLE 7

DISCHARGE OF INDENTURE

SECTION 7.01. TERMINATION OF COMPANY'S OBLIGATIONS.

The Company may terminate its obligations under this Indenture at any time by delivering all outstanding Securities to the Trustee for cancellation. The Company, at its option, (i) shall be Discharged (as defined herein) from any and all obligations with respect to the Securities (except for certain obligations of the Company to register the transfer or exchange of the Securities, replace stolen, lost, or mutilated

Securities, maintain paying agencies, hold moneys for payment in trust and compensate the Trustee as provided in Section 6.07 of this Indenture) or (ii) need not comply with the restrictive covenants in Sections 3.02, 3.03, 3.04, 3.05, 3.06, 3.08, 3.09, 3.10, 3.11, 3.14 and 4.01 of this Indenture, in each case if the Company deposits with the Trustee, in trust, money or U.S. Government Obligations which, through the payment of interest thereon and principal thereof in accordance with their terms, will provide money in an amount sufficient to pay all the principal of and interest on the Securities on the dates such payments are due in accordance with the terms of the Securities. To exercise any such option, the Company shall deliver to the Trustee (a) an Opinion of Counsel to the effect that the deposit and related defeasance would not cause the holders of the Securities to recognize income, gain or loss for federal income tax purposes and, in the case of a Discharge pursuant to clause (i) above, accompanied by a ruling to such effect received from or published by the United States Internal Revenue Service and (b) an Officers' Certificate and an Opinion of Counsel to the effect that all conditions precedent to the defeasance have been complied with.

"DISCHARGED" means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by, and obligations under, the Securities and to have satisfied all the obligations under this Indenture relating to the Securities (and the Trustee, at the request and the expense of the Company, shall execute instruments satisfactory in form and substance to the Trustee and the Company acknowledging the same), except (A) the rights of the Holders of Securities to receive, from the trust fund described above, payment

of the principal of, premium, if any, and the interest on such Securities when such payments are due, (B) the Company's obligations with respect to the Securities under Sections 2.03, 2.04, 2.05, 2.06, 2.07, 3.17, 6.07 and 6.08 of this Indenture and (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations of, and obligations guaranteed by, the United States of America for the payment of which the full faith and credit of the United States of America is pledged.

SECTION 7.02. APPLICATION OF TRUST MONEY.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 7.01 of this Indenture. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal and interest on the Securities.

SECTION 7.03. REPAYMENT TO COMPANY.

(a) The Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or securities held by them at any time.

(b) The Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal, premium, if any, or interest that remains unclaimed for two years after the date upon which such payment shall have come due; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, shall, upon the written request and at the expense of the Company, cause to be published once in a newspaper of general circulation in The City of New York or mailed to each such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed balance of such money then remaining shall be repaid to the Company. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person.

SECTION 7.04. REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Sections 7.01 and 7.02 of this Indenture by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 7.01 of this Indenture until such time as the Trustee or Paying Agent is permitted to apply such money or U.S.

Government Obligations in accordance with Section 7.01 of this Indenture; PROVIDED, HOWEVER, that if the Company has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 8

AMENDMENTS

SECTION 8.01. WITHOUT CONSENT OF HOLDERS.

The Company, when duly authorized by resolution of its Board of Directors, and the Trustee may amend this Indenture or the Securities without the consent of any Holder:

(a) to cure any ambiguity, defect or inconsistency with any other provision herein;

(b) to comply with Section 4.01 of this Indenture;

(c) to make any change that does not adversely affect the legal rights hereunder of any Holder; or

(d) to comply with the requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA.

After an amendment under this Section becomes effective, the Company shall mail to Holders a notice briefly describing the amendment.

SECTION 8.02. WITH CONSENT OF HOLDERS.

The Company, when duly authorized by resolution of its Board of Directors, and the Trustee may amend this Indenture or the Securities with the written consent of the Holders of at least a majority in principal amount of the then outstanding Securities. However, without the consent of each Holder affected, an amendment under this Section may not:

(a) reduce the amount of Securities whose Holders must consent to an amendment;

(b) reduce the rate of or change the time for payment of interest, including defaulted interest, on any Security;

(c) reduce the principal of or change the fixed maturity of any Security, or change the date on which any Security may be subject to redemption or reduce the Redemption Price therefor;

(d) make any Security payable in currency other than that stated in the Security;

(e) make any change in Section 5.04 or 5.07 or this Section 8.02 of this Indenture;

(f) make any change in the ranking of the Securities with respect to any other obligation of the Company in a way that adversely affects the rights of any Holder; or

(g) waive a Default in the payment of the principal of, and interest on, any Security.

After an amendment under this Section becomes effective, the Company shall mail to Holders a notice briefly describing the amendment.

SECTION 8.03. COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment to this Indenture or the Securities shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

SECTION 8.04. REVOCATION AND EFFECT OF CONSENTS.

(a) Until an amendment or waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of a Security if the Trustee receives written notice of revocation before the date on which the Trustee receives an Officers' Certificate certifying that the Holders of the requisite principal amount of Securities have consented to such amendment or waiver. An amendment or waiver becomes effective upon receipt by the Trustee of such Officers' Certificate and the written consents from the Holders of the requisite percentage in principal amount of Securities.

(b) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment or waiver, which record date shall be at least 5 Business Days prior to the first solicitation of such consent. If a record date is fixed, then notwithstanding the second and third sentence of paragraph (a) of this Section, those persons who were Holders at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment or waiver or to revoke any consent previously given, whether or not such persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

(c) After an amendment or waiver becomes effective, it shall bind every Holder.

SECTION 8.05. NOTATION ON EXCHANGE OF SECURITIES.

Upon the Company's written request, the Trustee shall place an appropriate notation (to be provided by the Company) about an amendment or waiver on any Security thereafter authenticated. The Company in exchange for all Securities may issue and the Trustee shall authenticate new Securities that reflect the amendment or waiver.

SECTION 8.06. TRUSTEE PROTECTED.

The Trustee shall sign all supplemental indentures, except that the Trustee need not sign any supplemental indenture that adversely affects its rights. In signing or refusing to sign such amendment or supplemental indenture, the Trustee shall be entitled to receive and, subject to Section 6.01 of this Indenture, shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such amendment or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, that all conditions precedent to the execution thereof have been met, that it will be valid and binding upon the Company in accordance with its terms and that, after the execution thereof, the Company will not be in Default and no Event of Default will have occurred and be continuing.

ARTICLE 9

REDEMPTIONS

SECTION 9.01. NOTICE TO TRUSTEE.

If the Company elects to redeem Securities pursuant to the optional redemption provisions of paragraph 6 of the Securities and Section 9.03 hereof, the Company shall notify the Trustee of the Redemption Date, the principal amount of Securities to be redeemed, and the Redemption Price and shall deliver to the Trustee an Officers' Certificate certifying resolutions of the Board of Directors authorizing the redemption and an Opinion of Counsel with respect to the due authorization of such redemption and that such redemption is being made in accordance with this Indenture and the Securities and does not violate any other agreement binding on the Company.

The Company shall give the notice to the Trustee provided for in this Section at least 45 days (unless such shorter period shall be satisfactory to the Trustee) but not more than 60 days before a Redemption Date.

SECTION 9.02. SELECTION OF THE SECURITIES TO BE REDEEMED.

If less than all of the Securities are to be redeemed, the Trustee or the Registrar for the Securities, PRO RATA or by lot, or by any manner that is acceptable to the Trustee, shall select, subject to the remainder of this Section, the Securities to be redeemed. The Trustee shall make the selection not more than 60 days and not less than 30 days before each Redemption Date from Securities outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than $1,000. Securities and portions of them it selects shall be in amounts of $1,000 or integral multiples of $1,000. Provisions of this Indenture that apply to Securities called for redemption shall also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly in writing of the Securities or portions of Securities to be called for redemption.

SECTION 9.03. NOTICE OF REDEMPTION.

(a) At least 30 but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Securities are to be redeemed at the Holder's last address as it appears upon the register.

(b) The notice shall identify the Securities to be redeemed and shall state:

(i) the Redemption Date;

(ii) the Redemption Price and the amount of accrued interest to be paid;

(iii) the name and address of the Paying Agent;

(iv) that the Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price and accrued interest, if any;

(v) that, unless the Company defaults in making the redemption payment, interest on the Securities called for redemption ceases to accrue on and after the specified Redemption Date; and

(vi) if any Security is being redeemed in part, the portion of the principal amount (equal to $1,000 or any integral multiple thereof) of such Security to be redeemed and that, on or after the Redemption Date, upon surrender of such Security, a new Security or Securities

in principal amount equal to the unredeemed portion thereof will be issued.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense.

SECTION 9.04. EFFECT OF NOTICE OF REDEMPTION.

Once notice of redemption is mailed pursuant to paragraph 6 of the Securities and in accordance with Section 9.03 hereof, the Securities called for redemption become irrevocably due and payable on the specified Redemption Date at the Redemption Price. A notice of redemption may not be conditional.

Notice of redemption shall be deemed to be given when mailed, whether or not the Holder receives such notice. In any event, failure to give such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of the Securities.

SECTION 9.05. DEPOSIT OF REDEMPTION PRICE ON OPTIONAL REDEMPTION.

On or before each Redemption Date the Company shall deposit with the Trustee or the Paying Agent money (which shall be immediately available funds if deposited on the Redemption Date and which must be received by such Paying Agent prior to 10:00 a.m. New York City time) sufficient to pay the Redemption Price of and accrued interest on all Securities to be redeemed on that date. The Paying Agent shall return to the Company any money not required for that purpose.

SECTION 9.06. SECURITIES REDEEMED IN PART.

Upon surrender of a Security that is redeemed in part, the Company shall issue and the Trustee shall authenticate a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE 10

MISCELLANEOUS

SECTION 10.01. TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 10.02. NOTICES.

Any notice or communication to the Company or the Trustee is duly

given if in writing and (a) delivered in Person, (b) mailed by first-class mail or (c) transmitted by facsimile transmission (confirmed by guaranteed overnight courier) to the following addresses:

The Company's address is:

201 Willowbrook Boulevard
Wayne, New Jersey 07470-6799
Attn: Kenneth R. Baum
Telephone number: (201) 890-6000
Facsimile number: (201) 890-6540

With a copy to:

_____
_____
_____
_____

The Trustee's address is:

One State Street
New York, New York 10004
Telephone number: (212) 858-2000
Facsimile number: (212)

At the date of execution hereof, the Paying Agent's, Authenticating Agent's and Registrar's address is:

_____
_____
_____
_____

The Company or the Trustee by written notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Holder shall be mailed by first-class mail (registered or certified, return receipt requested) or overnight air courier guaranteeing next day delivery, to his address shown on the register kept by the Registrar; PROVIDED that items required under the TIA to be sent to Holders in compliance with TIA Section 313(c) shall be mailed to Holders in compliance with such section. Failure to mail a notice or a communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is delivered, mailed or transmitted in

the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 10.03. COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Trustee shall comply with the provisions of TIA Section 312(b). The Company, the Trustee, the Registrar and any agent of any of them shall have the protection of TIA Section 312(c).

SECTION 10.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 10.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he has made such examination or investigation as is

necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 10.06. RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 10.07. LEGAL HOLIDAYS.

A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions in the State of New York are not required to be open. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 10.08. NO RECOURSE AGAINST OTHERS.

The Securities and the obligations of the Company under this Indenture are solely obligations of the Company and no officer, director, employee or stockholder, as such, shall be liable for any failure by the Company to pay amounts on the Securities when due or perform any such obligation.

SECTION 10.09. DUPLICATE ORIGINALS.

The parties may sign any number of copies or counterparts of this Indenture. One signed copy is enough to prove this Indenture.

SECTION 10.10. GOVERNING LAW.

The laws of the State of New York shall govern this Indenture and the Securities.

SECTION 10.11. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 10.12. SUCCESSORS.

All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 10.13. SEVERABILITY.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.14. TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table, and headings of the Articles and Sections of this Indenture have been inserted for the convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 10.15. BENEFITS OF INDENTURE.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SIGNATURES

Dated: _____ __, 1995

THE GRAND UNION COMPANY

By:_____
Name:
Title:

Attest:

_____

(SEAL)

Dated: _____ __, 1995

IBJ SCHRODER BANK & TRUST COMPANY, Trustee

By:_____
Name:
Title:

Attest:

_____

(SEAL)

Exhibit A

No. $_____

THE GRAND UNION COMPANY

Incorporated under the laws of the State
of Delaware

12% Senior Notes due September 1, 2004

THE GRAND UNION COMPANY promises to pay to _____ or registered assigns, the principal sum of _____ Dollars on September 1, 2004 and to pay interest thereon semiannually in arrears from September 1, 1995 (notwithstanding that the date of issue is prior thereto) at the rate of 12% per annum on March 1 and September 1 of each year commencing March 1, 1996 until the principal hereof is paid or made available for payment. Payment of principal and premium, if any, and interest shall be made in the manner and subject to the terms set forth in provisions appearing on the reverse hereof, which provisions, in their entirety, shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, THE GRAND UNION COMPANY has caused this instrument to be executed in its corporate name by the manual or facsimile signature of its President or a Vice President and attested by its Secretary or an Assistant Secretary.

THE GRAND UNION COMPANY

By_____
Name:
Title:

Attest:_____
Name:
Title:

SEAL

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 12% Senior Notes due September 1, 2004 issued under the within-mentioned Indenture.

Dated:

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By:_____
Authorized Signatory

or

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By:_____
as Authenticating Agent

By:_____
Authorized Signatory

(Back of Security)

THE GRAND UNION COMPANY

12% Senior Notes due
September 1, 2004

1. INTEREST. THE GRAND UNION COMPANY (the "Company"), a Delaware corporation, promises to pay interest on the principal amount of this Security at the rate per annum shown above from September 1, 1995. The Company will pay interest semiannually in arrears on March 1 and September 1 of each year, commencing March 1, 1996. Interest on the Securities will accrue from the most

recent date on which interest has been paid or, if no interest has been paid, from September 1, 1995. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. METHOD OF PAYMENT. The Company will pay interest on the Securities (except defaulted interest) to the Persons who are registered Holders of Securities at the close of business on the regular record date, which shall be the February 15 and August 15, as the case may be, next preceding the interest payment date even though Securities are canceled after the record date and on or before the interest payment date. Any such interest not so punctually paid or duly provided for or paid within the 30-day period in paragraph (a) of Section 5.01 of the Indenture, and any interest payable on such defaulted interest (to the extent lawful), will forthwith cease to be payable to the Holder on such regular record date and shall be payable to the Person in whose name this Security is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Company, notice of which shall be given to Holders not less than 5 days prior to such special record date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may pay principal, premium, if any, and interest by check payable in such money. It may mail an interest check to a Holder's registered address.

3. PAYING AGENT AND REGISTRAR. _____ will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-Registrar without notice to any Holder. The Company may act in any such capacity.

4. INDENTURE. The Company has issued the Securities under an Indenture dated as of _____, 1995 (the "Indenture") between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and

those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb), as amended by the Trust Indenture Reform Act of 1990, as in effect on the date of the Indenture ("TIA"). The Securities are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of such terms. The Securities are obligations of the Company limited to $595,475,922 in aggregate principal amount. The Securities are unsecured general obligations of the Company. Unless otherwise defined herein, all capitalized terms shall have the meanings assigned to them in the Indenture.

5. DENOMINATIONS, TRANSFER, EXCHANGE. The Securities are in registered form without coupons in denominations of $1,000 and integral multiples thereof. The transfer of Securities may be registered and Securities

may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or register the transfer of any Security or portion of a Security selected for redemption. Also, it need not exchange or register the transfer of any Securities for a period of 15 days before a selection of Securities to be redeemed.

6. OPTIONAL REDEMPTION. The Securities may not be redeemed at the option of the Company prior to September 1, 2000, except as set forth below. On or after such date, the Securities may be redeemed at the election of the Company as a whole at any time or in part from time to time at the Redemption Prices (expressed in percentages of principal amount) set forth below plus accrued interest to the Redemption Date, if redeemed during the 12-month period beginning on September 1 of the years indicated below:

Year	Percentage
2000	104%
2001	102
2002 and thereafter	100

Notwithstanding the foregoing, the Securities may be redeemed at the election of the Company prior to September 1, 1998 with the proceeds of one or more issuances of equity securities, so long as such redemption, when aggregated with all prior such redemptions, shall not result in more than 33 1/3% of the principal amount of the Securities originally issued having been so redeemed, at the Redemption Prices (expressed in percentages of principal amount) set forth below plus accrued interest to the Redemption Date, if redeemed

during the 12-month period beginning September 1 of the years indicated below:

Year	Percentage
1995	103%
1996	106
1997	106

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed, at his registered address. Securities in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. On and after the Redemption Date interest ceases to accrue on Securities or portions of them called for redemption. The Securities will not have the benefit of any sinking fund obligation.

7. PERSONS DEEMED OWNERS. The registered Holder of a Security may be treated as its owner for all purposes.

8. AMENDMENTS AND WAIVERS. Subject to certain exceptions, the Indenture or the Securities may be amended with the consent of the Holders of at least a majority in principal amount of the then outstanding Securities. Without the consent of any Holder, the Indenture or the Securities may be amended to cure any ambiguity, defect or inconsistency, to comply with Section 4.01 of the Indenture, to secure the Securities, to make any change that does not adversely affect the legal rights of any Holder or to comply with the requirements of the SEC to maintain qualification of the Indenture under the TIA.

9. DEFAULTS AND REMEDIES. An Event of Default, as defined in the Indenture, is: (i) the failure to pay interest on the Securities for a period of 30 days after such interest becomes due and payable; (ii) the failure to pay the principal or premium, if any, on the Securities when such principal becomes due and payable, whether at the stated maturity or upon acceleration, redemption or otherwise; (iii) a default in the observance of any other covenant contained in the Indenture that continues for 30 days after the Company has been given notice of the default by the Trustee or the Holders of 25% in principal amount of the Securities then outstanding, (iv) a default or defaults on other Indebtedness of the Company or any Subsidiary, which Indebtedness has an outstanding principal amount of more than $15,000,000 individually or in the aggregate if such Indebtedness has attained final maturity or if the holders of such Indebtedness have accelerated payment thereof under the terms of the instrument under which such Indebtedness is or may be outstanding and it

remains unpaid; (v) one or more judgments or decrees is entered against the Company or any Subsidiary involving a liability (not paid or fully covered by insurance) of $5,000,000 or more in the case of any one such judgment or decree and $10,000,000 or more in the aggregate for all such judgments and decrees for the Company and all its Subsidiaries and all such judgments and decrees have not been vacated, discharged or stayed or bonded pending appeal within 30 days from the entry thereof; or (vi) certain events of bankruptcy, insolvency or reorganization affecting the Company or any Material Subsidiary as provided in the Indenture.

In case an Event of Default (other than an Event of Default resulting from bankruptcy, insolvency, or reorganization of the Company or a Material Subsidiary) shall have occurred and be continuing, the Trustee by written notice to the Company or the Holders of at least 25% in principal amount of the Securities by written notice to the Company and the Trustee, may declare to be due and payable the principal amount of the Securities, plus accrued interest, and such amounts shall become due and payable upon the earlier of (i) five days from the date of such notice, so long as the Event of Default giving rise to

such notice has not been cured or waived and (ii) the acceleration of the Indebtedness under the Bank Credit Agreement (or any renewal or refinancing thereof). In case an Event of Default resulting from bankruptcy, insolvency, or reorganization of the Company or a Material Subsidiary shall occur, such amount shall ipso facto become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. Such declaration or acceleration by the Trustee or the Holders may be rescinded and past defaults may be waived (except, unless theretofore cured, a default in payment of principal of or interest on the Securities issued under the Indenture) by the Holders of a majority in principal amount of the Securities upon conditions provided in the Indenture. Except to enforce the right to receive payment of principal or interest when due, no Holder may institute any proceeding with respect to the Indenture or for any remedy thereunder except as provided in the Indenture. Subject to certain restrictions, the Holders of a majority in principal amount of the Securities have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture, that is unduly prejudicial to the rights of any Holder, or that would subject the Trustee to personal liability. The Company must furnish an annual compliance certificate to the Trustee.

10. PREPAYMENT AT HOLDER'S OPTION UPON CHANGE OF CONTROL EVENTS. In the event of a Change of Control, the

Company shall be obligated to make an offer to purchase this Security at a purchase price in cash equal to 101% of its principal amount plus accrued interest, after the occurrence of such Change of Control. Holders of Securities which are the subject of such an offer to repurchase shall receive an offer to repurchase and may elect to have such Securities repurchased in accordance with the provisions of the Indenture pursuant to and in accordance with the terms of the Indenture. The Company shall give the Holder of this Security notice of such right of repurchase not less than 20 nor more than 60 Business Days prior to the consummation of a merger, consolidation, transfer, sale or lease that would constitute a Change of Control and not more than 45 Business Days following any other event constituting a Change of Control, mailed by first-class mail to the Holder's last address as it appears upon the register. The Holder shall have the right to have this Security repurchased if, among other things, the Security is tendered for repurchase no later than five Business Days prior to the applicable repurchase date. The Company shall have no obligation to consummate any merger, consolidation, transfer, sale or lease that would constitute a Change of Control, and, if any such merger, consolidation, transfer, sale or lease that was the subject of any notice described above is not consummated, the Holder will not be entitled to have this Security prepaid, and any Securities tendered for prepayment will be returned.

11. TRUSTEE DEALINGS WITH THE COMPANY. IBJ Schroder Bank & Trust Company, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company or any Affiliate with the same rights it would have as if it were not the Trustee.

12. NO RECOURSE AGAINST OTHERS. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

13. UNCLAIMED MONEY. If money for the payment of principal of or interest on any Security remains unclaimed for two years after the date on which such payment shall have come due, the Trustee or Paying Agent will pay the money back to the Company at the Company's written request. After that, Holders entitled to this money must look to the Company for payment, unless a law governing abandoned property designates another Person.

14. DISCHARGE UPON REDEMPTION OR MATURITY. Subject to the terms of the Indenture, the Indenture will be discharged and canceled upon the payment of all Securities. The Indenture contains provisions for defeasance at any time of certain restrictive covenants with respect to this Security (in each case upon compliance with certain conditions set forth therein).

15. AUTHENTICATION. This Security shall not be valid until authenticated by the manual signature of the Trustee or an Authenticating Agent.

16. GOVERNING LAW. The laws of the State of New York shall govern this Security and the Indenture.

17. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and UNIF GIFT MIN ACT (= Uniform Gifts to Minors Act).

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture, which contains, in larger type, the text of this Security. Requests may be made to The Grand Union Company, 201 Willowbrook Boulevard, Wayne, New Jersey 07470-6799, Attention: Kenneth R. Baum.

Exhibit A

OPTION OF HOLDER TO ELECT REPURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 4.01 of the Indenture, check the box:

/ /

Dated: _____ Your Signature:_____
(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee:_____
(Signature must be guaranteed by an eligible institution within the meaning of Rule 17(A)(d)-15 under the Securities Exchange Act of 1934, as amended)

Exhibit A

ASSIGNMENT FORM

To assign this Security, fill in the form below: I or we assign and transfer this Security to

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____
_____
_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated: _____ Your Signature:_____
(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee:_____
(Signature must be guaranteed by an eligible institution within the meaning of Rule 17(A)(d)-15 under the Securities Exchange Act of 1934, as amended)

Exhibit T3E1

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: Chapter 11

THE GRAND UNION COMPANY, Case No. 95-84 (PJW)
also d/b/a Big Star,

Debtor.

DISCLOSURE STATEMENT FOR SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION OF THE GRAND UNION COMPANY

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The Grand Union Company (the "Debtor"), as debtor in possession under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), hereby proposes and files this Disclosure Statement (the "Disclosure Statement") for the Second Amended Chapter 11 Plan of Reorganization of The Grand Union Company, dated April 19, 1995 (the "Plan").

THE DEBTOR STRONGLY URGES ALL HOLDERS OF CLAIMS IN IMPAIRED CLASSES TO ACCEPT THE PLAN.

THIS DISCLOSURE STATEMENT IS DESIGNED TO PROVIDE ADEQUATE INFORMATION TO ENABLE HOLDERS OF CLAIMS AGAINST THE DEBTOR TO MAKE AN INFORMED JUDGMENT ON WHETHER TO ACCEPT OR REJECT THE PLAN. ALL HOLDERS OF CLAIMS ARE HEREBY ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, WHICH IS ANNEXED HERETO AS APPENDIX "A", OTHER APPENDICES ANNEXED HERETO AND OTHER DOCUMENTS REFERENCED AS FILED WITH THE COURT BEFORE OR CONCURRENTLY WITH THE FILING OF THIS DISCLOSURE STATEMENT. FURTHERMORE, THE PROJECTED FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN THE SUBJECT OF AN AUDIT. SUBSEQUENT TO THE DATE HEREOF, THERE CAN BE NO ASSURANCE THAT: (A) THE INFORMATION AND REPRESENTATIONS CONTAINED HEREIN WILL CONTINUE TO BE MATERIALLY ACCURATE; AND (B) THIS DISCLOSURE STATEMENT CONTAINS ALL MATERIAL INFORMATION.

ALL HOLDERS OF IMPAIRED CLAIMS SHOULD READ AND CONSIDER CAREFULLY THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT AS A WHOLE, INCLUDING THE SECTION ENTITLED "RISK FACTORS," PRIOR TO VOTING ON THE PLAN. IN MAKING A DECISION TO ACCEPT OR REJECT THE PLAN, EACH CREDITOR MUST RELY ON ITS OWN EXAMINATION OF THE DEBTOR AS DESCRIBED IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. IN ADDITION, CONFIRMATION AND CONSUMMATION OF THE PLAN ARE SUBJECT TO CONDITIONS PRECEDENT THAT COULD LEAD TO DELAYS IN CONSUMMATION OF THE PLAN. ALSO, THERE CAN BE NO ASSURANCE THAT EACH OF THESE CONDITIONS WILL BE SATISFIED OR WAIVED (AS PROVIDED IN THE PLAN) OR THAT THE PLAN WILL BE CONSUMMATED. EVEN AFTER THE EFFECTIVE DATE, DISTRIBUTIONS UNDER THE PLAN MAY BE SUBJECT TO SUBSTANTIAL DELAYS FOR CREDITORS WHOSE CLAIMS ARE DISPUTED.

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

NO PARTY IS AUTHORIZED BY THE DEBTOR TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS WITH RESPECT TO THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. NO REPRESENTATIONS OR INFORMATION CONCERNING THE DEBTOR, ITS FUTURE BUSINESS OPERATIONS OR THE VALUE OF ITS PROPERTIES HAVE BEEN

AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH HEREIN. ANY INFORMATION OR REPRESENTATIONS GIVEN TO OBTAIN YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH ARE DIFFERENT FROM OR

INCONSISTENT WITH THE INFORMATION OR REPRESENTATIONS CONTAINED HEREIN AND IN THE PLAN SHOULD NOT BE RELIED UPON BY ANY CREDITOR IN VOTING ON THE PLAN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(c) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NONBANKRUPTCY LAW. PERSONS OR ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST, OR SECURITIES OF, THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

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

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

THIS DISCLOSURE STATEMENT SHALL NEITHER BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY NOR BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN. EACH CREDITOR SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION, THE PLAN OR THE TRANSACTIONS CONTEMPLATED THEREBY.

This Disclosure Statement, the Plan annexed hereto as Appendix "A" (and the other appendices hereto), the accompanying form of Ballot, and the related materials delivered together herewith are being furnished by the Debtor to holders of Impaired Claims pursuant to section 1125 of the Bankruptcy Code, in connection with the solicitation by the Debtor of votes to accept or reject the Plan (and the transactions contemplated thereby), as described herein.

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APPENDICES

I. INTRODUCTION AND SUMMARY

The following introduction and summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements and notes thereto appearing elsewhere in this Disclosure Statement. References herein to a "fiscal" year refer to the fiscal year of the Debtor ended the Saturday closest to the last day of March in the calendar year indicated (e.g., references to fiscal 1994 are references to the Debtor's fiscal year ended April 2, 1994), except as otherwise indicated. All capitalized terms used in this Disclosure Statement have the meanings ascribed to such terms in the Plan, a copy of which is annexed hereto as Appendix "A", except as otherwise indicated.

A. The Solicitation

The Debtor is hereby soliciting (the "Solicitation") votes for acceptance of the Plan under the Bankruptcy Code from the holders of (i) Credit Agreement Claims, (ii) Interest Rate Protection Agreement Claims, (iii) (a) the Debtor's 11-1/4% Senior Notes and (b) the Debtor's 11-3/8% Senior Notes, (iv) Priority Claims, (v) General Unsecured Claims, (vi) (a) the Debtor's 13% Senior Subordinated Notes, (b) the Debtor's 12-1/4% Senior Subordinated Notes and (c) the Debtor's 12-1/4% Senior Subordinated Notes, Series A, (vii) Grand Union Capital Corporation's Senior Zero Notes and (viii) Grand Union Capital Corporation's Junior Zero Notes. The Debtor is not soliciting votes from holders of, among others, Trade Claims, which are not Impaired by the Plan. If the requisite acceptances of the Plan are obtained, the Debtor intends to use such acceptances to obtain confirmation of the Plan by the Bankruptcy Court. The Bankruptcy Court has fixed the close of business (Eastern Standard Time) on April 19, 1995 as the record date for the determination of those holders of Claims entitled to vote on the Plan.

B. The Plan

Set forth below is a summary of the significant principles upon which the Plan is founded.

1. Exchange of Senior Note Claims for New Senior Notes

On or about the Effective Date and subject to Section 12.02 of the Plan, the Senior Note Claims (equal to the aggregate face amount of the 11-1/4% Senior Notes due 2000 and the 11-3/8% Senior Notes due 1999, plus accrued but unpaid interest and interest on overdue interest as of the Effective Date) will be exchanged for the New Senior Notes. The Debtor estimates that the aggregate amount of the Senior Note Claims is approximately $570,807,000, assuming an Effective Date of April 29, 1995, calculated as follows (all numbers are rounded to the nearest thousand):

<TABLE>
<CAPTION>

Senior Note Issue	Principal Amount	Interest Amount	Compound Interest Amount	Total
<S>	<C>	<C>	<C>	<C>
11-1/4% Senior Notes	$350,000,000	$30,953,000	$634,000	$381,587,000
11-3/8% Senior Notes	175,000,000	13,990,000	230,000	189,220,000
Total				$570,807,000

</TABLE>

For a more detailed description of the New Senior Notes, see "DESCRIPTION OF NEW SENIOR NOTES" and the Term Sheet of New Senior Notes, annexed hereto as Appendix "C".

2. Subordinated Debt Conversion and Equity Recapitalization

The Debtor estimates that the aggregate amount of the Senior Subordinated Note Claims is approximately $602,494,000, calculated as follows (all numbers are rounded to the nearest thousand):

<TABLE>
<CAPTION>

Senior Subordinated Note Issue	Principal Amount	Interest Amount	Compound Interest Amount	Total

<S>	<C>	<C>	<C>	<C>
13% Senior Subordinated Notes.....	$ 16,150,000	$ 671,000	$ N/A	$ 16,821,000
12-1/4% Senior Subordinated Notes.....	500,000,000	32,326,000	104,000	532,430,000
12-1/4% Senior Subordinated Notes, Series A	50,000,000	3,233,000	10,000	53,243,000
Total.....				$602,494,000

</TABLE>

On or about the Effective Date, the Senior Subordinated Notes will be cancelled and, subject to Section 12.02 of the Plan, the holders thereof will be entitled to receive 100% of the 10,000,000 shares of New Common Stock to be issued under the Plan. All of the issued and outstanding shares of the old common stock will be cancelled. The following table sets forth the expected ownership of the New Common Stock after giving effect to the Plan:

Shares of New Common Stock
Post-Restructuring

<TABLE>
<CAPTION>

Senior Subordinated Note Issue	Number of Issued Shares	% of Issued Shares
<S>	<C>	<C>
13% Senior Subordinated Notes.....	279,190	2.79%
12-1/4% Senior Subordinated Notes.....	8,837,100	88.37%
12-1/4% Senior Subordinated Notes, Series A	883,710	8.84%
Total.....	10,000,000	100.00%

</TABLE>

For a discussion of the terms of the New Common Stock, see "DESCRIPTION OF NEW CAPITAL STOCK."

3. Post-Confirmation Credit Agreement and Credit Agreement Claims

(a) On the Effective Date, each holder of an Allowed Credit Agreement Claim will receive with respect to such Claim the treatment set forth in subparagraph (i) hereof, unless, at the sole option of the Debtor (which option will be exercised not later than five (5) days prior to the commencement of the confirmation hearing), such holder will receive the treatment described in subparagraph (ii) below:

(i) (x) Reorganized Grand Union will execute the Post-Confirmation Credit Documents and such documents will become effective (provided that the other conditions contained in the Commitment Letter and the Credit Facility Term Sheet, as and if amended by consent of Bankers Trust and the Debtor, have been satisfied). Pursuant to the Post-Confirmation Credit Agreement, the commitment with respect to the amount of the Revolving Credit Facility and the Term Facility will be increased in the aggregate by not less than $65 million;

(y) The Post-Confirmation Facility will be secured by a perfected, first priority lien and security interest in all of the tangible and intangible assets (including, without limitation, all assets as described in the Commitment Letter, including leases) of Reorganized Grand Union and its subsidiaries, whether in existence at the Effective Date or acquired thereafter, subject only to such liens as may be permitted pursuant to the Post-Confirmation Credit Documents. Pursuant to the Intercreditor Agreement, the Additional Facility Lenders will have priority (with respect to the Additional Facility and with respect to those loans owed to, and letter of credit exposure of, such Additional Facility Lenders under the Existing Credit Agreement as set forth in the Intercreditor Agreement) over Existing Banks who do not contribute to the Additional Facility; and

(z) Upon confirmation of the Plan, but effective as of the Effective Date, the Debtor, Reorganized Grand Union, any Entity issuing securities under the Plan, any Entity acquiring property under the Plan, and any Creditor and/or equity security holder of the Debtor, will be deemed contractually to subordinate any present or future claim, right or other

interest they may have in and to any proceeds received from the disposition, release, or liquidation of any Leasehold Interest, or any funds or proceeds received as a result of a subsequent pledge of such Leasehold Interest, to the obligations owed to the Post-Confirmation Banks pursuant to the Post-Confirmation Credit Documents until such obligations are paid in full; or

(ii) The Debtor will obtain a binding Alternative Commitment Letter from an alternative lender for the provision of not less than $204 million in loan facilities (of which not less than $57 million will be term facilities) on the Effective Date on terms satisfactory to the Debtor and reasonably satisfactory to the Official Committee and the Informal Committee of Senior Noteholders, in which event:

(x) The holder of an Allowed Credit Agreement Claim will receive on the Effective Date, cash payments equal to 100% of such Allowed Credit Agreement Claim; and

(y) Upon payment in full of the Allowed Credit Agreement Claims, the Existing Credit Agreement will be terminated and the notes issued pursuant thereto will be cancelled.

(b) On the Effective Date, all interest, fees, expenses and other charges that have accrued pursuant to the terms of the Existing Credit Documents but have not been paid as of the Effective Date will be paid to the Senior Bank Agent for distribution to those parties entitled to receive such interest, fees, expenses and other charges pursuant to the Existing Credit Documents.

For a more detailed description of the terms of the Post-Confirmation Credit Agreement, see "DESCRIPTION OF POST-CONFIRMATION CREDIT AGREEMENT" and the Commitment Letter and the Credit Facility Term Sheet, both of which are annexed to the Plan as Exhibit "A".

4. Interest Rate Protection Agreement Claims

With respect to each Allowed Interest Rate Protection Agreement Claim, at the sole option of Reorganized Grand Union, to be exercised on the Effective Date: (a) the legal, equitable and contractual rights to which the Allowed Interest Rate Protection Agreement Claim entitles the holder of such Allowed Interest Rate Protection Agreement Claim will be unaltered by the Plan and the Debtor shall, on the Effective Date, cure any defaults with respect thereto; or (b) on the Effective Date, the holder of an Allowed Interest Rate Protection Agreement Claim will receive a cash payment equal to 100% of such Allowed Interest Rate Protection Agreement Claim.

5. Trade Creditors

THE PLAN PROVIDES FOR ANY UNPAID PREPETITION TRADE CLAIMS TO BE PAID IN FULL AND SUCH CLAIMS ARE UNIMPAIRED UNDER THE PLAN. SINCE THE COMMENCEMENT OF THE BANKRUPTCY CASE, THE DEBTOR HAS REMAINED IN POSSESSION OF AND CONTINUES TO OPERATE ITS BUSINESS IN THE ORDINARY COURSE AND TO PAY ALL POSTPETITION CLAIMS OF TRADE CREDITORS IN FULL ON A TIMELY BASIS. THE DEBTOR HAS OBTAINED THE APPROVAL OF THE BANKRUPTCY COURT TO PAY IN THE ORDINARY COURSE THE PREPETITION CLAIMS OF EACH TRADE CREDITOR WHO AGREES (I) TO CONTINUE TO SUPPLY PRODUCTS TO THE DEBTOR ON CUSTOMARY TRADE TERMS (INCLUDING PRIOR ALLOWANCES AND PRACTICES) AND (II) THAT IF THIS "TRADE PAYMENT PROGRAM" OR SUCH TRADE CREDITOR'S PARTICIPATION THEREIN IS TERMINATED, THEN ANY PAYMENTS BY THE DEBTOR TO SUCH TRADE CREDITOR IN RESPECT OF ANY PREPETITION CLAIMS WILL BE DEEMED TO HAVE BEEN MADE IN PAYMENT OF THEN OUTSTANDING POSTPETITION OBLIGATIONS OWED TO SUCH TRADE CREDITOR AND SUCH TRADE CREDITOR WILL IMMEDIATELY REPAY TO THE DEBTOR

ANY PAYMENTS MADE TO SUCH CREDITOR ON ACCOUNT OF PREPETITION CLAIMS TO THE EXTENT THE AGGREGATE AMOUNT OF SUCH PAYMENTS EXCEEDS THE POSTPETITION OBLIGATIONS THEN OUTSTANDING (WITHOUT THE RIGHT OF ANY SETOFFS, CLAIMS, PROVISIONS FOR PAYMENT OF RECLAMATION OR TRUST FUND CLAIMS, OR OTHERWISE). SEE "THE CHAPTER 11 CASE-TRADE CREDITOR ORDER." THE DEBTOR BELIEVES THAT IT WILL HAVE SUFFICIENT FUNDS FROM OPERATIONS, THE DIP FACILITY AND THE USE OF CASH COLLATERAL FOR THE TIMELY PAYMENT OF ITS TRADE CREDITORS IN THE ORDINARY COURSE THROUGH THE CONCLUSION OF THE BANKRUPTCY PROCEEDING, AND TO HAVE SUFFICIENT LIQUIDITY FROM OPERATIONS AND THE POST-CONFIRMATION CREDIT AGREEMENT TO MAKE SUCH PAYMENTS THEREAFTER.

Under the Plan, each trade creditor asserting, in the aggregate, less than $25,000 in Trade Claims, will not be required to file a proof (or proofs) of claim with respect to such Trade Claims. Each trade creditor asserting, in the aggregate, $25,000 or more in Trade Claims, will be required to file a proof (or proofs) of claim with respect to such Trade Claims. For further information, see "THE PLAN-Classification and Treatment of Claims and Interests under the Plan-Class 6-Trade Claims."

6. General Unsecured Claims

On the latest of (a) the Effective Date, (b) the date such General Unsecured Claim becomes an Allowed Claim, and (c) the date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the holder of such General Unsecured Claim otherwise agree or have agreed, each holder of an Allowed General Unsecured Claim will be entitled to receive payment in full in an amount equal to 100% of such Allowed General Unsecured Claim. General Unsecured Claims include, among other things, the fees and expenses of the Indenture Trustees pursuant to the Indentures whether accruing before or after the Filing Date (except to the extent such fees and expenses are Miscellaneous Secured Claims or Administrative Expenses).

7. The Zero Settlement

In settlement of various actions brought by the Official Committee of Unsecured Creditors of Grand Union Capital Company, the Debtor's parent company and also a debtor in possession under chapter 11 of the Bankruptcy Code, the Debtor has agreed to provide Warrants for the right to purchase a certain number of shares of New Common Stock to holders of the Zero Notes issued by Grand Union Capital Corporation.

For a more complete description of the terms of the Debtor's settlement with the Official Committee of Unsecured Creditors of Grand Union Capital Corporation and the terms of the warrants, see "THE CHAPTER 11 CASE-Zero Settlement" and "THE PLAN-Classification and Treatment of Claims and Interests Under the Plan-Class 9-Senior Zero Note Claims and Class 10-Junior Zero Note Claims."

8. Board of Directors

The Debtor's Board of Directors currently consists of Messrs. Hirsch (Chairman), Fox, McCaig (Chief Executive Officer), Louttit (Chief Operating Officer) and Baum (Chief Financial Officer). In addition, the Debtor is a party to the MTH Management Agreement.

On the Effective Date, each of the existing members of the Board of Directors will be deemed to have resigned. The initial Post Reorganization Board of Directors will consist of seven (7) members who will be selected by the members of the Official Committee which were members of the Informal Committee of certain holders of Senior Subordinated Notes. Such board members will be identified not less than five (5) days prior to the Confirmation Date; provided that if and to the extent that any member(s) of the Post Reorganization Board are not so identified by five (5) days prior to the Confirmation Date, the Debtor will designate such member(s). The composition of the Post Reorganization Board of Directors will be subject to approval of the

Bankruptcy Court. A list of such directors will be filed at or prior to the Confirmation Hearing. See "THE PLAN-Directors of Reorganized Grand Union." From and after the Effective Date, selection of the members of the Post Reorganization Board will be governed by the Restated Bylaws and/or the Restated Certificate of Incorporation, as the case may be.

The Debtor anticipates that (i) Reorganized Grand Union will maintain officer and director insurance liability coverage comparable to that currently in effect and (ii) while the precise amount of the compensation to outside directors will be determined by the Post Reorganization Board of Directors, Reorganized Grand Union will compensate its outside directors in a manner consistent with compensation provided to outside directors of companies of a similar size and nature.

Messrs. Hirsch and Fox have informed the Debtor that they do not intend to be candidates for election as directors of Reorganized Grand Union. Further, on the Effective Date, the MTH Management Agreement will be terminated and Reorganized Grand Union will execute the MTH Settlement Agreement. See "The Plan-Directors of Reorganized Grand Union." A copy of the MTH Settlement Agreement is annexed to the Plan as Exhibit "B". There can be no assurances that the Post Reorganization Board will not make one or more changes in senior management after the Effective Date. It is anticipated that any changes which are intended to be made prior to the confirmation hearing will be disclosed at such hearing.

9. Restated Certificate of Incorporation

On the Effective Date, Reorganized Grand Union will adopt the Restated Certificate of Incorporation, the principal effects of which are: (i) to authorize 30,000,000 shares of New Common Stock (of which up to 10,000,000 shares will be issued under the Plan) and 10,000,000 shares of Preferred Stock; (ii) to provide for the cancellation of the old common stock; and (iii) to prohibit the issuance of non-voting equity securities, as and to the extent

required by section 1123(a)(6) of the Bankruptcy Code.

The Restated Certificate of Incorporation will provide that a director of Reorganized Grand Union will not be personally liable to Reorganized Grand Union or its stockholders for monetary damages for any breach of fiduciary duty as a director, except in certain cases where liability is mandated by the Delaware General Corporation Law (the "DGCL"). The provision has no effect on any non-monetary remedies that may be available to Reorganized Grand Union for non-compliance with federal or state securities laws. The Restated Certificate of Incorporation provides, among other things, for indemnification, to the fullest extent permitted by the DGCL, of any person who is or was involved in any manner in any investigation, claim or other proceeding by reason of the fact that such person is or was a director or officer of Reorganized Grand Union, or is or was serving at the request of Reorganized Grand Union as a director or officer of another corporation, against all expenses and liabilities actually and reasonably incurred by such person in connection with the investigation, claim or other proceeding.

C. Summary of Classification and Treatment of Claims and Interests

The Plan categorizes the Claims against and Interests in the Debtor into twelve (12) Classes. The Plan also provides that expenses incurred by the Debtor during the Chapter 11 Case will be paid in full and specifies the manner in which the Claims and Interests in each Class are to be treated. To the extent that the terms of this Disclosure Statement vary with the terms of the Plan, the terms of the Plan shall be controlling. The table below provides a summary of the classification and treatment of Claims and Interests under the Plan:

Class	Type of Claim or Interest	Treatment
N/A	Administrative Expenses	Allowed Administrative Expenses will be paid in full in cash by Reorganized Grand Union, at its option, on (a) the later of (i) the Effective Date and (ii) the date on which the Bankruptcy Court enters an order allowing such Administrative Expense, or (b) the

Class	Type of Claim or Interest	Treatment
N/A	Administrative Expenses (cont'd)	date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the Entity claiming such Allowed Administrative Expense otherwise agree or have agreed; provided, however, that Allowed Administrative Expenses representing obligations incurred in the ordinary course of business by the Debtor during the Chapter 11 Case will be paid by the Debtor or Reorganized Grand Union, as the case may be, in the ordinary course of business and in accordance with any terms and conditions of the particular transaction, and any agreements relating thereto. Any final request for payment of Administrative Expenses, including, without limitation, applications for compensation and reimbursement of expenses by professionals employed by the Debtor and the Official Committee, must be filed no later than forty-five (45) days after the Effective Date; provided that, no request for payment of an Administrative Expense need be filed with respect to an Administrative Expense which is paid or payable by the Debtor or Reorganized Grand Union in the ordinary course, including, without limitation, any Administrative Expense which would have been a Trade Claim had it arisen prior to the Filing Date.
N/A	Priority Tax Claims	With respect to each Allowed Priority Tax Claim, at the sole option of Reorganized Grand Union, the holder of an Allowed Priority Tax Claim will be entitled to receive on account of such Allowed Priority Tax Claim: (a) equal cash payments made on the last Business Day of every three (3) month period following the Effective Date, over a period not exceeding six (6) years

		after the assessment of the tax on which such Claim is based, totalling the principal amount of such Claim plus simple interest on any outstanding balance from the Effective Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Effective Date; (b) such other treatment agreed to by the holder of such Allowed Priority Tax Claim and the Debtor or Reorganized Grand Union, as the case may be, provided such treatment is on more favorable terms to the Debtor or Reorganized Grand Union, as the case may be, than the treatment set forth in clause (a) hereof; or (c) payment in full, provided that, with respect to paragraphs (b) and (c) hereof, such treatment is approved by the Bankruptcy Court.
1	Credit Agreement Claims	Impaired. (a) On the Effective Date, each holder of an Allowed Credit Agreement Claim will receive with respect to such Claim the treatment set forth in subsection (i) below, unless, at the sole option of the Debtor (which option will be exercised not later than five (5) days prior to the commencement of the confirmation hearing), such holder will receive the treatment described in subsection (ii) below: (i)(x) Reorganized Grand Union will execute the Post-Confirmation Credit Documents and such documents will become effective (provided that the other conditions contained in the Commitment Letter and the Credit Facility Term Sheet, as and if amended by consent of Bankers Trust and the Debtor, have been satisfied); pursuant to the Post-Confirmation Credit

Class	Type of Claim or Interest	Treatment
		Agreement, the commitment with respect to the amount of the Revolving Credit Facility and the Term Facility will be increased in the aggregate by not less than $65 million; (y) the Post-Confirmation Facility will be secured by a perfected, first priority lien and security interest in all of the tangible and intangible assets (including, without limitation, all assets as described in the Commitment Letter, including leases) of Reorganized Grand Union and its subsidiaries, whether in existence at the Effective Date or acquired thereafter, subject only to such liens as may be permitted pursuant to the Post-Confirmation Credit Documents; pursuant to the Intercreditor Agreement, the Additional Facility Lenders will have priority (with respect to the Additional Facility and with respect to those loans owed to, and letter of credit exposure of, such Additional Facility Lenders under the Existing Credit Agreement as set forth in the Intercreditor Agreement) over Existing Banks who do not contribute to the Additional Facility; and (z) upon confirmation of the Plan, but effective as of the Effective Date, the Debtor, Reorganized Grand Union, any Entity issuing securities under the Plan, any Entity acquiring property under the Plan, and any Creditor and/or equity security holder of the Debtor, will be deemed contractually to subordinate any present or future claim, right or other interest they may have in and to any proceeds received from the disposition, release, or liquidation of any Leasehold Interest, or any funds or proceeds received as a result of a subsequent pledge of such Leasehold Interest, to the

		obligations owed to the Post-Confirmation Banks pursuant to the Post-Confirmation Credit Documents until such obligations are paid in full; or (ii) the Debtor will obtain a binding Alternative Commitment Letter from an alternative lender for the provision of not less than $204 million in loan facilities (of which not less than $57 million will be term facilities) on the Effective Date, in which event: (x) the holder of an Allowed Credit Agreement Claim will receive on the Effective Date, cash payments equal to 100% of such Allowed Credit Agreement Claim; and (y) upon payment in full of the Allowed Credit Agreement Claims, the Existing Credit Agreement will be terminated and the notes issued pursuant thereto will be cancelled. (b) On the Effective Date, all interest, fees, expenses and other charges that have accrued pursuant to the terms of the Existing Credit Documents but have not been paid as of the Effective Date will be paid to the Senior Bank Agent for distribution to those parties entitled to receive such interest, fees, expenses and other charges pursuant to the Existing Credit Documents.
2	Interest Rate Protection Agreement Claims	Impaired. With respect to each Allowed Interest Rate Protection Agreement Claim, at the sole option of Reorganized Grand Union, to be exercised on the Effective Date: (a) the legal, equitable and contractual rights to which the Allowed Interest Rate Protection Agreement Claim entitles the holder of such Allowed Interest Rate Protection Agreement Claim will be unaltered by the Plan and the Debtor shall, on the Effective Date,

Class	Type of Claim or Interest	Treatment
2	Interest Rate Protection Agreement Claims(cont'd)	cure any defaults with respect thereto; or (b) on the Effective Date, the holder of an Allowed Interest Rate Protection Agreement Claim will receive a cash payment equal to 100% of such Allowed Interest Rate Protection Agreement Claim.
3	Miscellaneous Secured Claim	Unimpaired. With respect to each Allowed Miscellaneous Secured Claim, at the sole option of Reorganized Grand Union to be exercised on the Effective Date: (a) the legal, equitable and contractual rights of such Allowed Miscellaneous Secured Claim will remain unaltered, or (b) Reorganized Grand Union will provide such other treatment that will render such Allowed Miscellaneous Secured Claim Unimpaired under section 1124 of the Bankruptcy Code; provided that the Miscellaneous Secured Claims, if any, of the Indenture Trustees for the Senior Notes will be treated in accordance with Section 12.07 of the Plan.
4	Senior Note Claims	Impaired. On the Effective Date, the Senior Notes will be cancelled, Reorganized Grand Union will execute the New Senior Note Indenture, and, subject to Section 12.02 of the Plan, each holder of an Allowed Senior Note Claim will be entitled to receive its pro rata share of New Senior Notes. Such pro rata share will be determined by the ratio between the amount of such holder's Allowed Senior Note Claims and the aggregate amount of Allowed Senior Note Claims, each calculated as of the Filing Date without taking into account any interest on overdue interest or Sections 7.02 and 7.03 of the Plan, and pursuant to Section 12.02 of the Plan.

5	Priority Claims (other than Administrative Expenses and Priority Tax Claims)	Impaired. On the latest of (a) the Effective Date, (b) the date such Priority Claim becomes an Allowed Claim, or (c) the date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the holder of such Allowed Priority Claim otherwise agree or have agreed, each holder of a Priority Claim will receive payment in full of 100% of such Allowed Priority Claim.
6	Trade Claims	Unimpaired. (a) Each Creditor asserting Trade Claim(s) that, in the aggregate, are less than $25,000 in amount (Class 6(a) Claims), need not file a proof of claim with respect to such Trade Claim(s) in order to receive a distribution under the Plan. (b) Each Creditor asserting Trade Claim(s) that, in the aggregate, are $25,000 or more in amount (Class 6(b) Claims), must file a proof of claim with respect to such Trade Claim(s) on or before the Claims Bar Date. In the Event that any such Creditor does not timely file a proof of claim with respect to its Trade Claim(s), all Trade Claim(s) asserted by such Creditor will be barred and discharged; provided, however, that such Trade Creditor will be treated as having filed a proof of claim with respect to its Trade Claim(s) in the amount(s), if any, that is/are listed in the Schedules regardless of whether such Trade Claim(s) are listed in the Schedules as disputed, contingent or unliquidated. (c) With respect to each Trade Claim included in either Class 6(a) or in Class 6(b) that is

Class	Type of Claim or Interest	Treatment
		not barred or discharged pursuant to Section 6.06(b) of the Plan, and subject to the terms of any Trade Agreement and to the rights set forth in Section 6.06(e) of the Plan, at the sole option of the Debtor, (i) the legal, equitable and contractual rights to which the Trade Claim entitles the holder of such Claim will remain unaltered or (ii) the Debtor will provide such other treatment that will render such Trade Claim an Unimpaired Claim under section 1124 of the Bankruptcy Code. (d) Unless a Creditor asserting Trade Claim(s) files a written objection to the Plan, such Creditor will be deemed to have waived and forever released any right to assert or claim that it may be entitled to interest accruing with respect to such Creditor's Trade Claim(s) and any such claims or assertions for interest will be forever barred and discharged. In the event that a Creditor asserting Trade Claim(s) objects to the Plan in writing, such objecting Creditor's Trade Claim(s) will be deemed included in Class 7 of the Plan (General Unsecured Claims) and will be deemed to have voted to reject the Plan. In the event included in Class 7, the objecting Creditor asserting a Trade Claim will be subject to the proof of claim and bankruptcy claims administration requirements that are applicable to other Class 7 Creditors. Notwithstanding anything herein to the contrary, a Creditor whose Claim would have been included in either Class 6(a) or 6(b) but for the objection referenced in this paragraph: (i) with respect to a Creditor which would have been included in Class 6(a), (y) such Creditor may rely on the amount of its Claim as set forth in the Schedules in the event that its Claim is not listed as contingent, disputed or unliquidated, or, (z)

		in the event that its Claim is so designated, or not scheduled, such Creditor will have ten (10) days from the date its objection is filed within which to file a proof claim which Claim may not exceed $25,000 plus any Claim for interest on such Claim; and (ii) with respect to a Creditor which would have been included in Class 6(b), such Creditor will either (y) Have filed a proof of claim by the Claims Bar Date or (z) its Claim will be limited by the amount of such Claim as set forth in the Schedules unless such Claim is listed as contingent, disputed or unliquidated and, in the event of such designation, such Creditor will have ten (10) days from the date its objection is filed within which to file a proof of claim which Claim will not exceed the amount for which it was scheduled plus any claim for interest on such Claim. (e) The Debtor's failure to file an objection with the Bankruptcy Court to a Trade Claim will be without prejudice to Reorganized Grand Union's right to contest or otherwise defend against such Trade Claim in the appropriate forum, including the Bankruptcy Court, when and if such Trade Claim is sought to be enforced by the holder thereof.
7	General Unsecured Claims	Impaired. On the latest of (a) the Effective Date, (b) the date on which such General Unsecured Claim becomes an Allowed Claim, or (c) the date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the holder of such General

Class	Type of Claim or Interest	Treatment
7	General Unsecured Claims (cont'd)	Unsecured Claim otherwise agree or have agreed, each holder of an Allowed General Unsecured Claim will receive payment in full of 100% of such Allowed General Unsecured Claim. Subject to Section 12.07 of the Plan, any General Unsecured Claims of an Indenture Trustee will be paid in full on the Effective Date or on such later date as agreed to by the parties.
8	Senior Subordinated Note Claims	Impaired. On the Effective Date, the Senior Subordinated Notes will be cancelled, and, subject to Section 12.02 of the Plan, each holder of an Allowed Senior Subordinated Note Claim will be entitled to receive its pro rata share of the 10,000,000 shares of New Common Stock to be issued under the Plan. Such pro rata share will be determined by the ratio between the amount of such holder's Allowed Senior Subordinated Note Claim and the aggregate amount of all Allowed Senior Subordinated Note Claims as of the Effective Date, and pursuant to Section 12.02 of the Plan. Senior Subordinated Note Claims will be allowed in an amount equal to the principal amount of such notes plus accrued but unpaid interest to the Filing Date.
9	Senior Zero Note Claims	Impaired. (a) Subject to the terms and conditions set forth in the Zero Settlement, and solely for purposes of effectuating such settlement, on the Effective Date, the Senior Zero Note Claims will be allowed as set forth in Section 7.09 of the Plan (subordinate to all Claims and Administrative Expenses against the Debtor, other than Claims set forth in Classes 10 and 11), in the amount allowed pursuant to Section 7.09 of the Plan, the Senior Zero Notes will be cancelled, and, subject to Section 12.02 of the Plan, each holder of an Allowed Senior Zero Note Claim

		will be entitled to receive its pro rata share of 240,000 Series 1 Warrants and of 480,000 Series 2 Warrants to be issued under the Plan as its full recovery against the Debtor and Reorganized Grand Union on its Senior Zero Note Claims. Such pro rata share will be determined by the ratio between the face amount of such holder's Senior Zero Notes and the aggregate face amount of all Senior Zero Notes and pursuant to Section 12.02 of the Plan. (b) Notwithstanding anything in the Plan to the contrary, it will be a condition to the issuance of the Warrants (i) with respect to the Senior Zero Note Claims held by a particular Entity holding Senior Zero Notes that, in the aggregate, are $200,000 or more in face amount, that such Entity execute and deliver a Zero Claims Release, and (ii) with respect to each holder of a Senior Zero Note Claim, that such holder not have filed a written objection to confirmation of the Plan (which is not withdrawn prior to commencement of the hearing on confirmation of the Plan). Any Warrants not issued by operation of the foregoing before the later of (i) two (2) years from the Effective Date, and (ii) six (6) months following the date such holder's Claim becomes an Allowed or Ultimately Allowed Claim will be deemed to be unclaimed property and cancelled. (c) The Debtor has not and shall not be deemed to have assumed any liability related to or arising from the Zero Notes.

Class	Type of Claim or Interest	Treatment
10	Junior Zero Note Claims	Impaired. (a) Subject to the terms and conditions set forth in the Zero Settlement, and solely for purposes of effectuating such settlement, on the Effective Date, the Junior Zero Note Claims will be allowed as set forth in Section 7.10 of the Plan (subordinate to all Claims and Administrative Expenses against the Debtor, other than Claims set forth in Class 11) in the amount allowed pursuant to Section 7.10 of the Plan, the Junior Zero Notes will be cancelled, and, subject to Section 12.02 of the Plan, each holder of an Allowed Junior Zero Note Claim will be entitled to receive its pro rata share of 60,000 Series 1 Warrants and of 120,000 Series 2 Warrants to be issued under the Plan as its full recovery against the Debtor and Reorganized Grand Union on its Junior Zero Note Claims. Such pro rata share will be determined by the ratio between the face amount of such holder's Junior Zero Notes and the aggregate amount of all Junior Zero Notes, and pursuant to Section 12.02 of the Plan. (b) Notwithstanding anything in the Plan to the contrary, it will be a condition to the issuance of the Warrants (i) with respect to the Junior Zero Note Claims held by a particular Entity holding Junior Zero Notes that, in the aggregate, are $200,000 or more in face amount, that such Entity execute and deliver a Zero Claims Release, and (ii) with respect to each holder of a Junior Zero Note Claim, that such holder not have filed a written objection to the Plan (which is not withdrawn prior to commencement of the hearing on confirmation of the Plan). Any Warrants not issued by operation of the foregoing before the later of (i) two (2) years from the Effective Date, and (ii) six (6) months following the date such holder's Claim becomes an Allowed or Ultimately Allowed Claim will be deemed to be unclaimed

		property and cancelled. (c) The Debtor has not and shall not be deemed to have assumed any liability related to or arising from the Zero Notes.
11	Subordinated Claims	Impaired. On the Effective Date, all Subordinated Claims will be discharged. No distributions will be made on account of Class 11.
12	Interests	Impaired. On the Effective Date, all Interests of the Debtor will be cancelled. No distributions will be made in respect of Class 12.

For a more detailed description of the treatment of the foregoing classes of Claims and Interests, see "THE PLAN-Classification and Treatment of Claims and Interests Under the Plan."

D. Conditions to Confirmation and the Occurrence of the Effective Date of the Plan

Prior to confirmation of the Plan, the following conditions must occur and be satisfied or (a) have been waived by the Debtor, with the consent of the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) of the Plan is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, or (b) have been waived by the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) of the Plan is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, such waiver having been approved by order of the Bankruptcy Court upon motion of the Senior Bank Agent (if applicable), the Official Committee, and the Informal Committee of Senior Noteholders:

(a) If the Debtor elects the treatment set forth in Section 6.01(a)(i) of the Plan with respect to Credit Agreement Claims: (i) the Post-Confirmation Credit Documents (including the Intercreditor Agreement)

shall have been filed with the Bankruptcy Court not less than five (5) Business Days prior to the Voting Deadline; and (ii) the Debtor shall have received authority to execute, and the Bankruptcy Court shall have approved, the Post-Confirmation Credit Documents and all documents necessary to effectuate the Post-Confirmation Credit Documents, which authority and approval will be contained in the Confirmation Order.

(b) If the Debtor elects the treatment set forth in Section 6.01(a)(ii) of the Plan with respect to Credit Agreement Claims: (i) the Debtor shall have entered into an Alternative Commitment Letter, which shall have been approved by the Bankruptcy Court; (ii) the Alternative Credit Documents shall have been filed with the Bankruptcy Court not less than five (5) Business Days prior to the Confirmation Date; and (iii) the Debtor shall have received authority to execute, and the Bankruptcy Court shall have approved, the Alternative Credit Documents and all other documents necessary to effectuate the Alternative Credit Documents.

(c) The Settlement Order approving the Zero Settlement shall have been entered.

(d) The Claims Bar Date shall have been established by the Bankruptcy Court as a date which is no less than five (5) Business Days prior to the Confirmation Date.

(e) As of a date which is three (3) Business Days prior to the Confirmation Date, the Official Committee shall not have filed a written notice that is not withdrawn asserting that such Committee has determined in the exercise of its fiduciary duties to unsecured creditors generally that the amount of the General Unsecured Claims has rendered the Plan not feasible pursuant to section 1129 of the Bankruptcy Code.

Before the Effective Date occurs, the following conditions must occur and be satisfied or have been waived (a) by the Debtor, with the consent of the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) of the Plan is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, or (b) by the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) of the Plan is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, such waiver having been approved by order of the Bankruptcy Court upon motion of the Senior Bank Agent (if applicable), the Official Committee, and the Informal Committee of Senior Noteholders: (i) the Confirmation Order and Settlement Order shall have become Final Orders; (ii) unless otherwise waived by the

Debtor with the consent of the Official Committee and the Informal Committee of Senior Noteholders (and the Senior Bank Agent, if the Debtor does not elect the treatment set forth in Section 6.01(a)(ii) of the Plan with respect to Credit Agreement Claims), which consent shall not be unreasonably withheld, there shall have been obtained all regulatory approvals required in connection with the consummation of the Plan; (iii) the New Senior Note Indenture shall have been qualified under the Trust Indenture Act of 1939 (15 U.S.C. (S)(S) 77aaa-77bbb) as currently in effect; (iv) the Post-Confirmation Credit Documents or the Alternative Credit Documents, as the case may be, shall be executed by all necessary parties thereto and delivered and all conditions to the effectiveness of such documents shall have been satisfied or waived as provided therein subject to the occurrence of the Effective Date; (v) all other documents provided for in the Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited by such documents; and (vi) any order necessary to satisfy any condition to effectiveness of the Plan shall be a Final Order. The Effective Date of the Plan shall be that day that is five (5) Business Days after the conditions to the occurrence of the Effective Date of the Plan have been satisfied or waived, or such earlier day after such conditions have been satisfied or waived that is designated by the Debtor.

A hearing to consider confirmation of the Plan has been scheduled for May 31, 1995 at 10:00 a.m., as a result of which, if all conditions to confirmation of the Plan have occurred or been waived, the Confirmation Order will be entered by the Bankruptcy Court.

The Debtor believes that all conditions to the Effective Date of the Plan will likely be satisfied within thirty (30) days of the Confirmation Date, and that the Effective Date of the Plan could occur by the middle of June 1995.

II. BACKGROUND

A. The Debtor

The Debtor is one of the largest food retailers in the Northeast, operating 234 supermarkets in six states under the "Grand Union" name. The Debtor is a wholly-owned subsidiary of Grand Union Capital Corporation ("Capital"), which in turn is a wholly-owned subsidiary of Grand Union Holdings Corporation ("Holdings").

The Debtor currently operates 128 stores in its Northern Region, including forty stores in Vermont, eighty-five stores in upstate New York and three stores in New Hampshire. The Debtor believes it generally operates in excellent locations, having operated in most of the markets it currently serves in the Northern Region for more than twenty-five years, and in many communities for over fifty years.

The Debtor currently operates 106 stores in its New York Region. The Debtor's primary New York Region marketing area comprises the more affluent suburban communities of central and northern New Jersey (forty-four stores), Westchester, Orange, Rockland, Dutchess and Putnam Counties in New York (twenty-seven stores), Long Island (fifteen stores) and Fairfield County, Connecticut (fifteen stores). The Debtor also has a limited presence in New York City (three stores) and Pennsylvania (two stores).

In general, the Debtor's merchandising strategy is directed toward providing value to its customers through competitive pricing, a wide assortment of national brand and private label products, high quality produce and a number of service departments. An important component of the Debtor's business strategy is its capital investment program directed toward renovating and upgrading the existing store base and opening new and replacement stores in existing market areas (see "RISK FACTORS-Business Risks-Capital Expenditures"). Capital investments in new and replacement stores and store enlargements have improved store sales and profitability due to the wider assortment of grocery and general merchandise products offered as well as expanded perishable service departments offering high quality, higher margin products.

See "CERTAIN INFORMATION CONCERNING THE DEBTOR" for a more complete description of the business of the Debtor.

B. Significant Events Preceding Commencement of the Chapter 11 Case

1. 1992 Recapitalization and The Present Capital Structure

In July 1992, the Debtor and its direct and indirect parent companies engaged in a series of transactions which included the merger of GU Acquisition Corporation ("GUAC"), a wholly-owned subsidiary of Holdings and the direct parent company of the Debtor, with and into the Debtor, and the formation of Capital as a wholly-owned subsidiary of Holdings and the new direct parent company of the Debtor. The July 1992 transactions included the sale to

institutional investors of approximately 28.4% of the common stock of Holdings on a fully diluted basis for approximately $25 million and the repurchase of (i) shares and an option to purchase shares owned by Salomon Brothers Holding Company Inc, (ii) certain warrants held by the parties to the Debtor's bank credit agreements existing prior to the July 1992 transactions, and (iii) approximately 3.4% of the common stock of Holdings held by the management of the Debtor at that time. Purchases and sales of Holdings common stock interests, including options and warrants, were made through a disbursement equity account established for the purpose of effecting various transfers of interests in Holdings common stock. The transactions involving Holdings' common stock interests did not involve any payments by the Debtor, Capital or Holdings.

As part of the July 1992 series of transactions, Capital sold to institutional investors $343 million principal amount of its 15% Zero Coupon Notes due 2004, Series A and B (together, the "Senior Zero Notes") and $745 million principal amount of its 16-1/2% Senior Subordinated Zero Coupon Notes due 2007, Series A and B (together, the "Junior Zero Notes," and, together with the Senior Zero Notes, the "Zero Notes"). The purchasers of the Zero Notes, who paid aggregate consideration of approximately $200 million,

also received warrants to purchase at a nominal price shares representing approximately 19.9% of the common stock of Holdings on a fully diluted basis. All of the proceeds of the sale of the Zero Notes were applied to repayment of indebtedness of Holdings, including the approximately $493 million of Holdings Senior Increasing Rate Notes. The balance of the funds required to retire Holdings' outstanding indebtedness was provided by a portion of the proceeds of the funds raised by the Debtor, as described below. No proceeds of the sale of Zero Notes were transferred to the Debtor.

As part of its recapitalization in 1992, the Debtor entered into the Existing Credit Agreement with the Existing Banks which provided for a $210 million term loan facility and a $100 million revolving credit facility, and also issued $350 million principal amount of 11-1/4% Senior Notes due 2000 and $500 million principal amount of 12-1/4% Senior Subordinated Notes due 2002. Proceeds of this new indebtedness were applied to payment of substantially all of the previous outstanding indebtedness of the Debtor (including previously outstanding indebtedness of GUAC) and to payment of a dividend from the Debtor to Capital and from Capital to Holdings which was used for payment of a portion of the outstanding indebtedness of Holdings.

On January 28, 1993, the Debtor sold $175 million principal amount of 11-3/8% Senior Notes due 1999 in a private placement. Net proceeds of the sale of such notes were used to repay indebtedness under the Existing Credit Agreement. An additional $20.9 million of the indebtedness under the Existing Credit Agreement was repaid from the proceeds of the sale of the Southern Region in 1993. See "BACKGROUND-Significant Events Preceding Commencement of Chapter 11 Case-Asset Dispositions."

2. Asset Dispositions

On March 29, 1993, the Debtor sold forty-eight of its fifty-one Southern Region stores to The Great Atlantic & Pacific Tea Company, Inc. ("A&P"). The three Southern Region stores not sold to A&P were closed and the properties have been subleased. The Debtor received net cash proceeds of approximately $25 million and was relieved of approximately $4.5 million of capital lease obligations.

3. Failure to Make Certain Interest Payments

The Debtor made interest payments of approximately $53.4 million on its Senior Notes, 12-1/4% Senior Subordinated Notes and 12-1/4% Senior Subordinated Notes, Series A on July 15, 1994, payments of approximately $10 million on its Senior Notes on August 15, 1994, and payments of approximately $1 million on its 13% Senior Subordinated Notes on September 30, 1994. After giving effect to those payments, the Debtor believed that it had sufficient liquidity, when supplemented by the sale of underperforming assets, to allow it to continue operations and to make its next interest payment.

On November 29, 1994, the Debtor announced that after giving effect to committed capital expenditures, cash from operations would not be sufficient to fund cash and interest payments due in early calendar 1995, and that asset sales which were able to be arranged by the interest-payment date were not likely to generate an amount of net proceeds which, together with cash from operations, would be adequate to fund such interest payments. The Debtor promptly began discussions with its creditors concerning the possibility that the interest payments would not be made when due.

At the time of its announcement on November 29, 1994, the Debtor was not in default under any of its loan documents. However, on December 6, 1994, the

Debtor obtained from the Existing Banks a Limited Waiver and Agreement pursuant to which the Existing Banks waived any event of default which might subsequently arise under the Existing Credit Agreement in the event of the Debtor's failure to make the payments of interest due on January 15, 1995 on its Senior and Senior Subordinated Notes. The Limited Waiver and Agreement also waived compliance with certain covenants in the Existing Credit Agreement, thereby permitting the Debtor to continue to make borrowings in the ordinary course under its revolving line of credit through February 14, 1995.

Throughout the period following the November 29 announcement and the December limited waiver, the Debtor continued to discuss its financial condition with its lenders and trade creditors. On January 15,

1995, the Debtor did not make the interest payments which were due, but intense negotiations continued over the next few weeks. Those discussions resulted in an agreement in principle with the Existing Banks and the three Informal Committees regarding the Debtor's capital restructuring. The three Informal Committees consisted of certain holders of: (i) Senior Notes (represented by Stroock & Stroock & Lavan and Rosenthal, Monhait, Gross & Goddess, P.A.), (ii) Senior Subordinated Notes (represented by Ropes & Gray), and (iii) Trade Claims (represented by Pepper, Hamilton & Scheetz).

The Informal Committee of certain holders of Senior Subordinated Notes was composed of (i) Putnam Investments Management (holding $183.5 million face amount of Senior Subordinated Notes on the Filing Date) and (ii) Federated Research Corporation (holding $21.175 million face amount of Senior Subordinated Notes on the Filing Date). Both entities are now members of the Official Committee (as defined below).

According to Stroock & Stroock & Lavan, counsel to the Informal Committee of certain holders of Senior Notes, such Informal Committee is currently composed of: (i) Angelo Gordon & Co., (ii) Lehman Brothers, Inc., (iii) Soros Fund Management, (iv) Trust Company of the West, and (v) State Street Bank and Trust Company, as Indenture Trustee. The members of such Informal Committee currently hold Senior Notes in the aggregate face amount of $118,820,000.

4. Retention of Financial Advisors

On November 28, 1994, the Debtor entered into a letter agreement pursuant to which the Debtor engaged Goldman, Sachs & Co. ("Goldman Sachs") and BT Securities Corporation ("BT Securities," and together with Goldman Sachs, the "Financial Advisors") as its financial advisors to consider financial alternatives available to it, including evaluating appropriate capital structures and financing or refinancing alternatives. The arrangement provided for a $300,000 per month cash fee, and an $8 million "Restructuring Fee" payable upon the consummation of a "Restructuring Transaction." On January 22, 1995, the parties agreed to reduce the Restructuring Fee to $5 million and the Financial Advisors agreed, in addition to their previous commitment, to prepare a valuation of the Debtor (and to testify, if requested, concerning it) and to attempt to obtain commitments to a restructuring plan. The Debtor paid an aggregate of approximately $785,000 in cash fees prior to the commencement of this Chapter 11 Case; $5 million remains outstanding under such fee arrangement. The term sheet, dated as of January 23, 1995, respecting the terms of the proposed restructuring of the Debtor, provided that advisory fees for financial advisors to be paid by the Debtor would be agreed upon by the Informal Committees representing certain holders of Senior Subordinated Notes and certain holders of Senior Notes. The Official Committee has not advised the Debtor that it assents to the fee arrangement and reserves the right to object thereto. (The Plan classifies such fees as General Unsecured Claims. See "THE PLAN-Classification and Treatment of Claims and Interests Under the Plan-General Unsecured Claims.")

C. Recent Financial Performance

<TABLE>
<CAPTION>

	12 weeks ended		40 weeks ended	
	January 8, 1994	January 7, 1995	January 8, 1994	January 7, 1995
	(Dollars in millions)			
<S>	<C>	<C>	<C>	<C>
Sales	$583.5	$563.3	$1,904.4	$1,867.6
Gross profit	171.1	149.5	545.9	540.0
Operating and administrative expense	127.4	127.9	408.8	420.1
Depreciation and amortization	18.3	21.2	59.4	67.2
Provision for store closings and nonrecurring item..	--	10.6	--	10.6
Restructuring costs	--	1.9	--	1.9

Interest expense	42.4	47.4	139.6	154.2
Cumulative effect of accounting change	--	--	30.3	--
Net loss	16.9	59.5	92.2	114.0
EBITDA (1)	43.5	21.8	137.7	120.7

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<FN>

(1) Earnings before LIFO provision, depreciation and amortization, provision for store closings and nonrecurring item, restructuring costs, interest expense, income taxes and cumulative effect of accounting change. EBITDA for the 40 weeks ended January 8, 1994 was reduced by approximately $8 million due to the 22-day work stoppage in May 1993.
</TABLE>

See the Debtor's 10-Q for the 12 and 40 weeks ended January 7, 1995, for a complete discussion and analysis of recent financial performance, attached hereto as Appendix "D".

III. SUPPORT OF THE PLAN BY PARTIES IN INTEREST

The Official Committee has voted to support the Plan and recommends that creditors vote in favor of the Plan.

The Informal Committee of certain holders of Senior Notes supports the Plan and recommends that holders of Senior Notes vote in favor of the Plan.

IV. THE BANKRUPTCY PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. General

The Debtor is seeking the acceptance of the Plan by holders of (i) Credit Agreement Claims (Class 1), (ii) Interest Rate Protection Agreement Claims (Class 2), (iii) Senior Note Claims (Class 4), (iv) Priority Claims (Class 5), (v) General Unsecured Claims (Class 7), (vi) Senior Subordinated Note Claims (Class 8), (vii) Senior Zero Note Claims (Class 9) and (viii) Junior Zero Note Claims (Class 10). Holders of Miscellaneous Secured Claims (Class 3) and Trade Claims (Class 6) are Unimpaired under the Plan and are conclusively presumed to have accepted the Plan. Holders of Subordinated Claims (Class 11) and holders of the Debtor's Interests (Class 12) will not receive any distribution in respect of such Claims or Interests and thus are deemed to have rejected the Plan.

B. Holders of Claims Entitled to Vote

As more fully described below, the Plan designates twelve (12) separate Classes of Claims and Interests. See "THE PLAN-Classification and Treatment of Claims and Interests Under the Plan." Generally, a claim or interest as to which legal, equitable or contractual rights are altered is "impaired." A holder of an allowed impaired claim or interest that will receive a distribution under a plan of reorganization is entitled to vote to accept or reject such plan. The Claims in Classes 1, 2, 4, 5, 7, 8, 9, 10 and 11 and the Interests in Class 12 are Impaired under the Plan. Of these Classes, only the holders in Classes 1, 2, 4, 5, 7, 8, 9 and 10 whose Claims are not disputed are being solicited and are entitled to vote to accept or reject the Plan. Classes 11 and 12 will not receive any distribution under the Plan and therefore are conclusively presumed to have rejected the Plan.

A Ballot to be used to accept or reject the Plan has been enclosed with all copies of this Disclosure Statement mailed to holders of Claims whose Claims are Impaired by the Plan but who have not been conclusively presumed to reject the Plan as a matter of law. Accordingly, this Disclosure Statement (and the appendices hereto), together with the accompanying Ballot and the related materials delivered together herewith, are being furnished to holders of Credit Agreement Claims (Class 1), Interest Rate Protection Agreement Claims (Class 2), Senior Note Claims (Class 4), Priority Claims (Class 5), General Unsecured Claims (Class 7), Senior Subordinated Note Claims (Class 8), Senior Zero Note Claims (Class 9) and Junior Zero Note Claims (Class 10) and may not be relied upon or used for any purpose by such holders other than to determine whether or not to vote to accept or reject the Plan.

C. Vote Required for Class Acceptance

The Bankruptcy Court will determine whether sufficient acceptances have been received to confirm the Plan. A class of impaired claims is deemed to have accepted a chapter 11 plan if votes to accept the plan

have been cast by creditors (other than any entity designated under section 1126(e) of the Bankruptcy Code) that hold at least two-thirds in dollar amount and more than one-half in number of the allowed claims of such class held by creditors that have voted to accept or reject the plan. Because Classes 11 and 12 will not receive any distribution under the Plan and thus will be conclusively presumed to have rejected the Plan as a matter of law, the Debtor must request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code. The Debtor also may seek confirmation of the Plan under section 1129(b) with respect to Classes 7, 8, 9 and/or 10, as the case may be, to the extent such Classes reject the Plan.

D. Counting of Ballots for Determining Acceptance of the Plan

The Debtor intends to count all validly executed Ballots received prior to the Voting Deadline (as defined below) for purposes of determining whether each Impaired voting Class has accepted or rejected the Plan.

E. Voting Deadline

Ballots will not be accepted after 5:00 p.m., Eastern Standard Time, on May 24, 1995 (the "Voting Deadline"), unless the Bankruptcy Court, at the request of the Debtor, extends the Voting Deadline, in which event the solicitation period will terminate at such extended time on such extended date. Except to the extent permitted by the Bankruptcy Court, Ballots that are received after the Voting Deadline will not be accepted or used by the Debtor in connection with the Debtor's request for confirmation of the Plan (or any permitted modification thereof).

Consistent with the provisions of Rule 3017 of the Bankruptcy Rules, the Bankruptcy Court has fixed the record date-the time and date for the determination of holders of record of Claims who are entitled to vote on the Plan-as the close of business, Eastern Standard Time, on April 19, 1995 (the "Record Date").

F. Voting Procedures

The Debtor is providing copies of this Disclosure Statement, Ballots, and where appropriate, Summary Ballots, to all known holders of Impaired Claims, including the Existing Banks (as holders of Credit Agreement Claims), all known holders of General Unsecured Claims and all registered holders of the Senior Notes, the Senior Subordinated Notes, the Senior Zero Notes and the Junior Zero Notes (collectively, the Senior Notes, the Senior Subordinated Notes, the Senior Zero Notes and the Junior Zero Notes are the "Old Securities"). Registered holders may include brokerage firms, commercial banks, trust companies, or other nominees. Any such nominee who requires additional copies of the Disclosure Statement and Ballots for distribution to beneficial holders may obtain them from the Debtor's balloting agent, Bankruptcy Services, Inc., by calling (212) 527-0727 (Attn: Kathy Gerber). If such entities do not hold for their own account, then they are required to provide promptly copies of this Disclosure Statement and appropriate Ballots to their customers and to beneficial owners. Any beneficial owner who has not received a Ballot should contact his or its brokerage firm, nominee, or the Debtor. The following is only a summary of the voting rules. Reference should be made to the "Order Approving the Disclosure Statement, Establishing Voting Procedures and Setting Confirmation Hearing" prior to voting.

1. Beneficial Owners of Credit Agreement Debt

Under the Existing Credit Agreement, the Existing Banks may have granted participants certain rights with respect to the approval of waivers or amendments to the Existing Credit Agreement. For purposes of voting on the Plan, the Debtor will recognize only the Existing Banks as the holders of the Credit Agreement Debt. Each Existing Bank that has granted any such participation may complete a Summary Ballot to reflect the votes of itself and its respective participants, provided that such Summary Ballot shall be counted as a single vote in favor of the Plan to the extent it contains one or more acceptances of the Plan (in an aggregate amount of such acceptances) and/or as a single vote against the Plan to the extent it contains one or more

rejections of the Plan (in an aggregate amount of such rejections). Accordingly, each such Summary Ballot may contain, at most, one each of a vote accepting the Plan and a vote rejecting the Plan.

2. Beneficial Owners of Old Securities

For purposes of voting to accept or reject the Plan, the beneficial owners of

Old Securities as of the Record Date will be deemed to be the "holders" of such Claims represented by such Old Securities. The beneficial owner of an Old Security is any person who possesses investment power with respect to such Old Security, including the power to dispose, or to direct the disposition of, such Old Security. Any beneficial owner holding Old Securities in "street name" through a brokerage firm, bank, trust company, or other nominee can vote only by following these instructions:

1. Fill in all the applicable information on the Ballot.

2. Sign the Ballot (unless the Ballot has already been signed by the brokerage firm, bank, trust company, or other nominee).

3. Return the Ballot to your brokerage firm, bank, trust company, or other nominee. If you have any questions, contact Bankruptcy Services, Inc. or the Debtor or your brokerage firm, bank, trust company, or other nominee for instructions.

Any Ballot submitted to a brokerage firm or proxy intermediary will not be counted until such brokerage firm or proxy intermediary properly completes and delivers a corresponding Summary Ballot to the Debtor (as discussed below).

Any beneficial owner holding Old Securities in its own name (i.e., the beneficial holder is the record holder) can vote by completing and signing the enclosed Ballot and returning it directly to the Debtor's balloting agent (using the enclosed pre-addressed envelope).

3. Brokerage Firms, Banks, and Other Nominees

A brokerage firm which is the registered holder of Old Securities for a beneficial owner may vote on behalf of such beneficial owner by (i) distributing a copy of this Disclosure Statement and all appropriate Ballots to such owner, (ii) collecting all such Ballots, and (iii) completing a Summary Ballot compiling the votes and other information from the Ballots collected and transmitting such Summary Ballot together with the Ballots completed by the beneficial owners to Bankruptcy Services, Inc. at the address set forth on the Ballot. A proxy intermediary acting on behalf of a brokerage firm or bank may follow the procedures outlined in the preceding sentence to vote on behalf of such beneficial owner.

4. Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Bankruptcy Court after notice and a hearing, pursuant to Bankruptcy Rule 3018(a). Any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Bankruptcy Court determines. Neither the Debtor nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification.

G. Miscellaneous

No statements or information concerning the Debtor or Reorganized Grand Union (particularly as to future business, results of operations or financial condition, or with respect to the distributions to be made under the Plan) or any of the assets or business of the Debtor or Reorganized Grand Union have been authorized by the Debtor or should be relied upon, other than as set forth in this Disclosure Statement.

IN ORDER FOR YOUR BALLOT TO BE COUNTED, YOUR BALLOT MUST BE COMPLETED IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THE BALLOT AND THE "ORDER APPROVING THE DISCLOSURE STATEMENT, ESTABLISHING VOTING PROCEDURES AND SETTING CONFIRMATION HEARING."

IF YOU HAVE ANY QUESTIONS REGARDING THE PROCEDURES FOR VOTING ON THE PLAN, PLEASE CONTACT:

Bankruptcy Services, Inc.
400 Park Avenue, 9th Floor
New York, New York 10022
(800) 344-8624

V. THE CHAPTER 11 CASE

A. Continuation of Business; Stay of Litigation

On January 25, 1995 (the "Filing Date"), the Debtor commenced the Chapter 11 Case. Since the Filing Date, the Debtor has continued to operate as a debtor in

possession subject to the supervision of the Bankruptcy Court in accordance with the Bankruptcy Code. Thus, the Debtor's management remained in place and has continued to date to manage the Debtor's affairs. The Debtor is authorized to operate in the ordinary course of business. Transactions out of the ordinary course of business have required Bankruptcy Court approval. In addition, the Bankruptcy Court has supervised the Debtor's employment of attorneys, accountants and other professionals.

An immediate effect of the filing of the bankruptcy petition was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, enforcement of liens against the Debtor and litigation against the Debtor. This injunction remains in effect, unless modified or lifted by order of the Bankruptcy Court, until consummation of a plan of reorganization.

B. Significant Events During the Chapter 11 Case

1. First Day Orders

The Debtor submitted numerous so-called "first day orders," along with supporting motions, to the Bankruptcy Court on the Filing Date, which were approved. These first day orders include, among others, (i) orders authorizing the retention of Young, Conaway, Stargatt & Taylor and Willkie Farr & Gallagher as bankruptcy counsel to the Debtor and Donovan Leisure Newton & Irvine as special corporate counsel to the Debtor; (ii) an order authorizing the retention of Price Waterhouse LLP as accountants and consultants to the Debtor; (iii) an order authorizing the Debtor to pay certain prepetition employee wages, reimbursable expenses and benefits and workers' compensation benefits (further discussed below); (iv) an order authorizing the Debtor to maintain its prepetition bank accounts, business forms, stationery, checks, and cash management system and granting additional time to comply with investment guidelines; (v) an order extending the time in which the Debtor is required to file certain information, including schedules and lists; (vi) an order authorizing the Debtor to continue certain consumer related practices; (vii) an order determining adequate assurance of payment for future utility services and restraining utility companies from discontinuing, altering or refusing service; (viii) an interim order authorizing use of cash collateral and providing adequate protection (further discussed below); (ix) an order authorizing the Debtor to pay the prepetition claims of certain service providers; (x) an order authorizing the Debtor to pay sales, use, cigarette and tobacco taxes in the ordinary course; and (xi) an order authorizing the Debtor to mail initial notices and to file a list of creditors in lieu of a matrix.

2. Prepetition Wage and Benefits Order

On the Filing Date, the Bankruptcy Court approved an order authorizing the Debtor to pay certain prepetition (i) employee wages, salaries and other compensation and reimbursable employee expenses, (ii) employee medical, dental and similar benefits, and (iii) workers' compensation benefits (the "Prepetition Wage and Benefits Order"). Pursuant to such order, the Debtor has paid approximately (i) $8.7 million in various categories of employee compensation owing as of the Filing Date, (ii) $100,000 in prepetition reimbursable business expenses (for employees whose gross pay equals $104,000 per year or less), and (iii) $7.2 million in employee benefits, and workers' compensation claims. The Debtor believes such relief was necessary to avoid serious disruption to its business at a critical juncture in the Debtor's reorganization. Payments made pursuant to such order will reduce the amount of Priority Claims and General Unsecured Claims payable by the Debtor on the Effective Date. See "THE PLAN-Classification and Treatment of Claim and Interests Under the Plan-Class 5-Priority Claims."

3. Cash Collateral Order

On the Filing Date, the Bankruptcy Court approved an interim order authorizing the Debtor's use of cash collateral and providing adequate protection (the "Interim Cash Collateral Order"). Pursuant to such order, the Debtor obtained authority to, inter alia, use cash collateral (as defined in section 363(c)(2)(A) of the Bankruptcy Code) that secures the obligations to certain of the Debtor's secured creditors in order to permit the Debtor to continue to make ordinary course and other approved payments. The Debtor believes such relief was required to permit the Debtor to continue to operate its business without disruption and to preserve the good will and value of the Debtor's business. The Debtor obtained the consent of the required Existing Banks and certain holders of Senior Notes to the use of cash collateral (as provided in the Interim Cash Collateral Order). In return for such consent, the Debtor was required to provide such Creditors with adequate protection with regard to any decline in the value of their prepetition collateral by way of certain superpriority Claims and liens. On February 16, 1995, the Bankruptcy Court granted final approval of the Debtor's use of cash collateral (the "Final Cash Collateral Order").

4. DIP Facility

On January 30, 1995, the Bankruptcy Court gave interim approval of debtor-in-possession financing (the "DIP Facility"), pursuant to which Bankers Trust Company ("Bankers Trust") provided the Debtor with debtor-in-possession financing of up to $150 million in the form of a revolving credit facility to be used by the Debtor for its working capital and general corporate requirements. The interim approval allowed the Debtor to immediately utilize $50 million of the revolving credit facility. On February 16, 1995, the Bankruptcy Court granted final approval of the DIP Facility. The DIP Facility will mature on the earliest of (i) July 31, 1996, (ii) the effective date of a plan of reorganization for the Debtor, and (iii) the date of substantial consummation of such plan of reorganization. Pursuant to the Bankruptcy Court's approval of the DIP Facility, Bankers Trust has a priority over virtually all other Claims in the Chapter 11 Case, including Administrative Expenses, and a lien that is senior to substantially all liens, Claims, and encumbrances arising before or after the Filing Date.

A commitment fee of .5% per annum on the average unused portion of the DIP Facility (which may be reduced unilaterally by the Debtor), covering the period from January 20, 1995 until the termination of the DIP Facility, will be paid by the Debtor. In addition, the Debtor will pay a Facility Fee of 1.5% of the total amount of the DIP Facility, and an annual administrative agency and collateral monitoring fee of $100,000.

The DIP Facility includes certain restrictive covenants that apply to the Debtor, including restrictions on other indebtedness, liens, sales of assets, dividends and distributions, capital expenditures, mergers, acquisitions, divestitures, reorganizations, payments of pre-Filing Date debt (with certain exceptions) and transactions with affiliates, and requirements regarding satisfaction of certain financial ratios and insurance coverage. The DIP Facility also includes typical events of default, including entry of an order granting relief to prepetition creditors from the automatic stay, a conversion of the Chapter 11 Case into a case under chapter 7, and/or a change of ownership or control of the Debtor.

5. Trade Creditor Order

On February 10, 1995, the Bankruptcy Court approved an order authorizing provisional payment of prepetition Trade Claims (the "Trade Creditor Order"). The Trade Creditor Order provides a mechanism by which the Debtor is authorized (but not obligated) to pay outstanding prepetition Trade Claims (other than Trade Claims of "insiders" as such term is defined in section 101(31) of the Bankruptcy Code) provided that certain requirements are satisfied (the "Trade Payment Program"). Among other things, the Debtor may only make payment on account of a trade creditor's outstanding prepetition Trade Claims to the extent of the value of any unpaid goods shipped by the relevant trade creditor to the Debtor after February 10, 1995. In addition, the Debtor may not make such payments unless and until the relevant trade creditor executes a written agreement, the form of which is attached to the Trade Creditor Order (the "Trade Agreement"), setting forth, inter alia: the trade creditor's prepetition Claims against the Debtor, the customary trade terms between the trade creditor and the Debtor in effect up to November 28, 1994, and the trade creditor's agreement to continue to ship goods to the Debtor in accordance with such customary trade terms.

A Trade Agreement will be deemed to have terminated if the relevant trade creditor has failed to comply with the terms of the Trade Agreement. The Trade Payment Program will also be deemed to have terminated if: (i) the Chapter 11 Case is converted to a case under chapter 7 of the Bankruptcy Code, (ii) the Senior Bank Agent delivers notice subsequent to the entry of an order appointing the election of a trustee or an examiner with expanded powers in the Chapter 11 Case, or (iii) the Debtor fails to confirm and substantially consummate a plan of reorganization acceptable to the Senior Bank Agent by May 31, 1995 and June 16, 1995, respectively. If the Trade Payment Program or any trade creditor's participation therein is terminated, then any payments made by the Debtor to any such trade creditor in respect of any prepetition Claims will be deemed to have been made in payment of then outstanding postpetition obligations owed to such trade creditor and such trade creditor will immediately repay to the Debtor any payments made to such creditor on account of prepetition Claims to the extent the aggregate amount of such payments exceeds the postpetition obligations then outstanding (without the right of any setoffs, claims, provisions for payment of reclamation or trust fund claims, or otherwise).

6. Appointment of Official Committee

On February 6, 1995, the United States Trustee for the District of Delaware appointed the following Entities to the Official Committee of Unsecured

Creditors of The Grand Union Company (the "Official Committee"): (i) the United States Trust Company of New York, as Indenture Trustee ("U.S. Trust"), (ii) Putnam Investment Management, (iii) Federated Research Corporation, (iv) Chemical Bank, as Indenture Trustee, (v) Leland Zaubler, (vi) White Rose Division of DiGiorgio Corporation, (vii) Kraft Foods/Kraft General Foods, (viii) Nestle USA, Inc., and (ix) the Pension Benefit Guaranty Corporation (the "PBGC"). The Official Committee is represented by the law firms of Ropes & Gray and Pepper, Hamilton & Scheetz.

Following the appointment of the Official Committee, the Informal Committees representing certain holders of Senior Subordinated Notes and certain trade creditors ceased independent activity. However, the Informal Committee representing certain holders of Senior Notes continues to participate in the Plan process.

C. Chapter 11 Cases of Holdings and Capital

On February 6, 1995, certain members of an unofficial committee (the "Informal Zero Committee") purporting to represent certain holders of the Zero Notes, commenced an involuntary chapter 11 bankruptcy case against Capital, the Debtor's parent company, in the Bankruptcy Court (the "GUCC Chapter 11 Case"). The Informal Zero Committee's advisors consisted of The Argosy Group, L.P, Marcus Montgomery Wolfson P.C. and Williams, Hershman & Wisler, P.A. On February 16, 1995, Capital filed a response to the involuntary petition in which it consented to the entry of an order for relief. In addition, on February 16, 1995, Holdings, the Debtor's indirect parent company (and the parent company of Capital), filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court (the "GUHC Chapter 11 Case").

D. Zero Settlement

On February 23, 1995, the Informal Zero Committee filed a motion to substantively consolidate the Debtor's Chapter 11 Case with the GUCC Chapter 11 Case (the "Substantive Consolidation Motion"). Substantive consolidation generally is the merging of the assets and liabilities of affiliated entities in a bankruptcy proceeding so that the combined assets and liabilities are treated as though held and incurred by a single entity. The consolidated assets create a single fund from which claims against the consolidated debtors are to be satisfied. In addition, all intercompany claims and guarantees between the consolidated debtors are extinguished. Specifically, the Substantive Consolidation Motion sought to consolidate the unsecured claims against the Debtor and Capital and pool the assets of both entities to satisfy these claims.

On March 3, 1995, with the addition of other creditors, the Informal Zero Committee was replaced by the Official Committee of Unsecured Creditors of Grand Union Capital Corporation (the "Capital Committee"), which was appointed by the United States Trustee. Thereafter, the Capital Committee continued the prosecution of the Substantive Consolidation Motion. The Capital Committee's advisors consist of The Argosy Group, L.P, Peterson Consulting, L.P., Marcus Montgomery Wolfson P.C. and Williams, Hershman & Wisler, P.A.

The Informal Zero Committee and/or the Capital Committee filed the following additional pleadings: (1) an objection to the Debtor's motion for an order authorizing the interim and final DIP Facility orders; (2) a response to the Debtor's motion to strike such objection; (3) an objection each to the Debtor's disclosure statements, dated February 6, 1995 and March 22, 1995, respectively; (4) a motion to vacate the interim and final orders approving the DIP Facility; (5) a motion to disqualify Goldman Sachs and BT Securities from appearing on behalf of the Debtor in the Chapter 11 Case; and (6) a motion to have the GUCC Chapter 11 Case jointly administered with the Debtor's Chapter 11 Case (collectively, the "Additional Motions").

After negotiation, the Debtor and the Capital Committee reached an agreement to resolve the Substantive Consolidation Motion and the Additional Motions (the "Zero Settlement"), a copy of which is annexed to the Plan as Exhibit "G". Pursuant to and solely for the purposes of the Zero Settlement, the Senior Zero Note Claims and the Junior Zero Note Claims shall be allowed in an amount equal to the value as of the Effective Date of the distributions made on account of such Claims under the Plan. Warrants for the right to purchase the New Common Stock of Reorganized Grand Union (the "Warrants") will be distributed to Classes 9 and 10, consisting of the holders of the Zero Notes.

Two series of Warrants will be issued pursuant to the Warrant Agreement, a copy of which is annexed as Exhibit "E" to the Plan. Both series of Warrants shall have a term of five (5) years from the Effective Date of the Plan. Series 1 Warrants shall consist of 300,000 Warrants with a strike price of $30 per share of New Common Stock. Series 2 Warrants shall consist of 600,000 Warrants with a strike price of $42 per share of New Common Stock.

In connection with the Zero Settlement, the members of the Capital Committee and certain holders of Zero Notes that are parties to the Zero Settlement, and their affiliates, agents, and assigns (collectively, the "Releasors"), have executed releases in favor of the Debtor, Capital, and Holdings, the respective affiliates of the Debtor, Capital, and Holdings, present and former stockholders, directors, or officers of the Debtor, Capital, or Holdings, including Miller Tabak & Hirsch & Co. ("MTH") and its present and former partners, officers, employees, advisors, attorneys, consultants, agents, and representatives including, without limitation, Messrs. Martin A. Fox, Glenn L. Goldberg, Claude Incaudo and James A. Lash, and any person or entity that directly or indirectly controls MTH, including Gary Hirsch, Jeffrey Miller and Jeffrey Tabak, the members of each of the Official Committee and the Informal Committee, each of the Post-Confirmation Banks, BT Securities, Goldman Sachs, and each of the foregoing entity's and/or person's respective attorneys, advisors, financial advisors, investment bankers, employees, successors, agents, and assigns, and any other person and/or entity against whom any of the Releasors may have a Released Claim, as defined below (collectively, the "Released Persons"), from any and all claims, demands, actions, causes of action,

suits, costs, dues, sums of money, accounts, bills, bonds, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, expenses, and liability whatsoever, known or unknown, at law or in equity, irrespective of whether such claims arise out of contract, tort, violation of laws or other regulations or otherwise, which the Releasors ever had or now have against the Released Persons or any of them, for, or by reason of, any matter, cause or thing whatsoever from the beginning of the world to and including the date of the Zero Settlement arising out of or in connection with, or related in any manner to, the issuance, ownership, purchase, and/or sale of the Zero Notes including without limitation, any claim for substantive consolidation of the Debtor's Chapter 11 Case and the GUCC Chapter 11 Case, any claims arising under any state or federal securities law and/or any claims arising under sections 544, 548 and 550 of the Bankruptcy Code or under similar state laws, including fraudulent conveyance claims (the "Zero Releases"), except for such Releasor's right to receive warrants pursuant to the Plan or any Allowed Claim in Classes 1, 2, 3, 4 or 8 of the Plan held by such Releasor. The Zero Releases have been delivered to the Debtor and will be deemed effective, subject to delivery of the global certificates provided for under Section 2.1 of the Warrant Agreement, upon the Effective Date of the Plan; provided, however, that the releases by the noteholders set forth above (in Section 8 of the Zero Settlement) and the Debtor's release of the noteholders in Section 11 of the Zero Settlement, shall not be effective if, prior to the commencement of the distribution of Warrants by the Warrant Agent (as defined in the Warrant Agreement), in whole or in part, such distribution is enjoined by an Entity other than a holder (present, former or future) of a Zero Note; and provided further that the immediately preceding proviso shall be of no force and effect if such injunction is dissolved.

Pursuant to the Zero Settlement, Capital and Holdings will each deliver similar releases. Capital and Holdings will need to obtain the approval of the Bankruptcy Court to deliver these releases.

Further pursuant to the Zero Settlement and upon the Effective Date of the Plan, the Capital Committee will withdraw, with prejudice, the Substantive Consolidation Motion and the Additional Motions.

Finally, the reasonable fees and expenses of the Informal Zero Committee's and the Capital Committee's professional advisors after the Filing Date will be allowed as Administrative Expenses in the Debtor's Chapter 11 Case, on the terms and conditions set forth in the Plan, subject to a cap in the aggregate amount of $750,000.

The Zero Settlement remains subject to Bankruptcy Court approval in accordance with Rule 9019 of the Federal Rules of Bankruptcy Procedure. A separate motion will be filed by the Debtor seeking approval of the Zero Settlement and will be heard by the Bankruptcy Court on or before the Confirmation Date.

VI. THE PLAN

THE FOLLOWING IS A SUMMARY OF CERTAIN SIGNIFICANT PROVISIONS OF THE PLAN. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN WHICH IS ATTACHED TO THIS DISCLOSURE STATEMENT AS APPENDIX "A". TO THE EXTENT THAT THE TERMS OF THIS DISCLOSURE STATEMENT VARY WITH THE TERMS OF THE PLAN, THE TERMS OF THE PLAN SHALL BE CONTROLLING.

A. General

Chapter 11 is the principal business reorganization chapter of the Bankruptcy

Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of itself and its creditors and stockholders.

Formulation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. In general, a chapter 11 plan of reorganization (i) divides claims and equity interests into separate classes, (ii)

specifies the property that each class is to receive under the plan, and (iii) contains other provisions necessary to the reorganization of the debtor. Chapter 11 does not require each holder of a claim or interest to vote in favor of the plan of reorganization in order for the bankruptcy court to confirm the plan. However, a plan of reorganization must be accepted by the holders of at least one class of claims that is impaired (as defined above) without considering the votes of "insiders" within the meaning of the Bankruptcy Code.

Distributions to be made under the Plan will be made after confirmation of the Plan, on the Effective Date or as soon thereafter as is practicable, or at such other time or times specified in the Plan.

B. Classification and Treatment of Claims and Interests Under the Plan

Section 1122 of the Bankruptcy Code requires that a plan of reorganization classify the claims of a debtor's creditors and the interests of its equity holders. The Bankruptcy Code also provides that, except for certain claims classified for administrative convenience, a plan of reorganization may place a claim or interest of a creditor or equity holder in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Plan places Credit Agreement Claims, Interest Rate Protection Agreement Claims, Miscellaneous Secured Claims, Senior Note Claims, Priority Claims, Trade Claims, General Unsecured Claims, Senior Subordinated Note Claims, Senior Zero Note Claims, Junior Zero Note Claims, Subordinated Claims and Interests in separate Classes. The Debtor believes it has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code. If a Creditor or Interest holder challenges such classification of Claims of Interests and the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtor, to the extent permitted by the Bankruptcy Court, intends to make such reasonable modifications to the classification of Claims or Interests under the Plan to provide for whatever classification might be required by the Bankruptcy Court for confirmation; provided, however, the Debtor will not reclassify Class 1 (Credit Agreement Claims), Class 6 (Trade Claims), Class 7 (General Unsecured Claims) and Class 8 (Senior Subordinated Note Claims) without first receiving the acceptance of the Senior Bank Agent (in the case of Class 1) and the Official Committee (in the case of Classes 6, 7 and 8).

Except to the extent that such modification of classification adversely affects the treatment of a holder of a Claim and requires resolicitation, acceptance of the Plan by any holder of a Claim pursuant to this Solicitation will be deemed to be a consent to the Plan's treatment of such holder of a Claim regardless of the Class as to which such holder of a Claim is ultimately deemed to be a member.

The Bankruptcy Code also requires that a plan of reorganization provide the same treatment for each claim or interest of a particular class unless the holder of a particular claim or interest agrees to a less favorable treatment of its claim or interest. The Debtor believes that it has complied with such standard. If the Bankruptcy Court finds otherwise, it could deny confirmation of the Plan if the Creditors or equity holders affected do not consent to the treatment afforded them under the Plan.

The PBGC has requested that the following explanation be included in this Disclosure Statement:

In the event that the Grand Union Employees' Retirement Plan terminates prior to confirmation of the Debtor's Plan of Reorganization, the Pension Benefit Guaranty Corporation asserts that it will have an administrative expense claim, a priority tax claim, and/or, in the alternative, a general unsecured claim against the Debtor in the approximate amount of $46.3 million (see infra, SectionXV(L)).

The Debtor believes that much or all the claim referred to above would be properly characterized as a General Unsecured Claim. Moreover, based on the most recent actuarial data and asset information, the Debtor's actuary has calculated that the appropriate amount of the PBGC's claim, using the PBGC's own methods and assumptions, would not exceed $32.0 million, and the PBGC has indicated that it will review these calculations. The Debtor's actuary has also determined that, in the event of a liquidation, the Debtor

could adopt certain amendments to the Retirement Plan which could eliminate any underfunded pension liability, and could even result in overfunding. The Debtor does not intend to make such amendments to the Retirement Plan in the context of its reorganization under the Plan. Moreover, the PBGC has asserted that if the above-referenced amendments are made, they would not necessarily affect the calculation of the unfunded benefit liabilities in the event the Retirement Plan terminates.

1. Treatment of Administrative Expenses and Certain Priority Claims

a. Administrative Expenses. Administrative Expenses consist of (a) any cost or expense of administration of the Chapter 11 Case allowable under section 503(b) of the Bankruptcy Code, including, without limitation, the fees and expenses of the professionals employed by the Debtor, the Official Committee, the Informal Committee(s) and the Indenture Trustees (if and to the extent the fees and expenses of the Indenture Trustees are not General Unsecured Claims or Miscellaneous Secured Claims), to the extent allowed or, as applicable, agreed to by the Debtor and/or Reorganized Grand Union pursuant to Sections 2.02, 2.03 or 2.04 of the Plan, and (b) any fees or charges assessed against the Debtor's estate under title 28, United States Code, section 1930. Such expenses include, for example, costs incurred in the operation of the Debtor's business after the commencement of the Chapter 11 Case, postpetition taxes, if any, and certain other obligations arising after the commencement of the Chapter 11 Case. See "CERTAIN INFORMATION CONCERNING THE DEBTOR-Regulatory and Legal Matters-Environmental."

Assuming that neither significant litigation nor objections are filed with respect to the Plan and assuming the Plan is confirmed in May 1995, the Debtor estimates that unpaid Administrative Expenses as of the Effective Date are not expected to exceed approximately $130 million (which includes, inter alia, ordinary course Trade Claims and fees and expenses of professionals from the Filing Date through the Effective Date, anticipated to be in the amount of $7.5 million). Such amount also includes the statutory fees payable to the United States Trustee, which the Debtor estimates should not exceed $10,000. The Debtor's estimate of Administrative Expenses does not include amounts that will be payable in the ordinary course of business by Reorganized Grand Union under the Debtor's retiree health programs that will be assumed under the Plan.

Under the Plan, all Allowed Administrative Expenses (not paid prior to the Effective Date) will be paid in full in cash by Reorganized Grand Union, at its option, on (a) the later of (i) the Effective Date and (ii) the date on which the Bankruptcy Court enters an order allowing such Administrative Expense, or (b) the date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the Entity claiming such Allowed Administrative Expense otherwise agree or have agreed; provided, however, that Allowed Administrative Expenses representing obligations incurred in the ordinary course of business by the Debtor during the Chapter 11 Case will be paid by the Debtor or Reorganized Grand Union, as the case may be, in the ordinary course of business and in accordance with any terms and conditions of the particular transaction, and any agreements relating thereto. Any final request for payment of an Administrative Expense, including, without limitation, applications for compensation and reimbursement of expenses by professionals employed by the Debtor and the Official Committee, must be filed no later than forty-five (45) days after the Effective Date; provided that no request for payment of an Administrative Expense need be filed with respect to an Administrative Expense which is paid or payable by the Debtor or Reorganized Grand Union in the ordinary course, including, without limitation, any Administrative Expense which would have been a Trade Claim had it arisen prior to the Filing Date.

The reasonable fees and expenses incurred on or after the Filing Date (which may, as such fees relate to financial advisors, include a request by such professionals for success fees) by the counsel and financial advisors retained by agreement with the Debtor prior to the Filing Date by the Informal Committees (together with the reasonable fees and expenses of local counsel) or the Indenture Trustees (to the extent they are not General Unsecured Claims or Miscellaneous Secured Claims, and subject to Section 12.07 of the Plan) with respect to the Chapter 11 Case will be paid (without application by or on behalf of any such professionals to the Bankruptcy Court, and without notice and a hearing, unless specifically requested by the Bankruptcy Court upon request of a party in interest) by Reorganized Grand Union as an Administrative

Expense under the Plan. If Reorganized Grand Union and any professional retained by an Informal Committee or an Indenture Trustee cannot agree on the amount of fees and expenses to be paid to such professional, the amount of any such fees and expenses will be determined by the Bankruptcy Court. Notwithstanding anything contained in the Plan to the contrary, the fees and

expenses of the legal and financial advisors to the Informal Committee of Senior Noteholders will be paid as set forth in the Final Cash Collateral Order.

In addition, the reasonable fees and expenses incurred on or after the Filing Date by the Capital Committee Advisors or the Informal Zero Committee Advisors with respect to this Chapter 11 Case or the GUCC Chapter 11 Case will be paid by Reorganized Grand Union after notice and a hearing in accordance with the procedures established by the Bankruptcy Court for professionals employed by the Debtor or the Official Committee; provided, however, that the aggregate maximum amount of fees and expenses for the Capital Committee Advisors and the Informal Zero Committee Advisors that shall be payable in this Chapter 11 Case shall not exceed $750,000 (plus the amount of any prepetition retainer). Applications for such compensation and reimbursement of expenses by such professionals must be filed no later than forty-five (45) days after the Effective Date.

Finally, the reasonable fees and expenses incurred on or after the Filing Date through the Effective Date by the GUHC and GUCC Legal Advisors with respect to this Chapter 11 Case, the GUCC Chapter 11 Case or the GUHC Chapter 11 Case will be paid (after application of any retainer held by any such professional) by Reorganized Grand Union after notice and a hearing in accordance with the procedures established by the Bankruptcy Court for professionals employed by the Debtor or the Official Committee. Applications for compensation and reimbursement of expenses by such professionals must be filed no later than forty-five (45) days after the Effective Date. On and after the Effective Date, Reorganized Grand Union will pay the reasonable fees and expenses of the GUHC and GUCC Legal Advisors incurred with respect to the dissolution of GUCC and GUHC. Notwithstanding anything in the Plan to the contrary, the aggregate amount of fees and expenses payable to the GUHC and GUCC Legal Advisors pursuant to Section 2.04 of the Plan will not exceed, in the aggregate, $150,000, in addition to the amount of any retainers paid to such professionals.

b. Priority Tax Claims. A Priority Tax Claim is any Claim against the Debtor of the type specified in section 507(a)(8) of the Bankruptcy Code. These Claims consist of certain unsecured Claims of governmental units for taxes. The Debtor estimates that Priority Tax Claims will not exceed $5 million.

Under the Plan, with respect to each Allowed Priority Tax Claim, at the sole option of Reorganized Grand Union, the holder of an Allowed Priority Tax Claim will be entitled to receive on account of such Allowed Priority Tax Claim: (a) equal cash payments made on the last Business Day of every three (3) month period following the Effective Date, over a period not exceeding six (6) years after the assessment of the tax on which such Claim is based, totalling the principal amount of such Claim plus simple interest on any outstanding balance from the Effective Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Effective Date; (b) such other treatment agreed to by the holder of such Allowed Priority Tax Claim and the Debtor or Reorganized Grand Union, as the case may be, provided such treatment is on more favorable terms to the Debtor or Reorganized Grand Union, as the case may be, than the treatment set forth in clause (a) hereof; or (c) payment in full, provided that, with respect to paragraphs (b) and (c) hereof, such treatment is approved by the Bankruptcy Court.

2. Class 1-Credit Agreement Claims. Class 1 consists of any Claims against the Debtor by the Existing Banks pursuant to the Existing Credit Documents. The Credit Agreement Claims are secured. The Credit Agreement Claims will be allowed in full. On or prior to fifteen (15) days prior to the date first set for the hearing on confirmation of the Plan, the Senior Bank Agent will file with the Bankruptcy Court and serve on counsel for the Debtor, the Official Committee and the Informal Committee of Senior Noteholders a schedule setting forth the proposed amounts of Allowed Credit Agreement Claims (on a per Entity basis) of each of the Existing Banks to be estimated as of the Confirmation Date. If no objection is filed by the Debtor, the

Official Committee or the Informal Committee of Senior Noteholders and served on the Senior Bank Agent within five (5) days after receipt of such schedule, the Credit Agreement Claims will be deemed Allowed in the amount set forth on the schedule together with such additional amounts which may accrue subsequent to the Confirmation Date through and including the Effective Date. In the event the Debtor, the Official Committee or the Informal Committee of Senior Noteholders objects to the scheduled amounts, the only issue that will be determined by the Bankruptcy Court is the amount of each Existing Bank's Allowed Credit Agreement Claims. Notwithstanding anything contained in the Plan to the contrary the fees and expenses incurred on account of the Credit Agreement Claims will be paid as set forth in the Final Cash Collateral Order. For purposes of the Plan, the Debtor estimates that the aggregate principal amount of the Credit Agreement Claims will be $93 million (not including outstanding letters of credit), which reflects amounts due and owing under the

Existing Credit Documents.

(a) On the Effective Date, each holder of an Allowed Credit Agreement Claim will receive with respect to such Claim the treatment set forth in subparagraph (i) hereof, unless, at the sole option of the Debtor (which option will be exercised not later than five (5) days prior to the commencement of the confirmation hearing), such holder will receive the treatment described in subparagraph (ii) below:

(i) (x) Reorganized Grand Union will execute the Post-Confirmation Credit Documents and such documents will become effective (provided that the other conditions contained in the Commitment Letter and the Credit Facility Term Sheet, as and if amended by consent of Bankers Trust and the Debtor, have been satisfied). Pursuant to the Post-Confirmation Credit Agreement, the commitment with respect to the amount of the Revolving Credit Facility and the Term Facility will be increased in the aggregate by not less than $65 million;

(y) The Post-Confirmation Facility will be secured by a perfected, first priority lien and security interest in all of the tangible and intangible assets (including, without limitation, all assets as described in the Commitment Letter, including leases) of Reorganized Grand Union and its subsidiaries, whether in existence at the Effective Date or acquired thereafter, subject only to such liens as may be permitted pursuant to the Post-Confirmation Credit Documents. Pursuant to the Intercreditor Agreement, the Additional Facility Lenders will have priority (with respect to the Additional Facility and with respect to those loans owed to, and letter of credit exposure of, such Additional Facility Lenders under the Existing Credit Agreement as set forth in the Intercreditor Agreement) over Existing Banks who do not contribute to the Additional Facility; and

(z) Upon confirmation of the Plan, but effective as of the Effective Date, the Debtor, Reorganized Grand Union, any Entity issuing securities under the Plan, any Entity acquiring property under the Plan, and any Creditor and/or equity security holder of the Debtor, will be deemed contractually to subordinate any present or future claim, right or other interest they may have in and to any proceeds received from the disposition, release, or liquidation of any Leasehold Interest, or any funds or proceeds received as a result of a subsequent pledge of such Leasehold Interest, to the obligations owed to the Post-Confirmation Banks pursuant to the Post-Confirmation Credit Documents until such obligations are paid in full; or

(ii) The Debtor will obtain a binding Alternative Commitment Letter from an alternative lender for the provision of not less than $204 million in loan facilities (of which not less than $57 million will be term facilities) on the Effective Date on terms satisfactory to the Debtor and reasonably satisfactory to the Official Committee and the Informal Committee of Senior Noteholders, in which event:

(x) The holder of an Allowed Credit Agreement Claim will receive on the Effective Date, cash payments equal to 100% of such Allowed Credit Agreement Claim; and

(y) Upon payment in full of the Allowed Credit Agreement Claims, the Existing Credit Agreement will be terminated and the notes issued pursuant thereto will be cancelled.

(b) On the Effective Date, all interest, fees, expenses and other charges that have accrued pursuant to the terms of the Existing Credit Documents but have not been paid as of the Effective Date will be paid to the Senior Bank Agent for distribution to those parties entitled to receive such interest, fees, expenses and other charges pursuant to the Existing Credit Documents.

(c) Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, all prepetition liens on property of the Debtor held by or on behalf of the holders of Claims in this Class with respect to such Claims will survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such holders until, as to each such holder, the Allowed or Subsequently Allowed Claims of such holder in this Class are paid in full; provided, however, on and after the Effective Date, such liens will not attach to the Warrants, the New Senior Notes or New Common Stock. Class 1 is Impaired.

3. Class 2-Interest Rate Protection Agreement Claims. Class 2 consists of the Claims against the Debtor for payment of amounts due under the Interest Rate

Protection Agreement. The Interest Rate Protection Agreement Claims will be allowed in full. On or prior to fifteen (15) days prior to the date first set for hearing on confirmation of the Plan, the Senior Bank Agent will file with the Bankruptcy Court and serve on counsel for the Debtor, the Official Committee and the Informal Committee of Senior Noteholders written notice of the proposed amount of the Allowed Interest Rate Protection Agreement Claims to be estimated as of the Confirmation Date. If no objection is filed by the Debtor, the Official Committee or the Informal Committee of Senior Noteholders and served on the Senior Bank Agent within five (5) days after receipt of such notice, the Interest Rate Protection Agreement Claims will be deemed Allowed in the amount asserted by the Senior Bank Agent in such schedule together with such additional amounts which may accrue subsequent to the Confirmation Date through and including the Effective Date. In the event the Debtor, the Official Committee or the Informal Committee of Senior Noteholders objects to the proposed amount, the only issue that will be determined by the Bankruptcy Court is the amount of the Interest Rate Protection Claims. For purposes of the Plan, the Debtor estimates that the aggregate amount of the Interest Rate Protection Agreement Claims will be $4,519,500 million.

With respect to each Allowed Interest Rate Protection Agreement Claim, at the sole option of Reorganized Grand Union, to be exercised on the Effective Date: (a) the legal, equitable and contractual rights to which the Allowed Interest Rate Protection Agreement Claim entitles the holder of such Allowed Interest Rate Protection Agreement Claim will be unaltered by the Plan and the Debtor shall, on the Effective Date, cure any defaults with respect thereto; or (b) on the Effective Date, the holder of an Allowed Interest Rate Protection Agreement Claim will receive a cash payment equal to 100% of such Allowed Interest Rate Protection Agreement Claim.

Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, all prepetition liens on property of the Debtor held by or on behalf of the holders of Claims in this Class with respect to such Claims will survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such holders until, as to each such holder, the Allowed or Subsequently Allowed Claims of such holder in this Class are paid in full; provided, however, on and after the Effective Date, such liens will not attach to the Warrants, the New Senior Notes or New Common Stock. Class 2 is Impaired.

4. Class 3-Miscellaneous Secured Claims. Class 3 consists of all Miscellaneous Secured Claims under section 506(a) of the Bankruptcy Code (including, without limitation, the Claims of the Indenture Trustees for the Senior Notes for fees and expenses, if and to the extent such Claims are secured Claims), other than Credit Agreement Claims, Interest Rate Protection Agreement Claims and Senior Note Claims. The Debtor estimates that Miscellaneous Secured Claims will aggregate approximately $3 million.

Pursuant to the terms of the Plan, with respect to each Allowed Miscellaneous Secured Claim, at the sole option of Reorganized Grand Union to be exercised on the Effective Date: (a) the legal, equitable and contractual rights to which the Allowed Miscellaneous Secured Claim entitles the holder of such Claim will remain unaltered by the Plan, or (b) Reorganized Grand Union will provide such other treatment that will

render such Allowed Miscellaneous Secured Claim an Unimpaired Claim under section 1124 of the Bankruptcy Code; provided that the Miscellaneous Secured Claims, if any, of the Indenture Trustees for the Senior Notes will be treated in accordance with Section 12.07 of the Plan. The Debtor's failure to object to such Claim in the Chapter 11 Case will be without prejudice to Reorganized Grand Union's right to contest or otherwise defend against such Claim in the appropriate forum when and if such Claim is sought to be enforced by the holder thereof.

Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, all prepetition liens on property of the Debtor held by or on behalf of the holders of Claims in this Class with respect to such Claims will survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such holders until, as to each such holder, the Allowed or Subsequently Allowed Claims of such holder in this Class are paid in full. Class 3 is not Impaired.

5. Class 4-Senior Note Claims. Class 4 consists of all Senior Note Claims. The Senior Note Claims are secured. On the Effective Date, the Senior Notes will be cancelled, Reorganized Grand Union will execute the New Senior Note Indenture and, subject to Section 12.02 of the Plan, each holder of an Allowed Senior Note Claim will be entitled to receive its pro rata share of New Senior Notes. Such pro rata share will be determined by the ratio between the amount of such holder's Allowed Senior Note Claim and the aggregate amount of Allowed Senior Note Claims, each calculated as of the Filing Date without taking into

account any interest on overdue interest or Sections 7.02 and 7.03 of the Plan, and pursuant to Section 12.02 of the Plan. Pursuant to the Plan, Senior Note Claims have been allowed in the aggregate amount of $525 million (representing the face amount of the Senior Notes giving rise to such Claims) plus accrued but unpaid interest and interest on overdue interest on such Senior Notes as of the Effective Date. Assuming an Effective Date of April 29, 1995, the Debtor estimates that Senior Note Claims will aggregate approximately $570,807,000. The New Senior Notes will not be secured by any property of Reorganized Grand Union. See "DESCRIPTION OF NEW SENIOR NOTES" and the Term Sheet of New Senior Notes, annexed hereto as Appendix "C".

In addition, Reorganized Grand Union will enter into a Registration Rights Agreement with each Entity which, as of the Effective Date (i) holds Senior Notes entitling such holder to the New Senior Notes to be issued under the Plan and (ii) requests in writing that Reorganized Grand Union execute such Registration Rights Agreement. The final draft of such Registration Rights Agreement will be filed by the Debtor with the Bankruptcy Court no later than a date which is five (5) days prior to the first date set by the Bankruptcy Court as the Voting Deadline. Such Registration Rights Agreement will be in form and substance reasonably satisfactory to the Senior Bank Agent, the Official Committee and the Informal Committee of Senior Noteholders. Class 4 is Impaired.

6. Class 5-Priority Claims. Class 5 consists of all Claims which are entitled to priority in payment under section 507(a) of the Bankruptcy Code, other than Administrative Expenses and Priority Tax Claims. Priority Claims include Claims for wages, salaries and contributions to employee benefit plans, to the extent that such Claims are entitled to priority under section 507(a) of the Bankruptcy Code. In light of the payments already made pursuant to the Prepetition Wage and Benefits Order (see "THE CHAPTER 11 CASE-Prepetition Wage and Benefits Order"), the Debtor estimates that remaining Priority Claims will not exceed $1 million.

Pursuant to the terms of the Plan, on the latest of (a) the Effective Date, (b) the date such Priority Claim becomes an Allowed Priority Claim, or (c) the date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the holder of such Priority Claim otherwise agree or have agreed, each holder of an Allowed Priority Claim will receive payment in full of 100% of such Allowed Priority Claim. Class 5 is Impaired.

7. Class 6-Trade Claims. Class 6 consists of all Claims against the Debtor for goods provided prior to the Filing Date to the Debtor for resale to the general public in the ordinary course of business. Class 6 is composed of two subclasses: (i) Class 6(a) consists of Trade Claim(s) asserted by a Creditor whose aggregate

asserted Trade Claim(s) total less than $25,000; and (ii) Class 6(b) consists of Trade Claim(s) asserted by a Creditor whose aggregate asserted Trade Claim(s) total $25,000 or more. As of the Filing Date, approximately $100 million of Trade Claims were outstanding. However, the Debtor estimates that as of the Effective Date, Trade Claims will aggregate less than $20 million due to the implementation of the Trade Payment Program, as discussed below.

Pursuant to the Trade Creditor Order, the Debtor is authorized to pay during the Chapter 11 Case prepetition Trade Claims to the extent of the value of any unpaid goods shipped by the relevant trade creditor to the Debtor after February 10, 1995. However, the Debtor may not make such payments unless and until the relevant trade creditor first executes a Trade Agreement with the Debtor. See "THE CHAPTER 11 CASE-Trade Creditor Order." If the Trade Payment Program or any trade creditor's participation therein is terminated, then any payments made by the Debtor to any such trade creditor in respect of any prepetition Claims will be deemed to have been made in payment of then outstanding postpetition obligations owed to such trade creditor and such trade creditor will immediately repay to the Debtor any payments made to such creditor on account of prepetition Claims to the extent the aggregate amount of such payments exceeds the postpetition obligations then outstanding (without the right of any setoffs, claims, provisions for payment of reclamation or trust fund claims, or otherwise).

Subject to Section 6.06(b) of the Plan, Unimpaired Claims which are Trade Claims will neither be deemed Allowed nor Disputed for purposes of the Plan. The right to payment on such Claim will be determined, resolved or adjudicated, as the case may be, as if the Chapter 11 Case had not been commenced, subject to the following sentence. Notwithstanding the foregoing, the Plan is without prejudice to the Debtor's or Reorganized Grand Union's rights to contest or otherwise defend against such Claims in the appropriate forum, including the Bankruptcy Court, when and if such Claim is sought to be enforced by the holder thereof.

(a) Each Creditor asserting Trade Claim(s) that, in the aggregate, are less

than $25,000 in amount (Class 6(a) Claims), need not file a proof of claim with respect to such Trade Claim(s) in order to receive a distribution under the Plan.

(b) Each Creditor asserting Trade Claim(s) that, in the aggregate, are $25,000 or more in amount (Class 6(b) Claims), must file a proof of claim with respect to such Trade Claim(s) on or before the Claims Bar Date. In the Event that any such Creditor does not timely file a proof of claim with respect to its Trade Claim(s), all Trade Claim(s) asserted by such Creditor will be barred and discharged; provided, however, that such Trade Creditor will be treated as having filed a proof of claim with respect to its Trade Claim(s) in the amount(s), if any, that is/are listed in the Schedules regardless of whether such Trade Claim(s) are listed in the Schedules as disputed, contingent or unliquidated.

(c) With respect to each Trade Claim included in either Class 6(a) or in Class 6(b) that is not barred or discharged pursuant to Section 6.06(b) of the Plan, and subject to the terms of any Trade Agreement and to the rights set forth in Section 6.06(e) of the Plan, at the sole option of the Debtor, (i) the legal, equitable and contractual rights to which the Trade Claim entitles the holder of such Claim will remain unaltered or (ii) the Debtor will provide such other treatment that will render such Trade Claim an Unimpaired Claim under section 1124 of the Bankruptcy Code.

(d) Unless a Creditor asserting Trade Claim(s) files a written objection to the Plan, such Creditor will be deemed to have waived and forever released any right to assert or claim that it may be entitled to interest accruing with respect to such Creditor's Trade Claim(s) and any such claims or assertions for interest will be forever barred and discharged. In the event that a Creditor asserting Trade Claim(s) objects to the Plan in writing, such objecting Creditor's Trade Claim(s) will be deemed included in Class 7 of the Plan (General Unsecured Claims) and will be deemed to have voted to reject the Plan. In the event included in Class 7, the objecting Creditor asserting a Trade Claim will be subject to the proof of claim and bankruptcy claims administration requirements that are applicable to other Class 7 Creditors. Notwithstanding anything herein

to the contrary, a Creditor whose Claim would have been included in either Class 6(a) or 6(b) but for the objection referenced in this paragraph: (i) with respect to a Creditor which would have been included in Class 6(a), (y) such Creditor may rely on the amount of its Claim as set forth in the Schedules in the event that its Claim is not listed as contingent, disputed or unliquidated, or, (z) in the event that its Claim is so designated, or not scheduled, such Creditor will have ten (10) days from the date its objection is filed within which to file a proof claim which Claim may not exceed $25,000 plus any Claim for interest on such Claim; and (ii) with respect to a Creditor which would have been included in Class 6(b), such Creditor will either (y) have filed a proof of claim by the Claims Bar Date or (z) its Claim will be limited by the amount of such Claim as set forth in the Schedules unless such Claim is listed as contingent, disputed or unliquidated and, in the event of such designation, such Creditor will have ten (10) days from the date its objection is filed within which to file a proof of claim which Claim will not exceed the amount for which it was scheduled plus any claim for interest on such Claim.

(e) The Debtor's failure to file an objection with the Bankruptcy Court to a Trade Claim will be without prejudice to Reorganized Grand Union's right to contest or otherwise defend against such Trade Claim in the appropriate forum, including the Bankruptcy Court, when and if such Trade Claim is sought to be enforced by the holder thereof. Classes 6(a) and 6(b) are not Impaired.

8. Class 7-General Unsecured Claims. Class 7 consists of all Unsecured Claims against the Debtor other than Senior Subordinated Note Claims, Subordinated Claims, Senior Zero Note Claims, Junior Zero Note Claims or Trade Claims. General Unsecured Claims also include, without limitation, Intercompany Claims and any Unsecured Claims arising from or with respect to the leasing of real estate and equipment, utility service, employee benefits, claims brought by associations or entities for reimbursement of workers' compensation claims, the fees and expenses of the Indenture Trustees pursuant to the Indentures whether accruing before or after the Filing Date (except to the extent such fees and expenses are Miscellaneous Secured Claims or Administrative Expenses), or the provision of financial, legal and other professional services to the Debtor or for which the Debtor has agreed to pay (including payment for services provided by the Debtor's Financial Advisors (see "BACKGROUND-Certain Events Preceding Commencement of the Chapter 11 Case-Retention of Financial Advisors")). Claims brought by associations or entities for reimbursement of workers' compensation claims that arise after the Filing Date will be classified as Administrative Expenses. Solely for purposes of effectuating the Zero Settlement, the reasonable fees and expenses of the Capital Indenture Trustees (whether accruing before or after the Filing Date) will constitute General Unsecured Claims. The Debtor believes that Intercompany Claims, if any, will not have a

material impact on the Plan or the distributions to be made thereunder. See also "CERTAIN INFORMATION CONCERNING THE DEBTOR-Regulatory and Legal Matters-Environmental."

The Debtor estimates that the aggregate amount of General Unsecured Claims that will be allowed is approximately $80 million. The Debtor's estimate assumes that lease rejection damages will not exceed $12 million, in aggregate, not including Claims related to rejection of leases for distribution facilities currently operated by the Debtor. The Debtor intends to file a motion to reject the leases on its Waterford, New York distribution facilities. However, the Debtor intends to enter into discussions with the landlord for those facilities and with the unions representing the Waterford employees. The outcome of those discussions may affect the Debtor's intention to reject these leases. The Debtor is also reviewing its options related to its lease on its Montgomery, New York warehouse, operated under an agreement with The Penn Traffic Company. See "CERTAIN INFORMATION CONCERNING THE DEBTOR-Related Party TransactionsMontgomery Warehouse." No determination on assumption or rejection of this lease has been made. If the leases for both distribution facilities mentioned above were rejected, General Unsecured Claims could increase by approximately $9 million. In addition, the $80 million estimate includes approximately $30 million of workers' compensation, general liability and automobile liability claims against the Debtor. Since the Filing Date, the Debtor has made payments on account of such claims in the ordinary course of business to the extent such claims are within the scope of the Prepetition Wage and Benefits Order or otherwise would cause a draw under a letter of credit issued by the Existing Banks, as provided by the Final Cash Collateral Order.

The Debtor believes that any workers' compensation obligations accrued, but not yet paid, as of the Effective Date, will be paid in the ordinary course of business by Reorganized Grand Union, thus reducing significantly the amount of General Unsecured Claims that will be paid on the Effective Date. In addition, the Debtor's estimate includes approximately $14 million of other liabilities under its self-insurance program that the Debtor believes will be liquidated over time, further reducing the Debtor's cash needs on the Effective Date.

On the latest of (a) the Effective Date, (b) the date, or dates, on which such General Unsecured Claim becomes an Allowed General Unsecured Claim, or (c) the date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the Entity claiming such Allowed General Unsecured Claim otherwise agree or have agreed, each holder of an Allowed General Unsecured Claim will receive payment in full of 100% of such Allowed General Unsecured Claim. Subject to Section 12.07 of the Plan, any General Unsecured Claims of an Indenture Trustee will be paid in full on the Effective Date or on such later date as agreed to be the parties. Class 7 is Impaired.

9. Class 8-Senior Subordinated Note Claims. Class 8 consists of all Senior Subordinated Note Claims. The Plan provides for Senior Subordinated Note Claims to be allowed in the principal amount of such notes plus accrued but unpaid interest and interest on interest, if any, as follows (all numbers are rounded to the nearest thousand):

<TABLE>
<CAPTION>

<S>	<C>
13% Senior Subordinated Note Claims.....	$ 16,821,000
12-1/4% Senior Subordinated Note, Series A Claims	53,243,000
12-1/4% Senior Subordinated Note Claims.....	532,430,000
TOTAL.....	$602,494,000

</TABLE>

Unlike the 13% Senior Subordinated Notes, both series of 12-1/4% Senior Subordinated Notes are guaranteed by Capital. Because, under their respective Indentures, the three series of Senior Subordinated Notes are pari passu in the priority of their claims against the Debtor, they receive equal treatment under the Plan with respect to their Allowed Claims.

On the Effective Date the Senior Subordinated Notes will be cancelled. Also on the Effective Date, and, subject to Section 12.02 of the Plan, each holder of an Allowed Senior Subordinated Note Claim will be entitled to receive its pro rata share of the New Common Stock to be issued under the Plan. Such pro rata share will be determined by the ratio between such holder's Allowed Senior Subordinated Note Claim and the aggregate amount of all Allowed Senior Subordinated Note Claims as of the Effective Date, and pursuant to Section 12.02 of the Plan. The holders of Allowed Senior Subordinated Note Claims will receive in the aggregate, on a pro rata basis, 100% of the New Common Stock to be issued under the Plan. See "DESCRIPTION OF NEW CAPITAL STOCK."

In addition, Reorganized Grand Union will enter into a Registration Rights Agreement with each Entity which, as of the Effective Date, (i) holds Senior Subordinated Notes entitling such holder to receive ten percent (10%) or more of the shares of New Common Stock to be issued under the Plan and (ii) requests in writing that Reorganized Grand Union execute such Registration Rights Agreement. The final draft of such Registration Rights Agreement will be filed by the Debtor with the Bankruptcy Court no later than a date which is five (5) days prior to the first date set by the Bankruptcy Court as the Voting Deadline. Such Registration Rights Agreement will be in form and substance reasonably satisfactory to the Senior Bank Agent and the Official Committee. Class 8 is Impaired.

To assure that the Senior Subordinated Noteholders receive their New Common Stock without reduction for the fees and expenses and as an integral part of the distributions to such Noteholders and their bargained for consideration, a cash reserve will be established in respect of the Indenture Trustees' fees and expenses.

U.S. Trust, the Indenture Trustee for the 12-1/4% Senior Subordinated Notes and the 12-1/4% Senior Subordinated Notes, Series A, estimates that its compensation and expenses will not exceed $250,000 if the

Plan is consummated on or prior to May 31, 1995 without substantial opposition. As discussed above, the Plan provides that U.S. Trust's Claim (and the Claims of the other Indenture Trustees) will be paid in cash in full on the Effective Date of the Plan from a reserve to be established for that purpose. U.S. Trust asserts that it has the right to recover its compensation and expenses from the distributions to be made to the holders of the two series of 12-1/4% Senior Subordinated Notes if its compensation and expenses are not paid by the Debtor. U.S. Trust has reserved its right to seek payment from the distributions if a satisfactory reserve is not established. Exercise of this right would reduce the stated distributions to the holders of the 12-1/4% Senior Subordinated Notes. U.S. Trust does not presently anticipate seeking to recover any part of its compensation and expenses as an Administrative Expense of the Chapter 11 Case. See "THE PLAN-Classification and Treatment of Claims and Interests Under the Plan-General Unsecured Claims."

10. Class 9-Senior Zero Note Claims. Class 9 consists of any Claims asserted against the Debtor by a holder of a Senior Zero Note relating to or arising from ownership of a Senior Zero Note issued by Capital. For purposes of effectuating the Zero Settlement only, the Senior Zero Note Claims will be allowed in an amount equal to the value as of the Effective Date of the distributions made on account of such Claims under the Plan.

(a) Subject to the terms and conditions set forth in the Zero Settlement, and solely for purposes of effectuating such settlement, on the Effective Date, the Senior Zero Note Claims will be allowed as set forth in Section 7.09 of the Plan (subordinate to all Claims and Administrative Expenses against the Debtor, other than Claims set forth in Classes 10 and 11), in the amount allowed pursuant to Section 7.09 of the Plan, the Senior Zero Notes will be cancelled, and, subject to Section 12.02 of the Plan, each holder of an Allowed Senior Zero Note Claim will be entitled to receive its pro rata share of 240,000 Series 1 Warrants and of 480,000 Series 2 Warrants to be issued under the Plan as its full recovery against the Debtor and Reorganized Grand Union on its Senior Zero Note Claims. Such pro rata share will be determined by the ratio between the face amount of such holder's Senior Zero Notes and the aggregate face amount of all Senior Zero Notes and pursuant to Section 12.02 of the Plan.

(b) Notwithstanding anything in the Plan to the contrary, it will be a condition to the issuance of the Warrants (i) with respect to the Senior Zero Note Claims held by a particular Entity holding Senior Zero Notes that, in the aggregate, are $200,000 or more in face amount, that such Entity execute and deliver a Zero Claims Release, and (ii) with respect to each holder of a Senior Zero Note Claim, that such holder not have filed a written objection to confirmation of the Plan (which is not withdrawn prior to commencement of the hearing on confirmation of the Plan). Any Warrants not issued by operation of the foregoing before the later of (i) two (2) years from the Effective Date, and (ii) six (6) months following the date such holder's Claim becomes an Allowed or Ultimately Allowed Claim will be deemed to be unclaimed property and cancelled.

(c) The Debtor has not and shall not be deemed to have assumed any liability related to or arising from the Zero Notes. Class 9 is Impaired.

11. Class 10-Junior Zero Note Claims. Class 10 consists of any Claims asserted against the Debtor by a holder of a Junior Zero Note relating to or arising from the ownership of a Junior Zero Note issued by Capital. For purposes of effectuating the Zero Settlement only, the Junior Zero Note Claims will be allowed in an amount equal to the value as of the Effective Date of the distributions made on account of such Claims under the Plan.

(a) Subject to the terms and conditions set forth in the Zero Settlement, and solely for purposes of effectuating such settlement, on the Effective Date, the Junior Zero Note Claims will be allowed as set forth in Section 7.10 of the Plan (subordinate to all Claims and Administrative Expenses against the Debtor, other than Claims set forth in Class 11) in the amount allowed pursuant to Section 7.10 of the Plan, the Junior Zero Notes will be cancelled, and, subject to Section 12.02 of the Plan, each holder of an Allowed Junior Zero Note Claim will be entitled to receive its pro rata share of 60,000 Series 1 Warrants and of 120,000

Series 2 Warrants to be issued under the Plan as its full recovery against the Debtor and Reorganized Grand Union on its Junior Zero Note Claims. Such pro rata share will be determined by the ratio between the face amount of such holder's Junior Zero Notes and the aggregate amount of all Junior Zero Notes, and pursuant to Section 12.02 of the Plan.

(b) Notwithstanding anything in the Plan to the contrary, it will be a condition to the issuance of the Warrants (i) with respect to the Junior Zero Note Claims held by a particular Entity holding Junior Zero Notes that, in the aggregate, are $200,000 or more in face amount, that such Entity execute and deliver a Zero Claims Release, and (ii) with respect to each holder of a Junior Zero Note Claim, that such holder not have filed a written objection to confirmation of the Plan (which is not withdrawn prior to commencement of the hearing on confirmation of the Plan). Any Warrants not issued by operation of the foregoing before the later of (i) two (2) years from the Effective Date, and (ii) six (6) months following the date such holder's Claim becomes an Allowed or Ultimately Allowed Claim will be deemed to be unclaimed property and cancelled.

(c) The Debtor has not assumed and shall not be deemed to have assumed any liability related to or arising from the Zero Notes. Class 10 is Impaired.

12. Class 11-Subordinated Claims. Class 11 consists of any Claim against the Debtor subject to subordination pursuant to sections 510(b) or (c) of the Bankruptcy Code. Class 11 does not include Senior Subordinated Note Claims. On the Effective Date, all Subordinated Claims will be discharged and no distributions will be made on account of Class 11. Class 11 is Impaired.

13. Class 12-Interests. Class 12 consists of all equity interest in the Debtor including, but not limited to, those represented by shares of capital stock of the Debtor and any options, warrants, calls, subscriptions or other similar rights or other agreements, commitments or outstanding securities obligating the Debtor to issue, transfer or sell any shares of capital stock of the Debtor. On the Effective Date, all Interests will be cancelled and no distributions will be made in respect of Class 12. Class 12 is Impaired.

C. Effects of Plan Confirmation

The PBGC has asked the Debtor to clarify the impact of Plan confirmation on liabilities related to the Debtor's Retirement Plan. In accordance with that request, nothing contained in the Plan shall be construed as discharging, releasing or relieving the Debtor, Reorganized Grand Union, or any other party, in any capacity, from any liability with respect to the Grand Union Employees' Retirement Plan to which any such party is subject as of immediately prior to the Effective Date under any law or regulatory provision, and neither the PBGC nor the Retirement Plan will be enjoined from enforcing such liability as a result of the Plan's provisions for satisfaction, release and discharge of Claims.

1. Discharge. Except as otherwise specifically provided by the Plan, the confirmation of the Plan (subject to the occurrence of the Effective Date) will discharge the Debtor and Reorganized Grand Union from any debt (including, without limitation, Class 11 Claims and Claims related to Class 12 Interests) that arose before the Confirmation Date, and any debt of the kind specified in sections 502(g), 502(h) and 502(i) of the Bankruptcy Code, whether or not a proof of claim for such debt is filed or is deemed filed, whether or not such Claim is Allowed, and whether or not the holder of such Claim has voted on the Plan. The effect of discharging a Claim is to release the Debtor and Reorganized Grand Union from any obligations to make payments with respect to such debt, other than those specifically provided by the Plan, and to prohibit any collection efforts by the holder of the Claim.

2. Binding Effect. The provisions of the Plan will be binding upon and inure to the benefit of the Debtor, Reorganized Grand Union, any holder of a Claim or Interest, their respective predecessors, successors, assigns, agents, officers and directors and any other Entity affected by the Plan.

3. Releases. Except as otherwise specifically provided by the Plan, the distributions and rights that are provided in the Plan will be in complete satisfaction, discharge and release, effective as of the Confirmation Date (but subject to the occurrence of the Effective Date) of (i) all Claims and Causes of Action against, liabilities of, liens on, obligations of and Interests in the Debtor or Reorganized Grand Union or the direct or indirect assets and properties of the Debtor or Reorganized Grand Union, whether known or unknown, and (ii) all Causes of Action (whether known or unknown, either directly or derivatively through the Debtor or Reorganized Grand Union) against, claims (as defined in section 101 of the Bankruptcy Code in the case of GUCC and GUHC) against, liabilities (as guarantor of a Claim or otherwise) of, liens on the direct or indirect assets and properties of, and obligations of successors and assigns of the Debtor, Affiliates of the Debtor and their successors and assigns, and present and former stockholders, directors, officers, agents (including MTH), attorneys, advisors, financial advisors, investment bankers and employees of the Debtor and such Affiliates based on the same subject matter as any Claim or Interest, or based on any act or omission, transaction or other activity or security, instrument or other agreement of any kind or nature occurring, arising or existing prior to the Effective Date that was or could have been the subject of any Claim or Interest, in each case regardless of whether a proof of claim or interest was filed, whether or not Allowed and whether or not the holder of the Claim or Interest has voted on the Plan.

Further, except as otherwise specifically provided by the Plan, any Entity accepting any distribution pursuant to the Plan will be presumed conclusively to have released the Debtor, Reorganized Grand Union, and any other Entity accepting any distribution pursuant to the Plan, successors and assigns of the Debtor and such Entities, Affiliates of the Debtor, Reorganized Grand Union and such Entities, successors and assigns of such Affiliates, present and former stockholders, directors, officers, agents (including MTH), attorneys, advisors, financial advisors, investment bankers and employees of the Debtor, such Affiliates and such Entities, and any Entity claimed to be liable derivatively through any of the foregoing, from any Cause of Action based on the same subject matter as the Claim or Interest on which a distribution is received. The release described in the preceding sentence will be enforceable as a matter of contract against any Entity that accepts any distribution pursuant to the Plan.

Notwithstanding anything contained in the Plan to the contrary, the foregoing releases will be enforced only to the extent permitted by applicable law.

In informal comments, the staff of the Securities and Exchange Commission (the "Commission") indicated to the Debtor its concerns about the enforceability of third party releases under the Plan. In response to such comments, the Debtor modified the scope of the releases, such that they will "be enforced only to the extent permitted by applicable law." After reviewing the Debtor's modification to the Plan, the staff of the Commission informed the Debtor that it would reserve its right to address the enforceability of the releases, as modified, at confirmation of the Plan.

4. Release of Claims of the Debtor. On the Effective Date, the Debtor and the Debtor-In-Possession will be conclusively deemed to release (i) all professionals (including, but not limited to, advisors and attorneys) retained by (aa) the Debtor (that were retained as of November 1, 1994 in connection with the Debtor's restructuring, but only as to claims which arise in connection with such restructuring, or were retained by order of the Bankruptcy Court), (bb) the Senior Bank Agent, the Official Committee or the Informal Committees, provided that such professionals were disclosed to the Debtor prior to the Filing Date or retained by order of the Bankruptcy Court, (cc) the Indenture Trustees, or (dd) the Capital Indenture Trustees, the Informal Zero Committee, or the Capital Committee, (ii) MTH and (iii) all directors and officers of the Debtor holding such offices at any time during the period from and including the Filing Date through and including the Confirmation Date from all liability based upon any act or omission related to past service with, for or on behalf of the Debtor or the Debtor-In-Possession except for: (a) any indebtedness of any such person to the Debtor for money borrowed by such person; (b) any setoff or counterclaim the Debtor or Debtor-In-Possession may have or assert against any such person, provided that the aggregate amount thereof will not exceed the aggregate amount of any Claims held or asserted by such person against the Debtor or Debtor-In-Possession, as the case may be; (c) the uncollected amount of any claim made by the Debtor or Debtor-In-

Possession (whether in a filed pleading, by letter or otherwise asserted in writing) prior to the Effective Date against such person which claim has not

been adjudicated to Final Order, settled or compromised; or (d) claims arising from the fraud, willful misconduct or gross negligence of such persons.

In addition, on the Confirmation Date, subject to the occurrence of the Effective Date, the Debtor will be deemed to have released all Causes of Action against the members of the Official Committee, the members of the Informal Committees, the members of the Capital Committee, the members of the Informal Zero Committee, the Additional Facility Lenders, the Existing Banks, the holders of Senior Notes, the Indenture Trustees, the Capital Indenture Trustees or the holders of Senior Subordinated Notes, in their respective capacities as such.

Notwithstanding anything contained in the Plan to the contrary, the foregoing releases will be enforced only to the extent permitted by applicable law.

Nothing in the Plan will be construed as discharging, releasing or relieving the Debtor, Reorganized Grand Union, or any other party, in any capacity, from any liability with respect to the Retirement Plan to which any such party is subject as of immediately prior to the Effective Date under any law or regulatory provision.

The releases embodied in the Plan are in addition to, and not in lieu of, any other release separately given, conditionally or unconditionally, by the Debtor or Debtor-In-Possession to any other person or Entity.

5. Exculpation. Neither Reorganized Grand Union, the Official Committee, any of the Informal Committees, the Capital Committee, the Informal Zero Committee, the Senior Bank Agent, nor (as applicable) any of their respective members, officers, directors, shareholders, employees, agents (including MTH), attorneys, accountants or other advisors, will have or incur any liability to any holder of a Claim or Interest for any act or failure to act in connection with, or arising out of, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for any act or failure to act that constitutes willful misconduct or recklessness as determined pursuant to a Final Order, and in all respects, such Entities (a) will be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan, and will be fully protected from liability in acting or in refraining from action in accordance with such advice, and (b) will be fully protected from liability with respect to any act or failure to act that is approved or ratified by the Bankruptcy Court.

6. Injunction. The satisfaction, release and discharge pursuant to Section 14.01 of the Plan will also act as an injunction against any Entity's commencing or continuing any action, employment of process, or act to collect, offset or recover any Claim or Cause of Action satisfied, released or discharged under the Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof. Nothing in the Plan will be construed as discharging, releasing or relieving the Debtor, Reorganized Grand Union, or any other party, in any capacity, from any liability with respect to the Retirement Plan to which any such party is subject as of immediately prior to the Effective Date under any law or regulatory provision, and neither the PBGC nor the Retirement Plan will be enjoined from enforcing such liability as a result of the Plan's provisions for satisfaction, release and discharge of Claims.

7. Revesting. On the Effective Date, pursuant to section 1141 of the Bankruptcy Code, title to all property of the Debtor's estate will pass to Reorganized Grand Union, free and clear of all Claims of Creditors and Interests (except as otherwise provided in the Plan). Reorganized Grand Union may pay any expenses, including any fees and expenses of professionals, accruing from and after the Confirmation Date without any application to the Bankruptcy Court. Confirmation of the Plan (subject to occurrence of the Effective Date) will be binding and the Debtor's debts will, without in any way limiting Section 14.01 of the Plan, be discharged as provided in section 1141 of the Bankruptcy Code. The previous sentence notwithstanding, nothing in the Plan will be construed as discharging, releasing or relieving the Debtor, Reorganized Grand

Union, or any other party, in any capacity, from any liability with respect to the Retirement Plan to which any such party is subject as of immediately prior to the Effective Date under any law or regulatory provision.

D. Executory Contracts and Unexpired Leases

1. General. Subject to the approval of the Bankruptcy Court, the Bankruptcy Code empowers a debtor in possession to assume or reject executory contracts and unexpired leases. Generally, an "executory contract" is a contract under which material performance is due from both parties. If an executory contract or unexpired lease is rejected by a debtor in possession, the other parties to the agreement may file a claim for damages incurred by reason of the rejection, which claim is treated as a prepetition claim. If an executory contract or unexpired lease is assumed by a debtor in possession, the debtor in possession has the obligation to perform its obligations thereunder in accordance with the

terms of such agreement and failure to perform such obligations could result in a claim for damages which may be entitled to administrative expense status.

2. The Plan. Any unexpired lease or executory contract that has not been expressly rejected by the Debtor with the Bankruptcy Court's approval on or prior to the Confirmation Date will, as of the Confirmation Date (subject to the occurrence of the Effective Date), be deemed to have been assumed by the Debtor unless there is pending before the Bankruptcy Court on the Confirmation Date a motion to reject such unexpired lease or executory contract or such executory contract or unexpired lease is otherwise designated for rejection, provided that such lease or executory contract is ultimately rejected; provided, however, that, as of the Confirmation Date (subject to the occurrence of the Effective Date), any executory contracts or unexpired leases to which an Insider or Affiliate of the Debtor is party shall be deemed to have been rejected by the Debtor unless, by such date, either (i) such unexpired lease or executory contract has been expressly assumed by the Debtor or Reorganized Grand Union, as the case may be, or (ii) a motion seeking such assumption has been filed, provided that such motion is ultimately allowed; provided, however, that no executory contract or unexpired lease will be subject to the foregoing deemed rejection (subject to explicit assumption) solely by virtue of the fact that one or more wholly owned subsidiaries of the Debtor is party to such contract or lease.

For purposes of the Plan, leases of nonresidential real property which were assigned by the Debtor prior to the Filing Date will be treated as being neither executory nor unexpired, and notwithstanding Section 9.01 of the Plan, will be deemed neither assumed nor rejected pursuant to the Plan.

With respect to any executory contract or unexpired lease rejected by the Debtor, the rejection will be deemed to constitute a breach of such contract or lease immediately before the Filing Date and may result in a pre-Filing Date Claim against the Debtor for damages. A Claim for damages against the Debtor arising from the rejection of any executory contract or unexpired lease pursuant to a Final Order will be forever barred and will not be enforceable against the Debtor, Reorganized Grand Union, any of their affiliates or their respective property or interests in property, and no holder of any such Claim will participate in any distributions under the Plan, unless a proof of claim is filed with the Bankruptcy Court within (a) the time period established by the Bankruptcy Court in such Final Order approving such rejection or (b) if no such time period is or was established, thirty (30) days from and after the date of entry of such Final Order.

The Debtor estimates that rejection of executory contracts and unexpired leases from the Chapter 11 Case will give rise to General Unsecured Claims aggregating no more than $12 million, not including Claims related to rejection of the leases for distribution facilities, if such leases are ultimately rejected. See "THE PLAN-Classification and Treatment of Claims and Interests Under the Plan-Class 7-General Unsecured Claims."

E. Termination of Indemnification Obligations

(a) Except as and to the extent set forth in subsections (b) and (c) of Section 14.06 of the Plan and in the MTH Settlement Agreement, and notwithstanding any other provision of the Plan, all obligations of the

Debtor to indemnify, or pay contribution or reimbursement to, its present or former directors, officers, agents (including, without limitation, MTH), employees and representatives holding such positions at any time prior to the Confirmation Date whether pursuant to its certificate of incorporation, bylaws, contractual obligations or any applicable laws or otherwise in respect of all past, present and future actions, suits and proceedings against any of such directors, officers, agents, employees and representatives based upon any act or omission related to service with, for or on behalf of the Debtor or Debtor-In-Possession or any present or former Affiliate will be discharged under the Plan, all such undertakings and agreements will be rejected and terminated, and Reorganized Grand Union will have no obligation thereunder pursuant to the Plan or otherwise.

(b) The obligations of the Debtor pursuant to law or its certificate of incorporation or bylaws or otherwise to indemnify, or to pay contribution or reimbursement to, the Indemnified Persons, as defined below, in respect of all past, present or future actions, suits and proceedings, whether commenced or threatened, against such Indemnified Persons, which include obligations based upon any act or omission arising out of the performance by an Indemnified Person of services to the Debtor, its present or former subsidiaries, Capital or Holdings, for or at the request of the Debtor, prior to the Effective Date, whether prior to the Filing Date or not, will not be discharged or impaired by confirmation of the Plan and will not be subordinated under section 510 of the Bankruptcy Code or otherwise, or be disallowed by reason of section 502(e) of the Bankruptcy Code or otherwise; provided, however, that the limited continuing obligations preserved by Section 14.06(b) of the Plan will not cover any claim

for indemnification, contribution, reimbursement or other payment by an Indemnified Person arising out of or related, directly or indirectly, to any action, suit or proceeding against any Indemnified Person (i) brought by Capital or Holdings, (ii) brought by any other person or any other person which is a present or former purchaser, seller, underwriter or owner, in each case acting in such capacity, of present or former securities of the Debtor, its predecessors or any present or former Affiliate thereof, including, without limitation, Capital or Holdings in such capacity, (iii) brought by any trustee, receiver or other representative of asserting the rights of Capital, Holdings or any other person described in (i) hereof, or (iv) brought by any other person (a "Third Party Claimant") against an Indemnified Person asserting claims for contribution, reimbursement or indemnity by such Third Party Claimant arising out of or related to any action, suit or proceeding against such Third Party Claimant which, had it been brought against an Indemnified Person, would be described in (i), (ii) or (iii) hereof (such claims being hereinafter referred to as the "Excluded Claims"). As used herein, the term "Indemnified Persons" will mean (x) the Debtor's present and former directors, officers and employees which have held such position with the Debtor at any time during the period from and including one year prior to the Filing Date through and including the Confirmation Date, (y) persons who retired as directors, officers or employees of the Debtor ("Retirees") prior to the Effective Date and (z) MTH and the MTH Entities, as defined in the MTH Settlement Agreement. Any liability of the Debtor under the foregoing provision of the Plan which is attributable to the period from the Filing Date to the Effective Date and which under the Bankruptcy Code has the priority of an expense of administration will be entitled to such priority, but no aggregate amount of dollars will be paid by reason of such priority which is greater than the absolute maximum payable under this paragraph.

(c) Notwithstanding the provisions of subsections (a) and (b) of Section 14.06 of the Plan, the obligations of the Debtor pursuant to law or its certificate of incorporation or bylaws or otherwise to indemnify, or to pay contribution or reimbursement to, the Continuing Indemnified Persons, as defined below, in respect of legal fees, costs, expert advice and witnesses and expenses ("Defense Expenses") incurred by the Continuing Indemnified Persons in the defense of Excluded Claims will not be discharged or impaired by reason of confirmation of the Plan or otherwise and will not be subordinated under section 510 of the Bankruptcy Code or otherwise and will not be disallowed under section 502(e) of the Bankruptcy Code or otherwise. As used herein, the term "Continuing Indemnified Persons" will mean those persons who are entitled to indemnification under the certificate of incorporation or bylaws of the Debtor as in effect prior to the Filing Date and who shall have served as directors, officers or employees of the Debtor at any time, from and after one year before the Filing Date and Retirees, but will not include any MTH Entity. Upon written request of

any one or more Continuing Indemnified Person, the Board of Directors may, in its reasonable discretion, apply funds that would be used in respect of the defense of an Excluded Claim to the settlement thereof if such settlement payment will be less than the reasonably anticipated Defense Expenses which would be incurred in respect of such Excluded Claim and such application would be in the best interest of Reorganized Grand Union. Any liability of the Debtor under the foregoing provision of the Plan which is attributable to the period from the Filing Date to the Effective Date and which under the Bankruptcy Code has the priority of an expense of administration will be entitled to such priority, but no aggregate amount of dollars will be paid by reason of such priority which is greater than the absolute maximum payable under this paragraph.

(d) No Indemnified Person or Continuing Indemnified Person will be required to file any Claim or Administrative Expense to establish rights preserved under subsections (b) and (c) of Section 14.06 of the Plan.

F. Claims of Holders of Zero Notes and Capital Indenture Trustees

As of the Effective Date, the holders of the Zero Notes will not be heard, either directly or indirectly, other than with respect to any post-confirmation modifications to the Plan or the Confirmation Order or with respect to matters concerning distribution of the Warrants, applications by professionals for compensation or reimbursement of expenses or payment of Claims of the Capital Indenture Trustees.

G. Retention and Enforcement of Causes of Action

Except as expressly provided in Section 14.01 of the Plan, and except for any avoidance actions against holders of Unimpaired Class 6 Trade Claims or any Causes of Action released pursuant to Article 14 of the Plan, pursuant to section 1123(b)(3) of the Bankruptcy Code, Reorganized Grand Union will retain, with the exclusive right to enforce in its sole discretion, any and all Causes of Action of the Debtor or Debtor-In-Possession, including all Causes of Action which may exist under sections 510, 542, 544 through 550 and 553 of the Bankruptcy Code or under similar state laws, including, without limitation,

fraudulent conveyance claims, if any, and all other Causes of Action of a trustee and debtor in possession under the Bankruptcy Code. The Debtor or Reorganized Grand Union, as the case may be, may, but will not be required to, set off against any Claim and the distributions to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever which the Debtor or Debtor-in-Possession may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim under the Plan will constitute a waiver or release of any such claim the Debtor or Debtor-in-Possession may have against such holder.

H. Registration Rights

Reorganized Grand Union will enter into a Registration Rights Agreement with each Entity which, as of the Effective Date, (a) (i) holds Senior Subordinated Notes entitling such holder to received ten (10%) percent or more of the shares of New Common Stock or (ii) holds Senior Notes entitling such holder to the New Senior Notes to be issued under the Plan, and (b) requests in writing that Reorganized Grand Union execute such agreement. The final drafts of such Registration Rights Agreements will be filed by the Debtor with the Bankruptcy Court no later than a date which is five (5) days prior to the first date set by the Bankruptcy Court as the Voting Deadline. Such Registration Rights Agreements will be in form and substance reasonably satisfactory to the Senior Bank Agent, the Official Committee and, with respect to the Registration Rights Agreement for the New Senior Notes, the Informal Committee of Senior Noteholders.

I. Distributions Under the Plan

1. Time of Distributions Under the Plan. Except as otherwise provided in the Plan and without in any way limiting Section 11.02 and Article 13 of the Plan, payments and distributions in respect of Allowed Claims will be made by Reorganized Grand Union (or its designee) on or as promptly as practicable after the Effective Date. Cash or securities otherwise distributable with respect to Disputed Claims will be held by

Reorganized Grand Union pending resolution of all objections to each such Claim. When such objections have been resolved and the Claim has become an Ultimately Allowed Claim, Reorganized Grand Union will make an appropriate distribution with respect to such Ultimately Allowed Claim. See "THE PLAN-Procedures for Resolving Disputed Claims."

2. Fractional Securities. (a) Fractional shares of New Common Stock, fractional Warrants and New Senior Notes in non-integral multiples of $1,000 will not be distributed. Instead, on the date of final distribution of such securities to the persons entitled thereto, the aggregate of all fractional interests (including, for such purposes, New Senior Notes in a principal amount less than $1,000) that would otherwise be issued to such persons will instead be placed in two separate pools in respect of each such securities (hereinafter the "Fractional Securities Pools") provided Section 12.02 of the Plan will not affect the distributions to such holders of whole shares of New Common Stock, whole Warrants or New Senior Notes in $1,000 increments, but solely the fractional portion thereof. There will be a single Fractional Securities Pool for the fractional interests in New Common Stock and a single Fractional Securities Pool for the fractional interests in New Senior Notes. With respect to the Warrants, there will be separate Fractional Securities Pools established for each of (i) the fractional interests in Series 1 Warrants to be distributed to holders of Class 9 Claims, (ii) the fractional interests in Series 1 Warrants to be distributed to holders of Class 10 Claims, (iii) the fractional interests in Series 2 Warrants to be distributed to holders of Class 9 Claims, (iv) the fractional interests in Series 2 Warrants to be distributed to holders of Class 10 Claims.

(b) All holders of Allowed or Ultimately Allowed Claims entitled to a fractional interest in New Common Stock, as the case may be, will be placed on a list (hereinafter a "Distribution List") in descending order according to the size of the fractional interest in the New Common Stock to which each such holder is entitled. In the event two or more holders of Allowed or Ultimately Allowed Claims are entitled to the same fractional interest (rounded to six decimal places) in New Common Stock, their relative ranking on the Distribution List will be determined by lot. A whole share of New Common Stock will be distributed to holders entitled to the largest fractions of New Common Stock until all of the whole shares of the New Common Stock, in the Fractional Securities Pool for the New Common Stock will have been distributed.

(c) (i) Subject to subparagraph (ii), the holders of Allowed or Ultimately Allowed Claims entitled to a fractional interest in the New Senior Notes (i.e., New Senior Notes in a principal amount less than $1,000) will be entitled to receive either, at the election of the Debtor or Reorganized Grand Union (which election will be exclusive of the other option) (x) cash equal to the principal amount of the fractional New Senior Notes to which they would otherwise be entitled, and the New Senior Notes which would otherwise have been issued in respect of such fractional interests will be

cancelled by the Debtor or Reorganized Grand Union, or (y) (a) the holders entitled to a fractional interest which is greater than $500 will receive an additional $1,000 New Senior Note (subject to subparagraph (ii) hereof) and (b) the holders entitled to a fractional interest which is $500 or less will not be entitled to any distribution with respect to such fractional interest.

(ii) Notwithstanding subparagraph (i) hereof, in the event that the aggregate amount of the cash which would be distributed pursuant to subparagraph (i)(x) is less than $100,000, then the Debtor or Reorganized Grand Union must elect option (x). Notwithstanding subsection (i)(y)(a), in no event will the aggregate New Senior Notes distributed pursuant to the Plan exceed $595,475,922 in aggregate principal amount, and if the New Senior Notes to be distributed pursuant to subparagraph (c)(i)(y) would cause the aggregate to exceed this amount, then, in ascending order according to the size of their respective fractional interests, the holders entitled to receive New Senior Notes pursuant to subsection (c)(i)(y)(a) will be deemed to instead fall under subsection (c)(i)(y)(b) with respect to such fractional interests.

(d) All holders of Allowed or Ultimately Allowed Claims entitled to a fractional interest in Warrants will be treated as follows with respect to such fractional interests. In descending order of size of fractional interests, the holders of fractional interests in each of the four (4) separate Fractional Securities Pools

established with respect to the Warrants pursuant to Section 12.02(a) of the Plan will receive (in addition to the number of whole Warrants to which each is otherwise entitled) a whole Warrant with respect to such fractional interest until the aggregate number of each Series of Warrants to be distributed, respectively (x) to holders of Claims in Class 9 pursuant to Section 6.09(a) of the Plan and (y) to holders of Claims in Class 10 pursuant to Section 6.10(a) of the Plan have been distributed; provided that, in the event two or more holders of Allowed or Ultimately Allowed Claims in the same Fractional Securities Pool are entitled to the same fractional interest (rounded to six decimal places) with respect to the Warrants to be distributed with respect to that pool, their relative ranking on the distribution list will be determined by lot.

3. Compliance with Tax Requirements. Reorganized Grand Union will comply with all withholding and reporting requirements imposed by federal, state or local taxing authorities in connection with making distributions pursuant to the Plan.

In connection with each distribution with respect to which the filing of an information return (such as an Internal Revenue Service Form 1099 or 1042) and/or withholding is required, Reorganized Grand Union will file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such distribution, and/or effect any such withholding and deposit all moneys so withheld to the extent required by law. With respect to any Entity from whom a tax identification number, certified tax identification number of other tax information required by law to avoid withholding has not been received by Reorganized Grand Union (or its distribution agent), Reorganized Grand Union may, at its sole option, withhold the amount required and distribute the balance to such Entity or decline to make such distribution until the information is received; provided, however, Reorganized Grand Union will not be obligated to liquidate New Senior Notes, Warrants or New Common Stock to perform such withholding.

4. Allocation Between Principal and Accrued Interest. Except as specifically provided in the Plan, on the Effective Date, the aggregate consideration paid to creditors in respect of their Claims will be treated as allocated first to the principal amount of such Claims and then to any accrued interest thereon; provided, however, that the foregoing will not apply to distributions with respect to Claims in Classes 9 and 10 (i.e., there shall be no mandatory reporting requirement by operation of the Plan).

5. Distribution of Unclaimed Property. Any distribution of property under the Plan that is unclaimed after two years following the Effective Date will irrevocably revert to Reorganized Grand Union, without regard to any state escheatment laws.

6. Set-Offs. Except as otherwise expressly provided in the Plan, the Plan is not intended to, and will not, abrogate or impair any rights of setoff of the Debtor or Reorganized Grand Union.

7. Manner of Payment. Except with respect to Credit Agreement Claims and Interest Rate Protection Agreement Claims, payment of which will be made by wire transfer of same day funds, payments provided under the Plan may be made, at the option of the Debtor or Reorganized Grand Union, in cash, by wire transfer or by check drawn on any money market center bank.

8. Indenture Trustee Reserve. (a) To the extent that, as of the Effective

Date, (i) any pending General Unsecured Claims, Miscellaneous Secured Claims or Administrative Expenses of an Indenture Trustee (including a good faith estimate submitted to the Debtor by each Indenture Trustee of its estimated fees and expenses accruing through the Effective Date) are not paid on the Effective Date, or (ii) any pending General Unsecured Claims, Miscellaneous Secured Claims or Administrative Expenses of an Indenture Trustee for its fees and expenses are not yet Allowed or Ultimately Allowed Claims as of the Effective Date, the Debtor will establish on the Effective Date a separate cash reserve (a "Reserve") for each Indenture Trustee in the amount of any such amounts then outstanding, to consist of cash equal to the total of the above unpaid or pending fees and expenses of each Indenture Trustee (including such good faith estimate of fees and expenses through the Effective Date), as of the Effective Date.

(b) The obligation of Reorganized Grand Union to pay each Indenture Trustee its fees and expenses owing to it under its applicable Indenture and the Plan, including, without limitation, its General Unsecured Claims, Miscellaneous Secured Claims and Administrative Expenses, will be secured by the amounts in the Reserve established for that Indenture Trustee; provided, however, that the Lien Rights of the Indenture Trustees under their respective Indentures will be deemed to attach to the cash in the applicable Reserve to the same extent as if the cash in the Reserve were property received by the Indenture Trustee pursuant to its Indenture; and provided, further, that each Indenture Trustee will be conclusively deemed to have taken any and all action required, including under its respective Indenture or applicable law, to perfect its Lien Rights as to the cash in the Reserve established for its benefit, including, without limitation, any requirement of possession for such perfection.

(c) In consideration of the foregoing, and subject to the establishment of the Reserves in the specified amounts and under the foregoing terms and conditions, the Indenture Trustees each are deemed to have waived their Lien Rights in the New Senior Notes and the New Common Stock to be distributed under the Plan to holders of, respectively, the Senior Notes and the Senior Subordinated Notes, and will be deemed to have waived and released any and all right, title and interest in and to property of the Debtor or Reorganized Grand Union other than in and to the cash in the applicable Reserve. Each Indenture Trustee will be entitled to Allowed Claims for the reasonable fees and expenses incurred by such Indenture Trustee under the respective Indenture. Upon payment by the Debtor or Reorganized Grand Union of such Claims, the respective Lien Rights of the Indenture Trustee will be extinguished. Objections to such Claims will be governed by the provisions respecting Impaired Claims set forth in Section 13.01 of the Plan.

J. Surrender and Cancellation of Instruments

On the Effective Date, any outstanding security, note or instrument evidencing an Impaired Claim or Impaired Interest will become a Cancelled Security. On the Effective Date, each of the respective transfer books maintained for the Cancelled Securities will be closed. Except for the right to receive the distributions, if any, called for by the Plan, the holder of a Cancelled Security will have no rights arising from or relating to such Cancelled Security after the Effective Date, including, without limitation, any rights of subordination or subrogation that may be construed to be contained in such Cancelled Security. Each holder of a Cancelled Security evidencing an Allowed Claim or Ultimately Allowed Claim will surrender such Cancelled Security to Reorganized Grand Union (or its designee), and Reorganized Grand Union (or its designee) will distribute to the holder thereof the appropriate consideration therefor in accordance with the Plan as promptly as is reasonably practicable. No distribution under the Plan will be made to or on behalf of any holder of an Allowed Claim or Ultimately Allowed Claim evidenced by a Cancelled Security unless and until such Cancelled Security is received by Reorganized Grand Union (or its designee). If a Cancelled Security is lost or destroyed, the holder of such Cancelled Security must deliver an affidavit of loss or destruction to the Debtor or Reorganized Grand Union (or their designee), as well as an agreement to indemnify the Debtor, Reorganized Grand Union (and post a bond if so requested by Reorganized Grand Union or the Debtor), in form and substance reasonably acceptable to Reorganized Grand Union, before such holder may receive any distribution under the Plan in respect of such lost or destroyed Cancelled Security. Any holder of an Allowed Claim or an Ultimately Allowed Claim that fails to surrender a Cancelled Security in accordance with the foregoing before the later to occur of (i) two (2) years from the Effective Date and (ii) six (6) months following the date such holder's Claim becomes an Allowed Claim or Ultimately Allowed Claim will be deemed to have no further Claim and no distributions will be made under the Plan in respect of such Claim. The Debtor or Reorganized Grand Union may waive the above requirements respecting cancellation and surrender of Cancelled Securities. Each Indenture and Capital Indenture, and the obligations of the respective Indenture Trustee and the Capital Indenture Trustee thereunder, and, subject to the implementation of Section 12.07 of the Plan (to the extent of applicable), any Lien Rights of the Indenture Trustees or Capital Indenture Trustees thereunder, will be cancelled and discharged on the Effective Date.

U.S. Trust, the Indenture Trustee for the 12-1/4% Senior Subordinated Notes and the 12-1/4% Senior Subordinated Notes, Series A, asserts that the protections of the above provisions of the Plan, relating to the

requirement that holders of Cancelled Securities whose Securities have been lost or destroyed supply evidence of loss and adequate indemnity to protect against claims from any other party which may later present the certificates in order to receive a distribution under the Plan, should be extended to the Indenture Trustees. The Debtor disagrees and believes that, because the Indenture Trustees perform no services in connection with consummation of the Plan and have no role in connection therewith, there is no basis for providing such protections to the Indenture Trustees.

Notwithstanding anything contained in the Plan to the contrary, if Reorganized Grand Union does not elect to treat Credit Agreement Claims in the manner described in Section 6.01(a)(ii) of the Plan and Bankers Trust effects the Post-Confirmation Facility by way of an amendment and restatement of existing documents, the Existing Credit Documents will not be cancelled, discharged, satisfied and/or otherwise expunged except to the extent provided in such amendments and restatements.

K. Procedures for Resolving Disputed Claims

1. Objections to Claims. Any party in interest may object to an Impaired Claim, other than an Impaired Claim otherwise allowed as provided in the Plan, by filing an objection with the Bankruptcy Court and serving such objection upon the holder of such Claim not later than the last to occur of (a) the 45th day following the Effective Date, (b) thirty (30) days after the filing of the proof of claim of such Claim or (c) such other date set by order of the Bankruptcy Court (the application for which may be made on an ex parte basis), whichever is later. Only Reorganized Grand Union will have the authority to file objections to Unimpaired Claims. Objections to Unimpaired Claims may be filed by Reorganized Grand Union at any time.

Unless otherwise ordered by the Bankruptcy Court or agreed to by written stipulation of the Debtor or Reorganized Grand Union, or until the Debtor's or Reorganized Grand Union's objection thereto is withdrawn, the Debtor or Reorganized Grand Union will litigate the merits of each Disputed Claim until determined by a Final Order; provided, however, subject to the approval of the Bankruptcy Court, if necessary, the Debtor or Reorganized Grand Union, as the case may be, may compromise and settle any objection to any Claim.

2. Payments and Distributions With Respect to Disputed Claims. No payments or distributions will be made in respect of a Disputed Claim unless and until and unless such Disputed Claim becomes an Ultimately Allowed Claim.

Subject to the provisions of the Plan, payments and distributions with respect to each Disputed Claim that becomes an Ultimately Allowed Claim, which would have been otherwise been made on the Effective Date had the Ultimately Allowed Claim been an Allowed Claim on the Effective Date, will be made within thirty (30) days after the date that such Disputed Claim becomes an Ultimately Allowed Claim. Holders of Disputed Claims that become Ultimately Allowed Claims will be bound, obligated and governed in all respects by the provisions of the Plan.

L. Retention of Jurisdiction

The business and the assets of the Debtor will remain subject to the jurisdiction of the Bankruptcy Court until the Effective Date. From and after the Effective Date, the Plan provides for the retention of jurisdiction by the Bankruptcy Court over Reorganized Grand Union and the Chapter 11 Case to the fullest extent permissible by law, including, but not limited to, for the purposes of determining all disputes and other issues presented by or arising under the Plan including, without limitation, exclusive jurisdiction to: (i) determine and adjudicate all disputes relating to Claims and Administrative Expenses (including those allowed by operation of law), including the allowance, amount and classification thereof, provided, however, the Bankruptcy Court's jurisdiction shall be concurrent, not exclusive, after the Effective Date with respect to the enforcement or adjudication of any Unimpaired Claim, (ii) determine all other matters, including any matter arising in an adversary proceeding related to the Chapter 11 Case, pending on the Effective Date, (iii)

consider and allow any and all applications for compensation for professional services rendered and disbursements incurred in connection therewith, (iv) remedy any defect or omission or reconcile any inconsistency in the Confirmation Order, (v) interpret and enforce the provisions of the Plan, and issue such orders, consistent with section 1142 of the Bankruptcy Code, as may be necessary to effectuate consummation and full and complete implementation of the Plan, and

(vi) determine other such matters as may be set forth in the Confirmation Order or that may arise in connection with the implementation of the Plan.

M. Claims of Subordination

(a) Subject to the Confirmation Order becoming a Final Order (or the requirement therefor being waived in accordance with Sections 15.02(a) and 16.07 of the Plan) and subject to the distributions that are required to be made under the Plan as of the Effective Date to Classes 1, 2 and 4 having been made, as of the Effective Date, each holder of an Allowed or Ultimately Allowed Claim, (i) by virtue of the acceptance of the Plan by such holder's Class in accordance with section 1126 of the Bankruptcy Code, (ii) by virtue of the acceptance of the Plan by such holder, (iii) by virtue of the acceptance of any distribution under the Plan on account of such Claim, or (iv) by virtue of the confirmation of the Plan, waives, releases and relinquishes any and all rights, claims or causes of action arising under and in any way related to any subordination agreement in effect as of the Filing Date, whether arising out of contract or under applicable law, including without limitation, any claim or security interest in the Debtor's common stock or subsections (a) or (c) of section 510 of the Bankruptcy Code and the provisions of the Indentures, to the payment and distributions of consideration made or to be made hereunder or otherwise consistent with the Plan to any holder of an Allowed or Ultimately Allowed Claim against the Debtor; provided, however, that the holders of Credit Agreement Claims will retain all rights under subordination agreements entered into prior to the Filing Date, if any, as to all persons, other than claims against (x) holders of Senior Note Claims, Senior Subordinated Note Claims, and the Indenture Trustees with respect thereto and (y) distributions made with respect to Junior Zero Note Claims, Senior Zero Note Claims, and Capital Indenture Trustees hereunder; and provided further that the foregoing will not affect the rights of any party to seek subordination under section 510(b) or (c) of the Bankruptcy Code of any Claim that otherwise would constitute a General Unsecured Claim.

(b) Pursuant to Bankruptcy Rule 9019, and any applicable state law, and as consideration for the distributions and other benefits provided under the Plan, the provisions of Section 14.05 of the Plan will constitute a good faith compromise and settlement of any Cause of Action relating to the matters described in Section 14.05 which could be brought by any holder of a Claim or Interest against or involving another holder of a Claim or Interest, which compromise and settlement is in the best interests of Creditors and holders of Interests and is fair, equitable and reasonable. This settlement will be approved by the Bankruptcy Court as a settlement of all such Causes of Action. The Bankruptcy Court's approval of this settlement pursuant to Bankruptcy Rule 9019 and its finding that this is a good faith settlement pursuant to any applicable state law, including, without limitation, the laws of the states of New York, New Jersey and Delaware, given and made after due notice and opportunity for hearing, will bar any such Cause of Action relating to the matters described in Section 14.05 of the Plan which could be brought by any holder of a Claim or Interest against or involving another holder of a Claim or Interest.

N. Amendment and Modification to the Plan

Subject to the provisions of Section 16.16 of the Plan, the Plan may be altered, amended, or modified by the Debtor, before or after the Confirmation Date, as provided in section 1127 of the Bankruptcy Code.

O. Withdrawal of the Plan

Subject to the provisions of Section 16.16 of the Plan, the Debtor reserves the right, at any time prior to the entry of the Confirmation Order, to revoke or withdraw the Plan. If the Debtor revokes or withdraws the Plan or if the Confirmation Date does not occur, then the Plan will be deemed null and void.

P. Conditions to Modification, Withdrawal and Waiver Rights

Notwithstanding any provisions of the Plan to the contrary, including, without limitation, Sections 16.06, 16.07, 16.11 and 16.15 of the Plan, the Debtor may: (a) withdraw the Plan after having first given four (4) Business Days notice in writing to counsel for the Senior Bank Agent, the Official Committee and the Informal Committee of Senior Noteholders (to be served via facsimile and overnight delivery) of the date of the proposed withdrawal and the reason therefor; provided, however, that the Senior Bank Agent, the Official Committee or the Informal Committee of Senior Noteholders may object to such withdrawal and seek an order of the Bankruptcy Court preventing the occurrence thereof; or (b) amend or modify the Plan; provided, however, that the Debtor must first obtain the consent of the Senior Bank Agent, the Official Committee, and/or the Informal Committee of Senior Noteholders, as the case may be, if the Claims or Interests of their respective constituencies (in their capacities as such) are adversely and materially affected by such amendment or modification.

Q. Conditions to Confirmation and the Occurrence of the Effective Date of the Plan

Prior to confirmation of the Plan, the following conditions must occur and be satisfied or (a) have been waived with the consent of the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) of the Plan is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, or (b) have been waived by the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) of the Plan is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, such waiver having been approved by order of the Bankruptcy Court upon motion of the Senior Bank Agent (if applicable), the Official Committee, and the Informal Committee of Senior Noteholders:

(a) If the Debtor elects the treatment set forth in Section 6.01(a)(i) of the Plan with respect to Credit Agreement Claims:

(i) The Post-Confirmation Credit Documents (including the Intercreditor Agreement) shall have been filed with the Bankruptcy Court not less than five (5) Business Days prior to the Voting Deadline; and

(ii) The Debtor shall have received authority to execute, and the Bankruptcy Court shall have approved, the Post-Confirmation Credit Documents and all other documents necessary to effectuate the Post-Confirmation Credit Documents, which authority and approval will be contained in the Confirmation Order.

(b) If the Debtor elects the treatment set forth in Section 6.01(a)(ii) of the Plan with respect to Credit Agreement Claims:

(i) The Debtor shall have entered into an Alternative Commitment Letter, which shall have been approved by the Bankruptcy Court;

(ii) The Alternative Credit Documents shall have been filed with the Bankruptcy Court not less than five (5) days prior to the Confirmation Date; and

(iii) The Debtor shall have received authority to execute, and the Bankruptcy Court shall have approved, the Alternative Credit Documents and all other documents necessary to effectuate the Alternative Credit Documents.

(c) The Settlement Order shall have been entered.

(d) The Claims Bar Date shall have been established by the Bankruptcy Court as a date which is no less than five (5) Business Days prior to the Confirmation Date.

(e) As of a date which is three (3) Business Days prior to the Confirmation Date, the Official Committee shall not have filed a written notice that is not withdrawn asserting that such Committee has determined in

the exercise of its fiduciary duties to unsecured creditors generally that the amount of the General Unsecured Claims has rendered the Plan not feasible pursuant to section 1129 of the Bankruptcy Code.

Before the Effective Date occurs, the following conditions must occur and be satisfied or have been waived (x) by the Debtor, with the consent of the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) of the Plan is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, or (y) by the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) of the Plan is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, such waiver having been approved by order of the Bankruptcy Court upon motion of the Senior Bank Agent (if applicable), the Official Committee, and the Informal Committee of Senior Noteholders:

1. Entry of Confirmation Order and Settlement Order. The Confirmation Order and Settlement Order shall have become Final Orders;

2. Regulatory Approvals. Unless otherwise waived by the Debtor with the consent of the Official Committee and the Informal Committee of Senior Noteholders (and the Senior Bank Agent, if the Debtor does not elect the treatment set forth in Section 6.01(a)(ii) of the Plan with respect to Credit Agreement Claims), which consent shall not be unreasonably withheld, there shall have been obtained all regulatory approvals required in connection with the consummation of the Plan;

3. Trust Indenture Act. The New Senior Note Indenture shall have been qualified under the Trust Indenture Act of 1939 (15 U.S.C. (S)(S)

77aaa-77bbb) as currently in effect;

4. Credit Conditions. The Post-Confirmation Credit Documents or the Alternative Credit Documents, as the case may be, shall be executed by all necessary parties thereto and delivered and all conditions to the effectiveness of such documents shall have been satisfied or waived as provided therein, subject to the occurrence of the Effective Date;

5. Delivery of Documents. All other documents provided for in the Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited by such documents; and

6. Other Orders. Any order necessary to satisfy any condition to effectiveness of the Plan shall be a Final Order.

The Effective Date of the Plan shall be that day that is five (5) Business Days after the conditions to the occurrence of the Effective Date of the Plan have been satisfied or waived, or such earlier day after such conditions have been satisfied or waived that is designated by the Debtor.

A hearing to consider confirmation of the Plan has been scheduled for May 31, 1995 at 10:00 a.m., as a result of which, if all conditions to confirmation of the Plan have occurred or been waived, the Confirmation Order will be entered by the Bankruptcy Court.

The Debtor believes that all conditions to the Effective Date of the Plan will likely be satisfied within thirty (30) days of the Confirmation Date, and that the Effective Date of the Plan could occur by the middle of June 1995.

R. Directors of Reorganized Grand Union

On the Effective Date, each of the existing members of the Board of Directors will be deemed to have resigned. The initial Post Reorganization Board of Directors will consist of seven (7) members who will be selected by the members of the Official Committee which were members of the Informal Committee of certain holders of Senior Subordinated Notes. Such board members will be identified not less than five (5) days prior to the Confirmation Date; provided that if and to the extent that any member(s) of the Post Reorganization Board are not so identified by five (5) days prior to the Confirmation Date, the Debtor will designate such

member(s). The composition of the Post Reorganization Board of Directors will be subject to approval of the Bankruptcy Court. A list of such directors will be filed at or prior to the Confirmation Hearing.

From and after the Effective Date, selection of the members of the Post Reorganization Board shall be governed by the Restated Bylaws and/or the Restated Certificate of Incorporation, as the case may be. See "DESCRIPTION OF NEW CAPITAL STOCK-Corporate Governance." The Debtor anticipates that (i) Reorganized Grand Union will maintain officer and director insurance liability coverage comparable to that currently in effect and (ii) while the precise amount of the compensation to outside directors will be determined by the Post Reorganization Board of Directors, Reorganized Grand Union will compensate its outside directors in a manner consistent with compensation provided to outside directors of companies of a similar size and nature.

There can be no assurances that the Post Reorganization Board will not make one or more changes in senior management after the Effective Date. It is anticipated that any changes which are intended to be made prior to the confirmation hearing will be disclosed at such hearing.

In addition, Reorganized Grand Union will execute the MTH Settlement Agreement, pursuant to which, inter alia: (a) the MTH Management Agreement (see "CERTAIN INFORMATION CONCERNING THE DEBTOR-Related Party Transactions") will be terminated as of the Effective Date; (b) MTH will be paid all amounts due and owing under the MTH Management Agreement for fees accrued prior to the Effective Date; and (c) all further obligations of the Debtor and/or Reorganized Grand Union under the MTH Management Agreement shall cease as of the Effective Date, including, without limitation, the Debtor's obligation to compensate MTH for the period from and after the Effective Date through July 22, 1997 (the date the MTH Management Agreement otherwise would have expired on its own terms). The MTH Settlement Agreement further provides that Reorganized Grand Union will indemnify and hold harmless MTH and certain Entities related to MTH (the "MTH Entities") from certain losses, claims, damages or liabilities, subject to the provisions and restrictions of the MTH Settlement Agreement. The MTH Settlement Agreement requires the Debtor or Reorganized Grand Union, as the case may be, to pay or reimburse MTH and the MTH Entities for the first $3 million of any liability on certain claims and two-thirds of any additional amount above $3 million, not to exceed $13 million in the aggregate, subject to adjustment if certain releases are not received. The first $3 million of the fund must be

deposited in an escrow account on the Effective Date, which moneys will be returned to Reorganized Grand Union as provided in the governing escrow agreement. Finally, the amount paid by Reorganized Grand Union to the GUHC and GUCC Legal Advisors for services rendered in connection with the dissolution of Capital and Holdings, as provided in Section 2.04(b) of the Plan, shall be applied against the first $3,000,000 (or greater amount, if adjusted) of the above-referenced fund and shall reduce Reorganized Grand Union's aggregate liability under the MTH Settlement Agreement by a like amount.

Reference should be made to the MTH Settlement Agreement, a copy of which is annexed as Exhibit "B" to the Plan, for the full and complete provisions of the MTH Settlement Agreement.

S. Dissolution of Committees

Except as otherwise provided below, on the Effective Date all Committees, including the Official Committee and the Informal Committees, will cease to exist and their members and employees or agents (including, without limitation, attorneys, investment bankers, financial advisors, accountants and other professionals) will be released and discharged from all further authority, duties, responsibilities and obligations relating to, arising from or in connection with the Chapter 11 Case. The Official Committee will continue to exist after such date solely with respect to (i) any objections made by the Official Committee pursuant to Section 13.01 of the Plan or other matters pending before the Bankruptcy Court to which the Official Committee is party, until such objections or matters are resolved; (ii) all fee applications filed pursuant to section 330 of the Bankruptcy Code or Claims for fees and expenses by professionals employed by the Debtor or agreed to be paid by the Debtor; and (iii) any post-confirmation modifications to the Plan or

Confirmation Order. The Informal Committee of Senior Noteholders will continue to exist after such date (x) until substantially all of the distributions to be made with respect to Senior Note Claims under the Plan have been made and (y) solely with respect to any matters pending before the Bankruptcy Court to which such Informal Committee is party, until such matters are resolved.

VII. ACCEPTANCE AND CONFIRMATION OF THE PLAN

Described below are certain important considerations under the Bankruptcy Code in connection with confirmation of the Plan.

A. Solicitation of Acceptance

The Debtor is soliciting the acceptance of the Plan from all beneficial owners of Claims in certain Classes of Claims that are "impaired" under the Plan. The solicitation of acceptances from holders of Claims in Unimpaired Classes is not required under the Bankruptcy Code. The solicitation of acceptances of the Plan from the holders of Claims and Interests in Classes 11 and 12 is not required because under the Bankruptcy Code, such holders are conclusively presumed to have rejected the Plan. The following Classes are Impaired and are entitled to vote on the Plan (with regard to Classes 1, 2, 4, 8, 9 and 10, holders of Claims in such Classes will be entitled to vote regardless of whether such Claims have been theretofore Allowed):

Class 1 - Credit Agreement Claims
Class 2 - Interest Rate Protection Agreement Claim
Class 4 - Senior Note Claims
Class 5 - Priority Claims
Class 7 - General Unsecured Claims
Class 8 - Senior Subordinated Note Claims
Class 9 - Senior Zero Note Claims
Class 10 - Junior Zero Note Claims

The Record Date for determining whether holders of Impaired Claims are entitled to accept or reject the Plan is April 19, 1995.

B. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing (the "Confirmation Hearing"). Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan.

Notice of the Confirmation Hearing will be provided to all holders of Claims and Interests and other parties in interest (the "Confirmation Notice"). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof. Objections to confirmation of the Plan must be made in writing, specifying in detail the name and address of the person or entity objecting, the grounds for the objection, and the nature and amount of the Claim or Interest held by the objector. Objections must be

filed with the Bankruptcy Court, together with proof of service, and served upon the parties so designated in the Confirmation Notice, on or before the time and date designated in the Confirmation Notice as being the last date for serving and filing objections to confirmation of the Plan. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014 and the local rules of the Bankruptcy Court.

C. Requirements for Confirmation of the Plan

As discussed below, the Debtor intends to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Under section 1129(b) of the Bankruptcy Code, the Bankruptcy Court will confirm

the Plan despite the lack of acceptance by an Impaired Class or Classes if the Bankruptcy Court finds that (a) the Plan does not discriminate unfairly with respect to each non-accepting Impaired Class, (b) the Plan is "fair and equitable" with respect to each non-accepting Impaired Class, (c) at least one Impaired Class has accepted the Plan (without counting acceptances by insiders) and (d) the Plan satisfies the requirements set forth in Bankruptcy Code section 1129(a) other than section 1129(a)(8).

The Debtor believes that, upon acceptance of the Plan by at least one impaired Class, determined without including any acceptance of the Plan by any insider, the Plan will satisfy all the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtor has complied or will have complied with all of the requirements of chapter 11, and that the Plan has been proposed in good faith.

1. The Plan is Fair and Equitable

The Bankruptcy Code establishes different "fair and equitable" tests for holders of secured claims and unsecured claims. With respect to a Class of Unsecured Claims that does not accept the Plan, the Debtor must demonstrate to the Bankruptcy Court that either (a) each holder of an Unsecured Claim of the dissenting Class receives or retains under the Plan property of a value equal to the Allowed amount of its Unsecured Claim or (b) the holders of Claims or Interests that are junior to the Claims of the holders of such Unsecured Claims will not receive or retain any property under the Plan. With respect to a Class of secured Claims that does not accept the Plan, the Debtor must demonstrate to the Bankruptcy Court that either (a) the holders of such Claims are retaining the liens securing such Claims and that each holder of a Claim of such Class will receive on account of such Claim deferred cash payments totalling at least the Allowed amount of such Claim, of a value, as of the Effective Date, of at least the value of such holder's interest in such property, or (b) the holders of such Claims will realize the indubitable equivalent of such Claims under the Plan. The Debtor believes the Plan is fair and equitable.

2. The Best Interests Test

Whether or not the Plan is accepted by each Impaired Class of Claims entitled to vote on the Plan, in order to confirm the Plan the Bankruptcy Court must, pursuant to section 1129(b)(7) of the Bankruptcy Code, independently determine that the Plan is in the best interests of each holder of a Claim or Interest Impaired by the Plan if the Plan is not unanimously accepted. Thus, the Plan must provide each holder of a Claim or Interest in such Impaired Class a recovery on account of such holder's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution each such holder would receive in a liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

To determine the value that holders of Impaired Claims and Interests would receive if the Debtor were liquidated under chapter 7, the Bankruptcy Court must determine the aggregate dollar amount that would be generated from the liquidation of the Debtor's assets if the Debtor's Chapter 11 Case were converted to a chapter 7 liquidation case and the Debtor's assets were liquidated by a chapter 7 trustee (the "Liquidation Value"). The Liquidation Value would consist of the net proceeds from the disposition of the Debtor's assets, augmented by cash held by the Debtor and reduced by certain increased costs and Claims that arise in a chapter 7 liquidation case that do not arise in a chapter 11 reorganization case.

The Liquidation Value available for satisfaction of general creditors and Interests in the Debtor would be reduced by: (a) the Claims of Secured Creditors to the extent of the value of their collateral, and (b) the costs, fees and expenses of the liquidation under chapter 7, which would include: (i) the compensation of a trustee and its counsel and other professionals retained, (ii) disposition expenses, (iii) all unpaid expenses incurred by the Debtor during the Chapter 11 Case (such as compensation for attorneys, financial advisors, investment bankers, brokers, auctioneers and accountants and the costs and expenses of members of any statutory committee of unsecured creditors appointed by the United States Trustee pursuant to section 1102 of the Bankruptcy Code and

any other such appointed committee) which are allowed in a chapter 7 case, (iv) litigation costs, and (v) Claims arising from the operation of the Debtor during the pendency of the Chapter 11 Case and the chapter 7 liquidation case. The liquidation itself would trigger certain Claims, such as Claims

for severance pay and would accelerate other priority payments which would otherwise be paid in the ordinary course. These Claims would be paid in full out of the liquidation proceeds before the balance would be made available to pay most other Claims or to make any distribution in respect of Interests.

Liquidation would also involve the rejection of additional executory contracts and unexpired leases of the Debtor and substantial additional rejection damage Claims. The Debtor believes that the liquidation would also generate an increase in other General Unsecured Claims.

To determine if the Plan is in the best interests of each impaired Class, the present value of the distributions from the proceeds of the liquidation of the Debtor's assets and properties, after subtracting the amounts attributable to the foregoing Claims, costs, fees and expenses, are then compared with the value of the property offered to such Classes of Claims and Interests under the Plan on the Effective Date.

a. The Debtor's Estimate of Liquidation Value

(i) Assumptions

The analysis is based on the projected assets and liabilities of the Debtor as of April 29, 1995. Underlying the liquidation analysis are a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Debtor. Accordingly, there can be no assurances that the values assumed in the following analysis would be realized if the Debtor were in fact liquidated. Accordingly, although the analysis that follows is necessarily presented with numerical specificity, the actual liquidation values could vary significantly from the amounts set forth below. This analysis has been prepared solely for purposes of estimating proceeds in a complete chapter 7 liquidation, and do not represent values that are appropriate for any other purpose. Variance from the estimates may be caused by, among others, the following:

1. Nature and timing of sales process. Under section 704 of the Bankruptcy Code, a chapter 7 trustee must, along with its other duties, collect and convert the property of the estate as expeditiously as is compatible with the best interest of the parties. The liquidation analysis assumes there would be pressure to complete the liquidation of the Debtor's operating properties and financial assets over a period of approximately 6-9 months. It is possible that the disposition of certain assets could reasonably exceed 12 months, causing deterioration in the value of the Debtor's estate. The liquidation analysis assumes that the Debtor's business has ceased, that assets are sold for their fair market values on an asset by asset basis, and that realization of any going concern value is not possible.

2. Discount factor applied to assets. The precise discount attributable to assets in a chapter 7 case cannot be computed on the basis of any known empirical data. Accordingly, for purposes of the liquidation analysis, assets are valued based on the Debtor's best estimates, which would vary on an asset by asset (and category by category) basis.

3. Estimated liquidation expenses. Such expenses were estimated to be incurred upon liquidation of the Debtor's assets, excluding cash and cash equivalents.

4. Estimated Claims. A conversion to a chapter 7 case would likely result in additional Claims, including Claims resulting from the rejection of executory contracts.

Liquidation values of major operating properties and non-operating assets were based in part upon the financial projections prepared by the Debtor and assume a discount applied to each asset to account for the nature and timing of the sales process. The Debtor applied a discount to all assets, other than cash and cash equivalents, ranging from 0 to 100 percent of their respective going concern values. The precise discount factors attributable to a chapter 7 liquidation are subject to various circumstances. Total chapter 7 expenses are estimated to be approximately $10 million. For purposes of the liquidation analysis, the Debtor has assumed any tax liability would be de minimis. This assumption was based upon the utilization of available tax benefits to offset any gains in the disposition of assets.

In analyzing the priorities and the amount of Claims to be satisfied out of the Liquidation Value, the Debtor made the assumption that recoveries under a liquidation scenario adhere to all contractual subordination provisions in the Indentures under which the Senior Subordinated Notes were issued with respect to the determination of the priority of distributions.

(ii) Liquidation Analysis

LIQUIDATION ANALYSIS AS OF APRIL 29, 1995*
(all numbers in thousands)

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ASSETS

	Net Proceeds(a)	DIP Lender Liens	Adequate Protection Liens(c)	Miscellaneous Liens(d)	Senior Secured Creditor Liens(e)	Unencumbered Proceeds(f)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cash	$ 59,828(b)	$0	$0	$ 0	$ 58,828(g)	$ 1,000(g)
Inventory (h)	120,000	0	0	0	120,000	0
Real estate (i)	50,000	0	0	1,350	48,650	0
Equipment (j)	60,000	0	0	1,650	58,350	0
Favorable leases (k)	44,000	0	0	0	0	44,000
Other (l)	5,000	0	0	0	5,000	0
Total asset value	$338,828	$0	$0	$3,000	$290,828	$45,000

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CLAIMS AND EQUITY INTERESTS

	Estimated Claim	Estimated Liquidation $	Estimated Recovery %	Unencumbered Proceeds Consumed	Unencumbered Proceeds Remaining
<S>	<C>	<C>	<C>	<C>	<C>
Post-Petition Secured Debt					
DIP Facility Loans	$ 0	$ 0	100.00%	0	$45,000
Adequate Protection Claims (c)	0	0	100.00%	0	45,000
Post-Petition Unsecured Debt					
Administrative Expenses (m)	45,000	45,000	100.00%	45,000	0
Pre-Petition Secured Debt (n)					
Credit Agreement Claim	132,000	55,514	42.06%	0	0
Interest Rate Protection Agreement Claim	4,519.5	1,900	42.06%	0	0
Senior Note Claims	555,000	233,414	42.06%	0	0
Total Senior Secured Claims	691,519.5	290,828	42.06%	0	0
Miscellaneous Secured Claims (d)	3,000	3,000	100.00%	0	0
Pre-Petition Unsecured Debt					
Priority Claims	1,000	0	0.00%	0	0
Priority Tax Claims	5,000	0	0.00%	0	0
General Unsecured Claims					
Trade Claims (o)	100,000	0	0.00%	0	0
Other General Unsecured Claims (p)	73,000	0	0.00%	0	0
Rejection Damage Claims	72,000	0	0.00%	0	0
Secured Creditor Deficiency Claims (q)	400,691.5	0	0.00%	0	0
Senior Subordinated Note Claims	602,494	0	0.00%	0	0
Total General Unsecured Claims	1,248,185.5	0	0.00%	0	0
Subordinated Claims	0	0	0.00%	0	0
Pre-Petition Interests					
Equity Interests	n/a	n/a	n/a	0	0

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* Assumes hypothetical liquidation of the Debtor under chapter 7 of the

Bankruptcy Code on April 29, 1995. All amounts set forth herein are included solely for the purposes of this liquidation analysis.

(a) Amounts set forth are the Debtor's estimated liquidation recoveries, net of direct costs of liquidation. Such amounts have been reduced to their present value as of April 29, 1995 (where appropriate) to reflect the liquidation of assets after April 29, 1995.

(b) Cash reflects a reduction of $8 million on account of PACA/PASA proceeds held in constructive trust by the Debtor for prepetition claims of PACA/PASA trust beneficiaries. Such claims would be reinstated because the Trade Program terminates in the event of a liquidation.

(c) For presentation purposes only, it is assumed that no such Adequate Protection claims exist. If any Adequate Protection Claims exist, they will be paid prior to Administrative Expenses, subject to a $5 million carve out for certain expenses, and will reduce amounts available to unsecured prepetition creditors. For a discussion concerning the Adequate Protection claims, see "THE CHAPTER 11 CASE-Cash Collateral Order."

(d) For a discussion concerning such liens, see "THE PLAN-Classification and Treatment of Claims and Interests Under the Plan-Miscellaneous Secured Claims."

(e) Refers to security interests held by creditors in Classes 1 (Credit Agreement Claims), 2 (Interest Rate Protection Agreement Claims) and 4 (Senior Note Claims).

(f) Unencumbered proceeds are those net proceeds not subject to a valid lien or encumbrance.

(g) Assumes that projected cash on hand on April 29, 1995, includes proceeds resulting from the sale or other disposition of assets not subject to the prepetition liens of the creditors in Classes 1 (Credit Agreement Claims), 2 (Interest Rate Protection Agreement Claim) and 4 (Senior Note Claims).

(h) Assumed at 60% of book value.

(i) Assumption based on past appraisals and the Debtor's experience in the relevant real estate markets.

(j) Assumed at 20% of book value based on the Debtor's experience in equipment sales.

(k) Assumption based on the Debtor's experience in the relevant real estate markets.

(l) Estimated value of miscellaneous other tangible and intangible assets, other than Causes of Action.

(m) Includes Administrative Expenses from the Chapter 11 Case and additional administrative expenses after conversion to chapter 7, including the chapter 7 trustee's fees. Assumes that the Trade Program is terminated and that all postpetition Trade Claims are deemed paid in full as a result thereof, pursuant to the terms of the Trade Creditor Order.

(n) It is the position of the Senior Bank Agent and the Informal Committee of certain holders of Senior Notes that in a liquidation, the Claims of senior secured creditors would be paid in full prior to payment of all unsecured claims, including Administrative Expenses, Priority Tax Claims, Priority Claims, Trade Claims and General Unsecured Claims.

(o) Assumes that the Trade Program is terminated and that payments on account of prepetition Trade Claims made pursuant to the Trade Creditor Order are deemed to be payments on account of postpetition advances by trade creditors.

(p) In the event of a liquidation, which would cause the termination of the Debtor's Retirement Plan, the Debtor's actuary has informed the Debtor that it could adopt certain amendments to the Retirement Plan which could eliminate any underfunded pension liability, and could even result in overfunding. The Debtor does not intend to make such amendments to the Retirement Plan in the context of its reorganization under the Plan. As noted above, however, the PBGC's estimate of what the Retirement Plan's unfunded benefit liability would be upon termination is $46.3 million, and the PBGC asserts that, if the above-referenced amendments are made, they would not necessarily affect the calculation of unfunded benefit liabilities in the event the Retirement Plan terminates. Solely for the purpose of this chart, General Unsecured Claims do not include claims arising from the rejection of unexpired leases and executory contracts. In addition, in the event of a liquidation, General Unsecured Claims would be increased by approximately $5 million, reflecting amounts owed under the Debtor's retiree health programs.

(q) Any recovery on account of the senior secured deficiency claims would be increased because the holders of Credit Agreement Claims, Interest Rate Protection Agreement Claims and Senior Note Claims are, until such holders are compensated in full, entitled to any recovery otherwise payable to holders of Senior Subordinated Note Claims.

</TABLE>

(iii) Recoveries under the Plan

In the table below, the Debtor presents a comparison between estimated reorganization recoveries and liquidation recoveries by Class of Claims and Interests. The Plan recovery data presented in the table below are based, in part, upon the Debtor's assumption of the reorganization value of the Debtor.

Comparison of Recoveries under the Plan versus Liquidation (1)

<TABLE>
<CAPTION>

Claim Class and Type	Estimated Amount of Allowed Claims Under Plan	Estimated Recovery Under Plan (%)	Estimated Amount of Allowed Claims in Liquidation	Estimated Recovery in Liquidation (%)
<S>	<C>	<C>	<C>	<C>
DIP Facility Loans	$ N/A	N/A	$ 0	100.00%
Adequate Protection Claims	N/A	N/A	0	100.00%
Administrative Expenses	130,000,000	100.00%	45,000,000	100.00%
Priority Tax Claims	5,000,000	100.00%	5,000,000	0.00%
1-Credit Agreement Claims (2)	93,000,000	100.00%	132,000,000	42.06%
2-Interest Rate Protection Agreement Claim	4,519,500	100.00%	4,519,500	42.06%
3-Miscellaneous Secured Claims	3,000,000	100.00%	3,000,000	42.06%
4-Senior Note Claims (3)	570,807,000	100.00%	555,000,000	42.06%
5-Priority Claims	1,000,000	100.00%	1,000,000	0.00%
6-Trade Claims (4)	20,000,000	100.00%	100,000,000	0.00%
7-General Unsecured Claims (5)	80,000,000	100.00%	73,000,000	0.00%
Rejection Damage Claims	N/A	N/A	72,000,000	0.00%
Secured Creditor Deficiency Claims	N/A	N/A	400,691,500	0.00%
8-Senior Subordinated Note Claims (6)	602,494,000	28.21%	602,494,000	0.00%
9-Senior Zero Note Claims (7)	-	-	0	0.00%
10-Junior Zero Note Claims (7)	-	-	0	0.00%
11-Subordinated Claims	0	0.00%	0	0.00%
12-Interests	N/A	N/A	N/A	N/A

<FN>
- ------

(1) The Debtor has assumed a reorganization value of $950 million. Reference should be made to the Debtor's Pro Forma Capitalization and Financial Projections, annexed hereto as Appendix "B", for a discussion of how this value was derived. The total reorganization value includes a value attributed to the New Common Stock, based on the current trading value of the Senior Subordinated Notes, of $170 million, and the long term indebtedness contemplated by the Plan.

(2) The amount of Credit Agreement Claims would be increased in the event of a liquidation because of draws upon outstanding letters of credit.

(3) The amount of Senior Note Claims is greater under the Plan because the Plan includes the claims of the holders of Senior Notes for interest and interest on overdue interest through the Effective Date. The figure of $570,807,000 represents the sum of (i) the principal amounts of the 11-1/4% Senior Notes due 2000 and the 11-3/8% Senior Notes due 1999 ($350,000,000 and $175,000,000, respectively), plus (ii) interest on the Senior Notes through an assumed Effective Date of April 29, 1995 ($30,953,000 and $13,990,000, respectively), plus (iii) interest on overdue interest through such assumed Effective Date ($634,000 and $230,000, respectively).

(4) The amount of Trade Claims would be increased in the event of a liquidation because of the termination of the Trade Program and the reinstatement of prepetition Trade Claims, which reduces dollar for dollar the amount of Administrative Expenses.

(5) The Debtor has chosen to transfer the $12 million in estimated rejection damages that are currently contemplated under the Plan (and which would constitute General Unsecured Claims) to the category of Rejection Damage Claims, which includes both rejection damages contemplated under the Plan and those resulting from a liquidation. In addition, in the event of a liquidation, General Unsecured Claims would increase by approximately $5 million, reflecting amounts owed under the Debtor's retiree health programs.

(6) The figure of $602,494,000 represents the sum of (i) the principal amounts of the 13% Senior Subordinated Notes, the 12-1/4% Senior Subordinated Notes, and the 12-1/4% Senior Subordinated Notes, Series A ($16,150,000, $500,000,000 and $50,000,000, respectively), plus (ii) interest on the Senior Subordinated Notes through the Filing Date ($671,000, $32,326,000 and $3,233,000, respectively), plus (iii) interest on overdue interest, if any, through the Filing Date ($0, $104,000 and $10,000, respectively).

(7) For purposes of effectuating the Zero Settlement only, the Zero Note Claims will be allowed in amounts equal to the value as of the Effective Date of the distributions made on account of such Claims under the Plan, which amounts have not been determined as of the date hereof.

</TABLE>

b. Conclusion

Due to the numerous uncertainties and time delays associated with liquidation under chapter 7, it is not possible to predict with certainty the outcome of liquidation of the Debtor or the timing of any distribution to creditors. As the Liquidation Analysis and Comparison of Recoveries under the Plan versus Liquidation demonstrate, however, liquidation under chapter 7 of the Bankruptcy Code would result in much lower distributions for most Creditors than that provided for in the Plan.

3. Feasibility

Even if the Plan is accepted by each Class of Claims voting on the Plan, and even if the Bankruptcy Court determines that the Plan satisfies the best interests test, the Bankruptcy Code requires that, in order for the Plan to be confirmed by the Bankruptcy Court, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor. For purposes of determining whether the Plan meets this requirement, the Debtor has analyzed its ability to meet its obligations under the Plan. As part of such analyses, the Debtor has prepared forecasts of Reorganized Grand Union's cash flow (assuming the transactions contemplated by the Plan are consummated) for the five (5) fiscal years through April 1, 2000. These forecasts, and the significant assumptions on which they are based, are set forth in Appendix "B" hereto. Based on such forecasts, the Debtor believes that Reorganized Grand Union will be able to make all payments required to be made pursuant to the Plan.

VIII. CREDITORS' COMMITTEES

Pursuant to section 1102(a) of the Bankruptcy Code, following the commencement of a chapter 11 case, the United States Trustee may appoint a committee of creditors holding unsecured claims against the chapter 11 debtor, and may appoint additional committees of creditors or of equity holders as deemed appropriate to assure the adequate representation of holders of claims and interests in the chapter 11 case.

On February 6, 1995, the United States Trustee appointed the Official Committee. The Official Committee retained the law firms of Ropes & Gray and Pepper, Hamilton & Scheetz as its co-counsel and Ernst & Young as its accountants. See "THE CHAPTER 11 CASE-Appointment of Official Committee."

In addition, prior to the Filing Date, the Debtor entered into discussions with the three Informal Committees in connection with a restructuring of the Debtor. See "BACKGROUND-Significant Events

Preceding Commencement of the Chapter 11 Case-Failure to Make Certain Interest Payments"). The three Informal Committees consisted of certain holders of: (i) Senior Notes (represented by Stroock & Stroock & Lavan and Rosenthal, Monhait, Gross & Goddess, P.A.), (ii) Senior Subordinated Notes (represented by Ropes & Gray), and (iii) Trade Claims (represented by Pepper, Hamilton & Scheetz).

Following the appointment of the Official Committee, the Informal Committees representing certain holders of Senior Subordinated Notes and certain trade creditors ceased independent activity. However, the Informal Committee representing certain holders of Senior Notes continues to participate in the Plan process as an independent entity paid by the Debtor for its reasonable

fees and expenses pursuant to the Plan.

In connection with these prepetition negotiations and with the approval of the Debtor, each of the Informal Committees retained legal and financial advisors. Pursuant to the Plan, the reasonable fees and expenses incurred (which may, as such fees relate to financial advisors, include a request by such professionals for success fees) on or after the Filing Date by such advisors will be paid (without application by or on behalf of any such advisors to the Bankruptcy Court, and without notice and a hearing, unless specifically requested by the Bankruptcy Court upon request of a party in interest) by Reorganized Grand Union as an Administrative Expense. If Reorganized Grand Union and any such professional cannot agree on the amount of fees and expenses to be paid to such professional, the amount of such fees and expenses will be determined by the Bankruptcy Court. See "THE PLAN-Classification and Treatment of Claims and Interests Under the Plan-Treatment of Administrative Expenses and Certain Priority Claims."

The reasonable fees and expenses of the legal and financial advisors to the Informal Committees incurred prior to the Filing Date will be treated as General Unsecured Claims.

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed by the Bankruptcy Court and consummated, the alternatives to the Plan include (a) liquidation of the Debtor under chapter 7 of the Bankruptcy Code and (b) an alternative plan of reorganization.

A. Liquidation Under Chapter 7

If no plan can be confirmed, the Debtor's Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate the assets of the Debtor for distribution to creditors and Interest holders in accordance with the priorities established by the Bankruptcy Code. For the reasons discussed above, under "ACCEPTANCE AND CONFIRMATION OF THE PLAN-Best Interests Test," the Debtor believes that confirmation of the Plan will provide each holder of a Claim entitled to receive a distribution under the Plan with a recovery that is not less (and is expected to be substantially more) than it would receive pursuant to liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

B. Alternative Plan

If the Plan is not confirmed, the Debtor (or if the Debtor's exclusive period in which to file a plan of reorganization has expired, any other party in interest) may be entitled to file a different plan. Such a plan might involve either a reorganization and continuation of the Debtor's business or an orderly liquidation of its assets. The Debtor has explored various other alternatives in connection with the formulation and development of the Plan. The Debtor believes the Plan enables holders of Claims to realize the most value under the circumstances. In a liquidation under chapter 11, the Debtor's assets would be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7, probably resulting in somewhat greater (but indeterminate) recoveries than would be obtained in a chapter 7 liquidation. Further,

if a trustee were not appointed (such appointment is not required in a chapter 11 case) the expenses for professional fees would most likely be lower than those incurred in a chapter 7 case. Although preferable to a chapter 7 liquidation, the Debtor believes that liquidation under chapter 11 would result in substantially lower recoveries than provided for by the Plan. Further, any alternative plan would likely be less favorable to holders of Claims because, inter alia, distributions would be delayed.

X. RISK FACTORS

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

A. Business Risks

1. Tax Issues

Reorganized Grand Union expects that all or substantially all its net operating loss carryovers ("NOLs") will be eliminated as a consequence of the Plan. In addition, certain other tax attributes of Reorganized Grand Union may under certain circumstances be eliminated or reduced as a consequence of the Plan. The elimination or reduction of NOLs and such other tax attributes may substantially increase the amount of tax payable by Reorganized Grand Union

following the consummation of the Plan as compared with the amount of tax payable had no such attribute reduction been required. For a further discussion of the federal income tax consequences of the Plan, see "CERTAIN FEDERAL INCOME TAX CONSEQUENCES-Tax Consequences to Reorganized Grand Union."

2. Financial Condition of the Debtor; Payment at Maturity; Dividends

The Debtor is currently, and after the Effective Date Reorganized Grand Union will continue to be, highly leveraged. There can be no assurance that the operating cash flow of Reorganized Grand Union, after giving effect to operating requirements, will be adequate to fully fund the payment of interest under its post-confirmation indebtedness when due as well as all capital expenditures contemplated in the Debtor's cash-flow projections.

The Debtor believes that its capital investment program is crucial to the Debtor's future profitability and its ability to generate the cash flow necessary for its operating requirements, to pay interest on its debt and for payment of the principal amounts of the Post-Confirmation Credit Agreement debt and New Senior Notes at maturity. There can be no assurance that the financial resources available under the Plan will be sufficient to fund the capital expenditures which are necessary to keep the Debtor competitive and enable it to be sufficiently profitable to service its debt.

The ability of Reorganized Grand Union to service its indebtedness and to repay or refinance it at maturity may depend on its ability to raise sufficient new equity capital, or, possibly, on its ability to sell selected assets of Reorganized Grand Union or Reorganized Grand Union as a whole. If Reorganized Grand Union meets the forecasts described in Appendix "B" hereto, the Debtor believes that, based on current market conditions, such refinancing and new equity capital should be obtainable. However, there can be no assurance that the projections can be met, that such financing will be obtained, that, if obtained, it will be on terms favorable to Reorganized Grand Union, or that Reorganized Grand Union will be able to be sold in whole or in part on terms that will yield sufficient proceeds to pay off Reorganized Grand Union's obligations.

The pendency of the Chapter 11 Case has negatively affected the operations of the Debtor and its results of operations, and adverse effects of the Chapter 11 Case may affect future periods as well.

The Post-Confirmation Credit Agreement will contain restrictive financial and operating covenants and prohibitions, including provisions which will limit Reorganized Grand Union's ability to make capital expenditures and pay cash dividends and make other distributions to holders of New Common Stock and Preferred Stock (if any shares thereof are issued). Restrictions on capital investment are expected to be more restrictive when Reorganized Grand Union's cash flow and profitability are lower than projected and less restrictive if they are higher than projected. There may be further capital expenditure restrictions if certain agreed-upon financial tests are not met. As noted above, failure to make necessary capital expenditures could have an adverse effect on Reorganized Grand Union's ability to remain competitive and on profitability.

There can be no assurance that Reorganized Grand Union will be able to achieve or maintain the financial performance tests expected to be contained in the Post-Confirmation Credit Agreement. Failure to meet such financial tests or other covenants would result in a default thereunder. If any such default were not remedied within the applicable grace period, if any, the lenders under the Post-Confirmation Credit Agreement would be entitled to declare the amounts outstanding thereunder due and payable, accelerate the payment of all such amounts and foreclose upon all of the tangible and intangible assets (including leases) of Reorganized Grand Union and its subsidiaries. See "DESCRIPTION OF POST-CONFIRMATION CREDIT AGREEMENT."

There can be no assurance that Reorganized Grand Union's performance and its ability to satisfy its debt service obligations will not be adversely affected by one or a combination of the above or other factors.

3. Capital Expenditure Program

The Debtor's performance will be dependant upon, among other things, its ability to make major capital expenditures over the next several years in order to remain competitive in certain markets. As noted above, financial resources provided for after the consummation of the Plan may not be sufficient to fund the capital expenditures which are necessary to enable the Debtor to achieve a level of profitability which will allow the Debtor to service its debt. (See "RISK FACTORS-Business Risks-Financial Condition of the Debtor; Payment at Maturity; Dividends.")

4. Environmental Regulation and Litigation

The Debtor is subject to extensive regulation under environmental and occupational health and safety laws and regulations. In addition, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") generally imposes joint and several liability for clean-up and enforcement costs, without regard to fault on parties allegedly responsible for contamination at a site. While the Debtor believes it has provided adequate reserves for its share of potential costs associated with the clean-up of hazardous substances at various sites no assurance can be given that the reserved amounts will be sufficient to satisfy Reorganized Grand Union's obligations. See "CERTAIN INFORMATION CONCERNING THE DEBTOR-Regulatory and Legal Matters."

5. Competition

The food retailing business is highly competitive. The Debtor competes with numerous national, regional and local supermarket chains, particularly A&P, Price Chopper, Hannaford Brothers, Inc., ShopRite, Pathmark, Foodtown and Stop & Shop. The Debtor also competes with convenience stores, stores owned and operated or otherwise affiliated with large food wholesalers, unaffiliated independent food stores, warehouse/merchandise clubs, discount drugstore chains and discount general merchandise chains. Most of the Debtor's principal competitors have had greater financial resources than the Debtor and have used those resources to take steps which have already adversely affected and could in the future adversely affect the Debtor's competitive position and financial performance, including the opening of competitive stores with better physical facilities.

Existing store sales growth has experienced a negative trend in the Northern Region, especially in the Albany metropolitan area and Mid-Hudson Valley markets. This trend may continue, especially if the Debtor

lacks sufficient capital to make investments in these markets. The projections included in Appendix "B" hereto assume that this negative sales trend can be mitigated during 1996 and reversed in subsequent years. There can be no assurance that this assumption will prove correct. Competitive store openings are expected to continue and during the pendency of the Chapter 11 Case certain competitors may perceive a vulnerability on the part of the Debtor and may make additional attempts to increase sales and build market share, to the detriment of the Debtor. The Debtor has had to respond to this competitive environment in a manner that has, in some instances, adversely affected its operating results and may continue to do so in the future. The Debtor's ability to compete may also be adversely affected by its high leverage and the limitations imposed by its debt agreements. See "CERTAIN INFORMATION CONCERNING THE DEBTOR-Competition."

6. Collective Bargaining Agreements

As of January 31, 1995, the Debtor had approximately 17,000 employees, of whom approximately 60% were employed on a part-time basis. Approximately 50% of the Debtor's employees are covered by collective bargaining agreements negotiated with fourteen unions. Approximately 88% of the employees covered by these collective bargaining agreements are employed in store locations and approximately 12% are employed in distribution facilities. These contracts expire at various times through December 1998. The Debtor's labor contract with United Food and Commercial Workers, Local 1262, covering approximately 1,900 clerks working in thirty-three Grand Union stores located in New York City, Long Island, Westchester County, New York, Putnam County, New York, and Dutchess County, New York, expires in June 1995. Discussions with Local 1262 regarding a new labor agreement or an extension of the existing contract are presently underway. A prolonged labor dispute could have a material adverse effect on the Debtor. See "CERTAIN INFORMATION CONCERNING THE DEBTOR-Employees."

B. Bankruptcy Risks

1. Objection to Classifications

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Debtor believes that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court would reach the same conclusion.

2. Risk of Nonconfirmation of the Plan

Even if all Classes of Claims that are entitled to vote accept the Plan, the Plan might not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial

reorganization, and that the value of distributions to dissenting creditors and equity security holders not be less than the value of distributions such creditors and equity security holders would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code. The Debtor believes that the Plan satisfies all the requirements for confirmation of a plan of reorganization under the Bankruptcy Code. There can be no assurance, however, that the Bankruptcy Court would also conclude that the requirements for confirmation of the Plan have been satisfied. See "ACCEPTANCE AND CONFIRMATION OF THE PLAN."

3. Potential Effect of Bankruptcy on Certain Relationships

The effect, if any, which the commencement of the Chapter 11 Case may have upon the operations of Reorganized Grand Union cannot be accurately predicted or quantified. The Debtor believes the filing of the Chapter 11 Case and consummation of the Plan will have a minimal future effect on relationships with employees and suppliers, especially in view of the fact that the Debtor intends to pay the Claims of such parties in full, in the ordinary course of business. If confirmation and consummation of the Plan do not occur

expeditiously, the Chapter 11 Case could adversely affect the Debtor's relationships with its customers, suppliers and employees, resulting in a material adverse impact on the operations of the Debtor. Moreover, even an expedited Chapter 11 Case could have a detrimental impact on future sales and patronage due to the possibility that the Chapter 11 Case may create a negative image of the Debtor in the eyes of its customers.

C. Liquidity Risks

1. Restrictions on Transfer

Holders of New Common Stock or New Senior Notes who are deemed to be "underwriters" as defined in subsection 1145(b) of the Bankruptcy Code, or who are otherwise deemed to be "affiliates" or "control persons" of Reorganized Grand Union within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), will be unable to offer or sell their New Common Stock or New Senior Notes after the Effective Date, except pursuant to an available exemption from registration under the Securities Act and under equivalent state securities or "blue sky" laws. See "EXEMPTIONS FROM SECURITIES ACT REGISTRATION."

2. Potential Illiquidity of Plan Securities

No established trading market exists for the Warrants, the New Common Stock or the New Senior Notes, and no assurance can be given that such a trading market will develop following the effectiveness of the Plan or, if a trading market for the Warrants, the New Common Stock or the New Senior Notes develops, no assurance can be given as to the liquidity of such a trading market.

As provided in the Plan, Reorganized Grand Union will use its reasonable best efforts to cause the New Senior Notes, the New Common Stock and the Warrants to be listed on one or more stock exchanges or quoted on the National Market System on or before the date which is one hundred twenty (120) days after the Effective Date. Moreover, the Warrant Agreement provides that, if the New Common Stock is so listed or quoted, the Debtor shall use its best efforts to have the Warrants listed on such stock exchange(s) or quoted on the National Market System, as applicable. There can be no assurance, however, that the Warrants, the New Common Stock or the New Senior Notes will be listed on any stock exchange or quoted on the National Market System.

XI. DESCRIPTION OF POST-CONFIRMATION CREDIT AGREEMENT

The salient provisions of the Post-Confirmation Credit Agreement are set forth in the Commitment Letter and the Credit Facility Term Sheet, both of which are annexed to the Plan, collectively marked as Exhibit "A". The Debtor anticipates that the Post-Confirmation Credit Agreement will be in all respects substantially the same as the Existing Credit Agreement except to the extent that Reorganized Grand Union's financial condition may give rise to different financial tests and ratios and that the obligations under the Post-Confirmation Credit Agreement will be secured by liens on substantially all of Reorganized Grand Union's assets. Unless the Debtor elects to obtain alternative financing, the Post-Confirmation Credit Documents will be filed with the Bankruptcy Court not less than five (5) Business Days prior to the Voting Deadline.

XII. DESCRIPTION OF NEW SENIOR NOTES

The New Senior Notes will be issued under an indenture between the Debtor and the IBJ Schroder Bank & Trust Company, as Trustee. The New Senior Notes are limited to $595,475,922 aggregate original principal amount and will mature September 1, 2004. The New Senior Notes will bear interest at a rate of 12% per annum, commencing September 1, 1995, notwithstanding that the original date of

issuance may be prior to that date. Interest on the Senior Notes will be payable semi-annually on each March and September, commencing March 1, 1996, to the holders of record of Senior Notes as of the close of business on the

February 15th and August 15th immediately preceding such interest payment date. Interest on the Senior Notes will commence to accrue from September 1, 1995 and, after the initial interest payment, will accrue from the most recent date to which interest has been paid. Interest will be computed on the basis of a year comprised of twelve 30-day months. The Senior Notes will be issued in fully registered form only, in denominations of $1,000 and integral multiples thereof. The New Senior Notes will be unsecured obligations of Reorganized Grand Union.

As provided in the Plan, Reorganized Grand Union will use its reasonable best efforts to cause the New Senior Notes to be listed on one or more stock exchanges or quoted on the National Market System on or before the date which is one hundred twenty (120) days after the Effective Date. There can be no assurance, however, that the New Senior Notes will be listed on any stock exchange or quoted on the National Market System.

For a further description of the terms of the New Senior Notes, see the Term Sheet of New Senior Notes annexed hereto as Appendix "C". The form of the indenture respecting the New Senior Notes will be filed with the Bankruptcy Court prior to the Voting Deadline.

XIII. DESCRIPTION OF NEW CAPITAL STOCK

A. General

Pursuant to its certificate of incorporation, the Debtor's authorized capital stock consists of 900 shares of common stock, par value $50,000 per share. As of the date hereof, 801.5 shares of the Debtor's common stock are issued and outstanding, all of which are owned by Capital. Pursuant to the Plan, the Debtor's certificate of incorporation will be amended and restated, the old common stock of the Debtor that is outstanding immediately prior to the Effective Date will be cancelled and New Common Stock will be issued to certain creditors of the Debtor.

Under the Restated Certificate of Incorporation, Reorganized Grand Union's authorized capital stock will consist of (i) 30,000,000 shares of New Common Stock (of which up to 10,000,000 shares will be issued under the Plan) and (ii) 10,000,000 shares of preferred stock ("Preferred Stock"), none of which will be issued and outstanding as of the Effective Date. All shares of the New Common Stock, when issued pursuant to the Plan, will be fully paid and nonassessable. Pursuant to the terms of the Plan, as of the Effective Date, all shares of the New Common Stock to be issued under the Plan will be issued to holders of Allowed Senior Subordinated Note Claims. See the Restated Certificate of Incorporation and Restated Bylaws annexed to the Plan as Exhibit "D" and Exhibit "C", respectively.

B. New Common Stock

Subject to the preferential rights of any series of Preferred Stock which may be issued by Reorganized Grand Union, and to any restrictions on payment of dividends imposed by the Post-Confirmation Credit Agreement or the Alternative Credit Documents, as the case may be, the holders of New Common Stock will be entitled to such dividends (whether payable in cash, property or capital stock) as may be declared from time to time by the Post Reorganization Board of Directors from funds, property or stock legally available therefor, and will be entitled after payment of all prior claims, to receive pro rata all assets of Reorganized Grand Union upon the liquidation, dissolution or winding up of Reorganized Grand Union. Holders of New Common Stock have no redemption, conversion or preemptive rights to purchase or subscribe for securities of Reorganized Grand Union. Any offer to redeem, purchase or reacquire any shares of New Common Stock by Reorganized Grand Union shall be made pro rata to all holders of New Common Stock.

As provided in the Plan, Reorganized Grand Union will use its reasonable best efforts to cause the New Common Stock to be listed on one or more stock exchanges or quoted on the National Market System on or

before the date which is one hundred twenty (120) days after the Effective Date. Moreover, the Warrant Agreement provides that, if the New Common Stock is so listed or quoted, the Debtor shall use its best efforts to have the Warrants listed on such stock exchange(s) or quoted on the National Market System, as applicable. There can be no assurance, however, that the New Common Stock or Warrants will be listed on any stock exchange or quoted on the National Market

System.

Except as required by law, the respective holders of New Common Stock shall vote on all matters as a single class and each holder of New Common Stock shall be entitled to one vote for each share of the New Common Stock that it owns. Holders of New Common Stock will not have cumulative voting rights.

C. Corporate Governance

The initial board of directors of Reorganized Grand Union will consist of seven (7) directors, who will be chosen by the members of the Official Committee which were members of the Official Committee of certain holders of Senior Subordinated Notes or, if and to the extent not chosen by such holders in a timely fashion, by the Debtor. The initial board of directors shall be approved by the Bankruptcy Court. Two of the present directors, Messrs. Hirsch and Fox, have informed the Debtor they do not intend to be candidates for election as directors of Reorganized Grand Union.

Any vacancy in the board of directors of Reorganized Grand Union, whether arising from death, resignation, or any other cause, may be filled by a majority of the remaining directors. Each director so elected will hold office until his successor shall have been elected and qualified.

The Debtor anticipates that (i) Reorganized Grand Union will maintain officer and director insurance liability coverage comparable to that currently in effect and (ii) while the precise amount of the compensation to outside directors will be determined by the Post Reorganization Board of Directors, Reorganized Grand Union will compensate its outside directors in a manner consistent with compensation provided to outside directors of companies of a similar size and nature.

D. Preferred Stock

The authorized capital stock of Reorganized Grand Union will include 10,000,000 shares of Preferred Stock, none of which will be issued or outstanding upon the consummation of the Plan. The Post Reorganization Board of Directors is authorized to divide the Preferred Stock into series and, with respect to each series, to determine the preferences and rights and the qualifications, limitations or restrictions thereof, including the dividend rights, conversion rights, voting rights, redemption rights and terms, liquidation preferences, sinking fund provisions, the number of shares constituting the series and the designation of such series. The Post Reorganization Board may, without stockholder approval, issue Preferred Stock with voting and other rights that could adversely affect the voting power of the holders of New Common Stock and could have certain antitakeover effects. The payment of dividends, if any, on such Preferred Stock would be subject to any restrictions on payment of dividends imposed by the Post-Confirmation Credit Agreement or the Alternative Credit Documents, as the case may be.

XIV. SELECTED HISTORICAL FINANCIAL DATA

Reference should be made to the Debtor's 10-K for the Fiscal Year ended April 2, 1994 and 10-Q for the Fiscal Quarter ended January 7, 1995, included as Appendix "D" to this Disclosure Statement.

XV. CERTAIN INFORMATION CONCERNING THE DEBTOR

Reference should be made to the Debtor's 10-K for the Fiscal Year ended April 2, 1994 and 10-Q for the Fiscal Quarter ended January 7, 1995, included as Appendix "D" to this Disclosure Statement, which contain a discussion and analysis of the Debtor's financial condition and results of operations.

The Debtor is a leading food retailer in the northeastern United States. The Debtor has been engaged in the food retailing business for 120 years, making it one of the oldest major retail food companies in the United States. The Debtor currently operates 234 supermarkets and food stores under the "Grand Union" name in six states.

A. Store Formats

The Debtor's store sizes and formats vary depending upon the demographics and competitive conditions in each location, as well as the availability of real estate. Grand Union supermarkets offer a wide selection of national brand and private label products as well as high-quality produce, meat and general merchandise. The majority of the Debtor's sales are generated from stores which also contain a number of high margin specialty and service areas for such goods as imported and domestic produce, salads, hot and cold prepared foods, seafood and fresh-baked goods. Select stores feature in-store kitchens and pharmacies. Liquor and wine departments are included where permitted by local law. The Debtor's supermarkets range in size from 14,000 to 64,000 square feet and newly constructed stores are typically in excess of 40,000 square feet.

B. Merchandising Strategy

The Debtor's current merchandising strategy is premised upon the following:

1. Value. The Debtor's strategy is to provide value to the customer by offering competitive prices and a wide variety of advertised and unadvertised specials, sponsoring special promotions and offering a wide selection of private label products.

2. Merchandise Assortment. The Debtor believes that many consumers prefer food stores that not only offer the wide variety of food and non-food items carried by conventional supermarkets, but also sell an expanded assortment of high-quality food items and produce. Accordingly, the Debtor continues to upgrade existing departments with new selections and, where appropriate, has added specialty departments, including full service butcher and seafood shops, floral departments, delicatessens and bakeries. This merchandising strategy provides consumers with a broader product offering and a more convenient shopping experience, while shifting the Debtor's sales mix toward higher margin products.

3. Efficiencies of Distribution. The Debtor's distribution system has contributed to its ability to pursue efficiently its strategy of offering the consumer a wide assortment of quality products at competitive prices. Strategically located distribution centers make it possible for the Debtor to minimize in-store stockroom space, thereby increasing store selling space.

C. Selected Data

The table below sets forth certain statistical information with respect to the Debtor's supermarkets, excluding the stores formerly operated in the Southern Region, for the periods indicated.

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994	40 Weeks Ended January 7, 1995
<S>	<C>	<C>	<C>	<C>
Number of stores (at end of period).....	251	250	254	236
Total selling square feet (in thousands).....	4,213	4,276	4,532	4,353
Average gross square feet per store.....	23,439	23,922	24,966	25,841
Average sales per selling square foot per week..	$11.69	$11.23	$10.76	$10.34

</TABLE>

D. Summary of Operations

1. Northern Region. The Debtor currently operates 128 stores in its Northern Region including forty stores in Vermont, eighty-five stores in upstate New York and three stores in New Hampshire. The Debtor believes it generally operates in excellent locations, having operated in most of the markets it currently serves in the Northern Region for more than twenty-five years, and in many communities for over fifty years.

In Vermont, the Debtor operates forty stores throughout the state in virtually every significant community. The Debtor has the preeminent market share in the state, having more sales than all other chain-store operators combined. The Debtor's strong position in Vermont allows it to achieve significant economies in purchasing, distribution, advertising and field supervision. Zoning and environmental regulations in the state have long restricted commercial development (including supermarkets). Accordingly, the competitive environment in Vermont evolves very slowly. The Debtor's long-standing presence in Vermont was enhanced through the acquisition in 1990 of certain stores operated by P&C Foods, a division of The Penn Traffic Company ("Penn Traffic"). The Debtor has focused its capital expenditures in Vermont on improving existing locations and replacing stores where possible. The largest competitors to the Debtor in Vermont are Golub Corporation ("Price Chopper"), Hannaford Brothers, Inc. ("Hannaford") and A&P. Price Chopper has recently enlarged or replaced certain of the facilities in Vermont which it acquired from P&C Foods in 1990. See "CERTAIN INFORMATION CONCERNING THE DEBTOR-Related Party Transactions."

In upstate New York, the Debtor generally operates in small cities and rural communities, where the Debtor estimates it typically has the leading market share, and in the Albany, New York metropolitan area (the "Capital District") where, according to Debtor estimates, it has the second largest market share with thirty-four stores. Although generally not as restrictive as Vermont, commercial development in the upstate New York market place has been and

continues to be constrained by zoning and environmental restrictions, particularly in areas regulated by the Adirondack Park Commission. In the more urban Capital District, where Price Chopper has the larger market share and Hannaford operates nine stores, the Debtor's competitors have opened several stores in the last two years. Such newly opened stores are generally larger and more modern than the Debtor's stores in the relevant markets. These openings have had an adverse effect on the Debtor's sales and profitability. Victory Markets, Inc. ("Great American") competes against the Debtor in a number of communities in the Hudson and Mohawk River Valleys.

In the Mid-Hudson Valley area of New York (fourteen stores), the Debtor estimates that it has the leading market share. Principal competitors are Big V Supermarkets Inc. (operating under the ShopRite name), Price Chopper, Hannaford and A&P. Weak economic conditions in the Mid-Hudson Valley area have been accompanied by a number of competitive openings in recent years.

A number of stores in the Northern Region (particularly in the Adirondack area and Vermont) are in resort areas and generally experience significant increases in sales in the summer months and in some cases during the winter ski season.

2. New York Region. The Debtor currently operates 106 stores in its New York Region. The Debtor's primary New York Region marketing area comprises the more affluent suburban communities of central and northern New Jersey (forty-four stores), Westchester, Orange, Rockland, Dutchess and Putnam Counties in New York (twenty-seven stores), Long Island (fifteen stores) and Fairfield County, Connecticut (fifteen stores). The Debtor also has a limited presence in New York City (three stores) and Pennsylvania (two stores).

Within its primary New York Region marketing areas, the Debtor generally operates stores in mature, densely populated markets where it believes its below-market long-term leases generally provide it with a significant cost advantage over new supermarkets. These stores serve communities with demographics particularly well-suited for store formats emphasizing specialty departments. Accordingly, the sales mix in this region includes a larger percentage of higher margin perishable department items than in the Northern Region. In addition, the high population density as well as the geographic concentration of stores in the region

provide substantial opportunities to achieve additional economies of scale, particularly in advertising and distribution.

Because the New York Region is a fragmented market with no single food retailer having a dominant market share, competition is market specific. In New Jersey, the Debtor competes primarily against Pathmark Stores, Inc. ("Pathmark"), A&P and various supermarkets supplied by the Wakefern ("ShopRite") and Twin County ("Foodtown") cooperatives. In Westchester, Orange, Rockland, Dutchess and Putnam Counties in New York, the Debtor generally competes with A&P, Edwards Supermarkets, Inc. and ShopRite. On Long Island, the Debtor's principal competitors are A&P/Waldbaums, Pathmark, King Kullen Grocery Co., Inc. and Foodtown. The Debtor's main competitors in Fairfield County, Connecticut are the Stop & Shop Company and A&P.

E. Capital Investment

The Debtor's capital spending is primarily directed toward renovating and upgrading the existing Grand Union store base and opening new and replacement stores in existing marketing areas. Since 1992, the Debtor has increased its rate of capital investment from the level in the 1989-1992 period. Capital expenditures, including capitalized leases other than real estate leases, for the fiscal year ending April 2, 1994 were approximately $86 million and are expected to be approximately $70 million for the fiscal year ending April 1, 1995.

The Debtor anticipates that the terms of the proposed financing will likely limit its ability to make capital expenditures to approximately $45-$50 million per annum over the next several years as against the Debtor's earlier plans for a higher level of capital investment. There can be no assurance that financial resources adequate to maintain the projected level will be available, or that the expenditure of such amount will result in sufficient levels of profitability to allow the Debtor to service its debt. See "RISK FACTORS-Business Risks-Capital Expenditure Program."

F. Distribution, Supply and Management Information Systems

1. Distribution. The Debtor believes its distribution system enhances its ability to offer consistently fresh and high quality dairy products, meats, baked goods, produce and frozen foods. Moreover, this system enables the Debtor to take advantage of cost saving, volume purchase opportunities.

The Debtor currently operates five distribution centers aggregating approximately 2.1 million square feet. In addition, the Debtor utilizes a frozen food distribution facility operated by a third party and also leases space in three additional storage facilities and, from time to time, utilizes limited space in several other facilities.

The strategic location of the distribution centers makes it possible for the Debtor to make frequent shipments to stores, which reduces the amount of in-store stockroom space, thereby limiting nonproductive store inventories.

The Debtor intends to file a motion to reject the leases on its Waterford, New York distribution facilities. However, the Debtor intends to enter into discussions with the landlord for those facilities and with the unions representing the Waterford employees. The outcome of those discussions may affect the Debtor's intention to reject these leases. The Debtor also is reviewing its options related to its lease on its Montgomery, New York warehouse, operated under an agreement with Penn Traffic. No determination on assumption or rejection of this lease has been made.

2. Montgomery, New York Distribution Agreement. In September 1993, the Debtor entered into a program to consolidate the purchasing and distribution of health and beauty care products and general merchandise with Penn Traffic (the "Montgomery Agreement"). Under this program, the Debtor purchases

health and beauty care products for both the Debtor and Penn Traffic and is reimbursed by Penn Traffic for such portion of those products as is sold by Penn Traffic; Penn Traffic purchases general merchandise for both Penn Traffic and the Debtor and is reimbursed by the Debtor for such portion of such merchandise as is sold by the Debtor. The Debtor's general merchandise warehouse in Montgomery, New York is used to store and distribute general merchandise and health and beauty care products to Grand Union stores and to certain of Penn Traffic's stores and wholesale customers. Under the arrangement, Penn Traffic owns the inventory of general merchandise and health and beauty care products located at the Montgomery warehouse and shares the cost of operating the warehouse in an amount proportionate to Penn Traffic's usage of the facility. Under the agreement governing such arrangement, either Penn Traffic or the Debtor may terminate the program from and after July 1, 1995, upon six (6) months prior written notice. See "CERTAIN INFORMATION CONCERNING THE DEBTOR-Related Party Transactions-Montgomery Warehouse."

Under the Bankruptcy Code, moreover, the Debtor may unilaterally terminate such arrangement pursuant to section 365 of the Bankruptcy Code. In the event the program is terminated, the Debtor will be required to purchase merchandise of the type now located in the warehouse but owned by Penn Traffic. Whether purchased from Penn Traffic or third-party vendors, the cost to the Debtor of bringing the Debtor's inventory level to the level maintained by the Debtor prior to the execution of the Montgomery Agreement is estimated to be $15 million.

3. Management-Information Systems. Financial, distribution, purchasing and operating system requirements are supported through a central computer system located in Wayne, New Jersey. The Debtor currently utilizes scanning systems in 166 stores (representing approximately 85% of total sales) and intends to continue to invest in scanning and other store systems in the future.

4. Suppliers. Products sold, including private label products, are purchased through a large group of unaffiliated suppliers. The Debtor is not dependent upon any single supplier, and its grocery purchases are of a sufficient volume to qualify for minimum price brackets for most products sold.

5. Commissary. The Debtor operates a 20,000 square foot commissary located in Newburgh, New York in which high quality cooked meat products, salads and soups are prepared for sale in the Debtor's delicatessen departments.

G. Properties

The Debtor conducts its operations primarily in leased stores, distribution centers and offices. The following table indicates the current location and number of stores.

1. Location and Number of Stores

Northern Region:	
Vermont.....	40
New York.....	85
New Hampshire...	3
New York Region:	
New York.....	45
New Jersey.....	44
Connecticut.....	15
Pennsylvania....	2

TOTAL.....	234

The Debtor currently owns fifteen and leases 219 of its store sites pursuant to commercial leases. Management believes that none of such leases is individually material to the Debtor. Most of these leases

contain several renewal options. Eighteen store leases which do not contain renewal options will expire over the next five years and management anticipates that it will be able to renegotiate acceptable lease terms for most of these locations, if so desired.

In the first half of Fiscal 1995, the Debtor has closed a total of four stores (not including stores which were closed but replaced), two in the Northern Region and two in the New York Region. Five stores were closed in the New York Region and nine in the Northern Region during the third quarter of Fiscal 1995. Three stores have been closed during the fourth quarter of Fiscal 1995 and three additional stores may be closed by the end of Fiscal 1995. In the aggregate, stores that were or are expected to be closed and not replaced in Fiscal 1995 represent an aggregate of approximately 566,000 square feet of closed store space and generated approximately $130 million in annual revenues.

2. Other Properties. The Debtor currently operates five distribution centers which are leased and a commissary, which is housed in a building owned by the Debtor on a ground-leased site in Newburgh, New York. The Debtor owns a 66,160 square foot site which is part of its Carlstadt, New Jersey Grocery Distribution Center and a 101,000 square foot facility in Waverly, New York. The Debtor's leased distribution centers each have approximately thirty years or more remaining on the respective leases including options.

H. Employees

As of January 31, 1995, the Debtor had approximately 17,000 employees, of whom approximately 60% were employed on a part-time basis. Approximately 50% of the Debtor's employees are covered by collective bargaining agreements negotiated with fourteen unions. Approximately 88% of the employees covered by these collective bargaining agreements are employed in store locations and approximately 12% are employed in distribution facilities.

The Debtor's labor agreement with United Food and Commercial Workers, Local 1262, covering approximately 1,900 clerks working in thirty-three Grand Union stores located in New York City, Long Island, Westchester County, New York, Putnam County, New York, and Dutchess County, New York, expires in June 1995. Discussions with Local 1262 regarding a new labor agreement or an extension of the existing agreement are presently underway. In addition, the Debtor's labor agreements with each of the United Food and Commercial Workers, Locals 1, 174, 342-50, 371 and 464A are set to expire, depending upon the applicable labor agreement, between October 1995 and December 1998. If an extension or replacement of any of these existing agreements is not obtained, the applicable United Food and Commercial Workers local retains the right to strike. The consequences of such an action may be adverse to the Debtor and/or Reorganized Grand Union.

On May 29, 1993, the Debtor settled a labor dispute with United Food and Commercial Workers, Local 1262, which represents clerks working in 61 Grand Union stores located in northern New Jersey and in Orange County, New York, and Rockland County, New York. The expiration of the Debtor's contract on April 24, 1993, after an extension from the contract's original expiration date on April 10, 1993, resulted in work stoppages at some, and eventually all, of the 61 Grand Union stores involved during the period from May 7, 1993 through May 29, 1993, as well as work stoppages at 251 Foodtown, Pathmark and ShopRite stores whose employees are covered by identical collective bargaining agreements. On June 17, 1993, a new four year agreement with Local 1262 was ratified by the approximately 3,600 members of Local 1262 employed by the Debtor and by the approximately 23,000 members of Local 1262 employed by Foodtown, Pathmark and ShopRite.

The Debtor is a party to seventeen labor contracts, which cover a number of employees and have the expiration dates set forth below:

Collective Bargaining Agreements

<TABLE>
<CAPTION>

	Approximate Number of	Contract Inception	Contract Expiration

Bargaining Unit	Region	Employees	Date	Date
<S>	<C>	<C>	<C>	<C>
UFCW 1, Store #1825	Northern	23	9/11/94	9/13/97
Bakery 3, Bakers	New York	42	2/1/93	1/31/96
UFCW 174, Meat & Deli	New York	21	12/15/91	Indefinite
UFCW 342, Meat & Deli	New York	279	10/18/92	10/21/95
UFCS 371, All Store Departments	New York	900	6/26/94	6/28/97
Teamsters 445, Whse. Employees	New York	196	4/3/94	4/4/98
Teamsters 456, Whse. Employees	New York	144	7/26/93	7/26/97
Teamsters 456, Drivers & Loaders	New York	110	9/4/94	9/5/98
UFCS 464A Meat & Deli	New York	982	1/1/95	12/19/98
UFCW 464A (formerly 489) Meat & Deli	New York	163	5/1/94	3/14/98
Teamsters 560 Drivers & Loaders	New York	99	4/1/94	3/31/98
Teamsters 863, Whse. Employees	New York	105	10/16/94	10/10/98
Local 1199 Pharmacists	New York	6	10/19/93	10/19/96
UFCS 1262 Grocery, Produce, & Front-End Clerks	New York	1,873	3/15/92	6/95
UFCW 1262 Grocery, Produce, & Front-End Clerks	New York	3,337	4/11/93	4/12/97
ITEA Drivers, Loaders & Mechanics	Northern	188	10/31/94	11/1/97
IWEA Warehouse Employees	Northern	252	5/8/94	5/2/98

</TABLE>

I. Regulatory and Legal Matters

1. Federal Trade Commission

At the time of the acquisition of the Debtor by Holdings in July 1989, the Debtor and P&C Foods (then a subsidiary and currently a division of Penn Traffic, which is under common control with the Debtor) operated stores in some of the same geographic areas in Vermont and upstate New York. In order to satisfy the concerns of federal and state antitrust authorities arising therefrom in connection with the acquisition of the Debtor by Holdings, prior to consummation thereof (i) the Debtor, GUAC, MTH Holdings, Inc., a New York corporation ("MTH Holdings") and an affiliate of MTH, and P&C Foods entered into an "Assurance Pursuant to 9 Vermont Statutes Annotated Section 2459," dated July 5, 1989 (the "Vermont Assurance"), and an "Agreement to Hold Separate" with the Attorney General of the State of Vermont and (ii) MTH Holdings and GUAC entered into an "Agreement Containing Consent Order" with the Bureau of Competition of the Federal Trade Commission ("FTC") and an "Agreement to Hold Separate" with Salomon Inc and the FTC (collectively, the "FTC Agreements").

As required by the FTC Agreements, the Debtor has advised the FTC that it is anticipated that upon consummation of the Plan there will be a change of control of the Debtor. No such notice is required to be given to the State of Vermont. Each of the Agreements to Hold Separate was, by its terms, applicable only until certain stores identified therein could be divested. All required divestitures have occurred and following consummation of the Plan there will no longer be any control affiliation between Penn Traffic and Reorganized Grand Union, which may in the future be direct competitors in certain market areas. Consummation of the Plan is not expected, by itself, to result in any change in the applicability of either the Vermont Assurance or the FTC Agreements.

The FTC Agreements required the divestiture by MTH Holdings and/or the Debtor (including in each case their respective subsidiaries and affiliates) of sixteen stores located in Vermont and upstate New York.

Such divestitures were completed on July 30, 1990. Thirteen of the sixteen stores divested were P&C Foods stores and three of the sixteen stores divested were Grand Union stores. In a related transaction, the Debtor and P&C Foods entered into the Operating Agreement, pursuant to which the Debtor acquired the right to operate P&C Foods' thirteen remaining stores in New England under the Grand Union name until July 2000, for an average annual rent of approximately $10.7 million with an option to extend the term of such operation for an additional five years. The Debtor paid P&C Foods $7.5 million for an option to purchase the stores at an amount defined in the Operating Agreement. Pursuant to the terms of the Operating Agreement, a $15 million prepayment of the annual fee was made to P&C Foods in connection with the July 1992 recapitalization of the Debtor.

The FTC Agreements also provide, among other things, that the Debtor (including its subsidiaries and affiliates) shall not acquire, for a period of ten years, any retail grocery stores in specified counties in Vermont and New York without the prior approval of the FTC.

2. Environmental

Soil and ground-water contamination has been detected at a shopping center owned by the Debtor which is located in Connecticut. The Debtor is investigating whether such contamination was caused by improper disposal of perchloroethylene wastes by a dry cleaner previously operating at this location

or by an off-site source. The Debtor has undertaken, under approval by the Connecticut Department of Environmental Protection, a proposal for a remedial investigation designed to identify the sources of such soil and ground-water contamination and to determine the length, depth and breadth of the contamination on and off-site. Sampling analyses for the ground-water at the shopping center and for drinking water in private residences located in the immediately surrounding area confirm that the source of the on-site contamination, in part, is an off-site shopping center and a gasoline station located nearby. In May 1993, a Remedial Action and Investigation Report was submitted to the Connecticut Department of Environmental Protection. The Debtor is awaiting a response from the Connecticut Department of Environmental Protection.

The Debtor's potential responsibility does not arise from any aspect of its operation of a supermarket at the shopping center but from the actions of a former tenant. Any contamination caused on-site by a source located off-site would be the responsibility of another party. The Debtor believes that the current intention of the Connecticut Department of Environmental Protection is to seek reimbursement of past costs and clean up from some or all of these other parties. The Debtor is unable to determine the amount of its potential liability arising from the on-site contamination, but does not believe, based upon the results of investigations made to date, that the amount of potential liability is likely to be materially adverse to the Debtor's results of operations or financial condition. Management presently estimates, based upon investigations made by the Debtor's environmental consultant to date, that such liability should not exceed $2 million. Investigations are continuing, and there can be no assurance that the amount of such liability will not exceed $2 million.

In 1991, the Debtor's landlord brought an action (entitled James A. Klein, d/b/a James A. Klein Enterprises v. The Grand Union Company, et al., 91 CIV 8469 (CLB)) against the Debtor, two other tenants at the Apple Valley Shopping Center in LaGrange, New York, and a supplier of hazardous substances to one of the tenants, seeking approximately $1,600,000 in response costs within the meaning of CERCLA and consequential damages (pursuant to the court's supplemental jurisdiction). The plaintiff claims that the Debtor and other tenants discharged hazardous substances from their premises which caused the plaintiff to incur response costs. At the time this Chapter 11 Case was filed, the Debtor's motion for summary judgment had been denied and the matter was awaiting trial in the Southern District of New York before District Judge Charles Brieant. The gravamen of the plaintiff's claim is that the Debtor placed household cleaning products containing volatile organics in a compactor situated at the rear of its premises which were released into the environment. The Debtor believes that the evidence will not support the allegation and that it will not be found liable to the plaintiff. Region II U.S. Environmental Protection Agency carried out a removal action at this site and recently notified the Debtor that it was a potentially responsible party within the meaning of Section 107(a) of CERCLA, 42 U.S.C. 9607(a). The EPA notice letter relates to the same facts that form the basis of the plaintiff's claim before the Southern District of New York.

Except as provided above, the Debtor believes that there are no other material, outstanding environmental actions involving the Debtor.

3. Other

The Debtor is involved in various legal proceedings arising out of its business, none of which is expected to have a material effect upon its results of operations or financial position.

J. Trade Names, Service Marks and Trademarks

The Debtor uses a variety of trade names, service marks and trademarks. Except for "Grand Union," the Debtor does not believe any of such trade names, service marks or trademarks is material to its business.

K. Competition

The food retailing business is highly competitive. The Debtor competes with numerous national, regional and local chains, convenience stores, stores owned and operated and otherwise affiliated with large food wholesalers, unaffiliated independent food stores, warehouse clubs, discount drugstore chains and discount general merchandise chains. Some of the Debtor's competitors (which may include Penn Traffic) have greater financial resources than the Debtor and could use those resources to take steps which could adversely affect the Debtor's competitive position. See "RISK FACTORS-Business Risks-Competition."

L. Outstanding Pension Plans and Liabilities

The Debtor currently maintains two tax-qualified employee benefit arrangements, The Grand Union Savings Plan (the "Savings Plan") and The Grand

Union Employees' Retirement Plan (the "Retirement Plan"). Participation in both Plans is open to salaried and hourly employees of the Debtor, other than members of a collective bargaining unit that has bargained with the Debtor regarding benefits. The Savings Plan is a profit-sharing plan with a cash or deferred arrangement under which participants may make before-tax contributions of up to 10% of compensation, subject to the $9,240 calendar year limitation in effect for 1994. After-tax contributions may also be made. The Debtor matches 25% of the first 4% of compensation contributed on a before-tax basis. The Retirement Plan is a defined benefit pension plan under which a participant's benefit paid in the form of a single life annuity at age 65 is generally (i) 1.5% of his "highest annual compensation" multiplied by years of service not in excess of 35 minus (ii) 1.5% of primary social security benefit multiplied by years of service not in excess of 35. For 1994, the pension benefit which may be paid under the Retirement Plan is subject to a limit of $118,800 and the amount of a participant's compensation that may be taken into account under the Retirement Plan is limited to $150,000 for 1994.

The Debtor also maintains The Grand Union Supplemental Retirement Program for Key Executives, a non-qualified pension arrangement pursuant to which certain key employees of the Debtor and its affiliates earn a pension in addition to the benefit to which they are entitled under the Retirement Plan.

As reflected in the most recent valuation reports prepared by the Debtor's actuary, as of April 1, 1994, the fair value of the Retirement Plan's assets exceeded the accumulated benefit obligation (for both vested and non-vested benefits) by approximately $12.4 million, and the Retirement Plan continued to meet the minimum funding requirements set forth under the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, as amended. Assuming certain actuarial assumptions are satisfied, the Debtor expects that the Retirement Plan's funding reserve requirement would remain overfunded at a sufficient level on a market value basis to preclude any required cash contribution at least through March 31, 1996. However, a change in prevailing interest rates could have a significant effect, either positive or negative, on the amount of the Debtor's pension liability.

The filing of a petition under the Bankruptcy Code does not automatically terminate a defined benefit pension plan. However, upon the termination of a defined benefit pension plan there could be further increases

or decreases in unfunded pension liability to reflect the use of different actuarial assumptions than those used for purposes of the valuation reports. Although the Debtor necessarily reserves in itself the right to amend, modify or terminate the Retirement Plan, as well as the Savings Plan, the Debtor expects to continue both plans indefinitely.

The PBGC has requested that the following explanation be included in this Disclosure Statement:

> The PBGC administers the mandatory pension plan termination insurance program established under Title IV of ERISA. Upon termination of an underfunded pension plan covered by Title IV, the PBGC becomes trustee of the plan and, within certain statutory limits, guarantees the payment of pension benefits to participants and beneficiaries. See 29 U.S.C. (S) 1322.
>
> The Debtor is a "contributing sponsor" of the Retirement Plan, which is covered by Title IV of ERISA. See 29 U.S.C. (S) 1301(a)(13). A "contributing sponsor" of a single-employer pension plan is a person who is responsible for meeting the funding requirements under 29 U.S.C. (S) 1082 or 26 U.S.C. (S) 412.
>
> According to the Debtor's actuary, the Retirement Plan is overfunded for all benefit liabilities on an on-going basis. The PBGC, however, has determined that the Retirement Plan is underfunded for all benefit liabilities on a termination basis. The different actuarial assumptions mandated by Title IV of ERISA to calculate the Retirement Plan's funding status as of an assumed date of plan termination of February 1, 1995, have resulted in an estimated underfunding for all benefit liabilities of $46.3 million. The PBGC expects to file a contingent estimated priority claim with respect to the Retirement Plan's unfunded benefit liabilities, as well as a contingent, unliquidated claim for funding contributions. These claims generally would be contingent upon the termination of the Retirement Plan. As noted below, the Debtor intends to continue the Retirement Plan post-confirmation and the PBGC has advised the Debtor that it supports such intent. The PBGC also intends to file a priority claim for approximately $31,000 related to pension termination insurance premiums.1
>
> Under ERISA, the Debtor and each member of the Debtor's controlled group are jointly and severally liable to the PBGC for the "total amount of unfunded benefit liabilities" of the Retirement Plan, see 29

U.S.C. (S)(S) 1362(a), (b), and for the payment of premiums due with respect to the Retirement Plan, see 29 U.S.C. (S) 1307(e)(2). Under ERISA, the Debtor and each member of the Debtor's controlled group also are jointly and severally liable to the Retirement Plan for contributions necessary to satisfy the minimum funding standards of ERISA and the Internal Revenue Code. See 29 U.S.C. (S)(S) 1082(c)(11), 1362(c); 26 U.S.C. (S) 412(c)(11).

As defined by ERISA, a "controlled group" includes a parent-subsidiary and/or brother-sister group of corporations, trades or businesses connected through common ownership and control, as defined under Sections 414(b) and (c) of the Internal Revenue Code and regulations promulgated thereunder. See 29 U.S.C. (S) 1301(a)(14).

The Debtor is part of a controlled group which includes Grand Union Capital Corporation and Grand Union Holdings Corporation. If the Retirement Plan were to terminate prior to confirmation of the Debtor's proposed Plan of Reorganization, these companies and any others in the Debtor's controlled group would incur joint and several liability under ERISA for any unfunded obligations with respect to the Retirement Plan. However, the Debtor's proposed Plan of Reorganization contemplates the cancellation of the equity interest in the Debtor presently held by Grand Union Capital Corporation, which cancellation would remove Grand Union Capital Corporation and Grand Union Holdings Corporation from the Debtor's controlled group.

- ------

1 The Debtor believes that substantive defenses are available with respect to the PBGC's assertion that its claims for unfunded benefit liabilities and statutorily required funding contributions would be entitled to priority status. Rather, the Debtor believes that most or all of such claims would be properly characterized as General Unsecured Claims.

A pension plan covered by Title IV of ERISA may only be terminated in accordance with that statute. The PBGC has discretionary authority to seek termination of a pension plan whenever it determines that the PBGC's possible long-run loss may increase unreasonably unless the plan is terminated. The filing of a petition under the Bankruptcy Code does not automatically result in termination, but the Debtor could voluntarily seek termination of the Retirement Plan under certain circumstances. However, the Debtor intends to continue the Retirement Plan post-confirmation. Based on the PBGC's understanding of the current status and value of the Debtor's controlled group, the fact that the Debtor is in compliance with statutory minimum funding requirements, the current terms of the proposed Plan of Reorganization, and the fact that the proposed Plan of Reorganization does not impair any claims of or relating to the Retirement Plan, the PBGC has advised the Debtor that it supports the Debtor's intention to maintain the Retirement Plan as the Debtor emerges from Chapter 11.

M. Executive Officers

The names, ages and present principal occupations of the executive officers of the Debtor are set forth below.

Name	Age	Positions
Joseph J. McCaig....	50	Director, President and Chief Executive Officer
William A. Louttit..	48	Director, Executive Vice President and Chief Operating Officer
Kenneth R. Baum.....	46	Director, Senior Vice President, Chief Financial Officer, Secretary
Darrell W. Stine....	57	Executive Vice President-New York Region

Mr. McCaig became Chief Executive Officer of the Debtor in July 1989 and was appointed President, Chief Operating Officer and a Director of the Debtor prior to 1983. Mr. McCaig has been employed by the Debtor for over thirty years.

Mr. Louttit has been Executive Vice President and Chief Operating Officer of the Debtor since 1989 and has been a Director since 1981. He joined the Debtor in 1964, serving in a variety of positions before being elected a Vice President in 1980. He was named Executive Vice President in charge of Merchandising in 1984 and was promoted to Chief Operating Officer in 1989.

Mr. Baum was appointed Senior Vice President, Chief Financial Officer, Secretary and a Director of the Debtor in July 1994. He joined the Debtor in 1982 and was named Vice President and Controller in 1983.

Mr. Stine was appointed Executive Vice President of the Debtor in July 1994. He joined the Debtor in 1954 and was named a Vice President with responsibility for the Debtor's New York Region in 1985 and Senior Vice President in 1988.

Executive officers of the Debtor are appointed and serve at the discretion of the Board of Directors.

For further information regarding the Debtor's executive officers, see the Debtor's Annual Report on Form 10-K for the 52 Weeks ended April 2, 1994, a copy of which is annexed hereto as Appendix "D".

N. Executive Compensation

The following table sets forth the compensation paid or accrued by the Debtor to each of the four (4) most highly-compensated executive officers of the Debtor for services rendered to the Debtor in all capacities during the calendar year ended December 31, 1994. The Debtor made no grants of stock options or stock appreciation rights in Calendar 1994 nor did the Debtor make any awards in Calendar 1994 under any long-term incentive plan.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

Name and Principal Position	Salary	Bonus	Other Compensation (1)
<S>	<C>	<C>	<C>
Joseph J. McCaig	$512,437	$123,479	$27,552
Chief Executive Officer, President and Director			
William A. Louttit	342,454	66,392	9,507
Executive Vice President, Chief Operating Officer and Director			
Darrell W. Stine	256,923	17,446	10,794
Executive Vice President-New York Region			
Kenneth R. Baum	149,862	20,603	4,086
Senior Vice President, Chief Financial Officer and Secretary			

<FN>
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(1) Includes benefits such as 401(k) contributions and life insurance.

</TABLE>

O. Related Party Transactions

1. MTH Management Agreement

On July 22, 1992, MTH entered into the MTH Management Agreement for a term ending in July 1997, under which MTH provides certain financial consulting and business management services to the Debtor, Capital and Holdings, for which MTH receives an annual fee of $900,000. In connection with the corporate reorganization and overhead reduction program announced on July 26, 1994, MTH agreed to reduce the annual fee to $750,000. During the period from July 1989 through July 1992, MTH received an annual fee of $600,000 for its services performed. On the Effective Date, the MTH Management Agreement will be terminated and Reorganized Grand Union will execute the MTH Settlement Agreement. See "THE PLANDirectors of Reorganized Grand Union." A copy of the MTH Settlement Agreement is annexed as Exhibit "B" to the Plan.

2. P&C Foods

As described above (see "CERTAIN INFORMATION CONCERNING THE DEBTOR-Regulatory and Legal Matters"), in order to satisfy certain obligations under agreements entered into with federal and state antitrust authorities in connection with the acquisition of the Debtor by Holdings in July 1989, thirteen P&C Foods stores were divested by Penn Traffic and certain of the Debtor's stores were divested by the Debtor in July 1990. In a related transaction, on July 30, 1990, the Debtor entered into an Operating Agreement with P&C Foods pursuant to which it acquired the right to operate P&C Foods' thirteen remaining stores in New England under the Grand Union name until July 2000, with an option to extend the term of such operation for an additional five years. P&C Foods also granted the Debtor an option to purchase such stores. In connection with these transactions, the Debtor agreed to pay P&C Foods a minimum annual fee averaging $10.7 million per year (since reduced to its present level of approximately $8 million per year) during the ten-year lease term plus, beginning with the year commencing July 31, 1992, additional contingent fees of up to $700,000 per year based upon sales performance of the stores operated by the Debtor. In addition, the Debtor paid P&C Foods $7.5 million for the option to purchase the stores. Pursuant to the terms of the Operating Agreement, a $15 million prepayment of the annual fee was made to P&C Foods in connection with the July 1992 recapitalization of the Debtor.

Pursuant to the terms of the Operating Agreement, in April 1992, the Debtor purchased P&C Foods' White River Junction, Vermont warehouse for cash

consideration of approximately $5 million.

The Debtor also maintains additional arrangements with Penn Traffic, which either party has the right to terminate at any time. Such arrangements include (i) the coordinated purchasing of certain products for resale and packaging supplies; (ii) the Debtor's purchase of frozen dough from Penn Traffic's Penny Curtis Bakery; and (iii) occasionally, the Debtor's sale of certain products from its commissary to Penn Traffic.

3. Montgomery Warehouse

During its fiscal year ended April 2, 1994, the Debtor entered into a program to consolidate the purchasing and distribution of health and beauty care products and general merchandise with Penn Traffic. The agreement is terminable on six months' notice, by either party, after July 1, 1995. Under this program, the Debtor purchases health and beauty care ("HBC") products for both itself and certain divisions of Penn Traffic, and Penn Traffic purchases general merchandise ("GM") products for both itself and the Debtor. The Debtor's general merchandise warehouse in Montgomery, New York is used to store and distribute HBC and GM products to the Debtor's stores and to certain of Penn Traffic's stores and wholesale customers. Under the arrangement, Penn Traffic owns the inventory of GM and HBC products located at the Montgomery warehouse and shares the cost of operating the warehouse in an amount proportionate to Penn Traffic's usage of the facility. In connection with this agreement, in September 1993, Penn Traffic purchased all of the HBC and GM inventories previously owned by the Debtor for approximately $12.8 million. During its fiscal year ended April 2, 1994, the Debtor purchased from vendors approximately $75.3 million of HBC products under the agreement which amounts were reimbursed to the Debtor by Penn Traffic. Additionally, the Debtor purchased approximately $48.2 million from Penn Traffic's inventory of HBC and GM products at cost. At January 7, 1995, the Debtor had recorded a net receivable of approximately $2.9 million related to this agreement. See "CERTAIN INFORMATION CONCERNING THE DEBTOR-Distribution, Supply and Management Information Systems-Montgomery, New York Distribution Agreement."

4. Other

Mr. Hirsch, who is Chairman and a director of the Debtor, Chairman and a director of Capital and Chairman and a director of Holdings, is Chairman and a director of Penn Traffic. Mr. Fox, who is a director, Vice President and Assistant Secretary of the Debtor, a director, Vice President, Secretary and Treasurer of Capital, and a director, Vice President, Secretary and Treasurer of Holdings, is Vice Chairman-Finance and a director of Penn Traffic. Messrs. Hirsch and Fox do not receive salaries from Penn Traffic and do not participate in cash bonus plans of Penn Traffic, and receive no compensation in their capacities as executive officers of the Debtor, Capital or Holdings. Messrs. Hirsch and Fox receive compensation solely from MTH. Penn Traffic has engaged MTH as a financial advisor and investment banker. As described above, MTH has entered into the MTH Management Agreement, which will be terminated on the Effective Date, pursuant to which MTH has received fees for services provided to the Debtor. Mr. McCaig is a member of the Board of Directors of Penn Traffic. Mr. Incaudo, a director of Holdings, is a director, of Penn Traffic and was President and Chief Executive Officer of Penn Traffic until his retirement in January 1995.

XVI. EXEMPTIONS FROM SECURITIES ACT REGISTRATION

The New Common Stock, the New Senior Notes and the Warrants to be issued on the Effective Date will be issued pursuant to the exemption from the registration requirements of the Securities Act (and of equivalent state securities or "blue sky" laws) provided by section 1145(a)(1) of the Bankruptcy Code. Generally, section 1145(a)(1) of the Bankruptcy Code exempts from the registration requirements of the Securities Act and equivalent state securities and "blue sky" laws the issuance of securities directly or through a warrant to purchase such securities if the following conditions are satisfied: (a) the securities are issued by a debtor (or its successor) under a plan of reorganization, (b) the recipients of the securities hold a claim against, an interest in, or a claim for an administrative expense against, the debtor, and (c) the securities are issued entirely in exchange for the recipient's claim against or interest in the debtor, or are issued "principally" in such exchange and "partly" for cash or property. Section 1145(a)(2) of the Bankruptcy Code also exempts from such registration requirements offers of securities through warrants and similar rights distributed pursuant to the exemption set forth in section 1145(a)(1). The Debtor believes that the issuance of the New Common Stock, the New Senior Notes and the Warrants will satisfy the aforementioned requirements.

The New Common Stock, the New Senior Notes and the Warrants may be resold by the holders thereof without registration unless, as more fully described below, any such holder is deemed to be an "underwriter"

with respect to such securities, as defined in section 1145(b)(1) of the Bankruptcy Code. Generally, section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as any person who (a) purchases a claim against, or interest in, a bankruptcy case, with a view towards the distribution of any security to be received in exchange for such claim or interest, (b) offers to sell securities issued under a bankruptcy plan on behalf of the holders of such securities, (c) offers to buy securities issued under a bankruptcy plan from persons receiving such securities, if the offer to buy is made with a view towards distribution of such securities and under an agreement made in connection with the plan, with the consummation of the plan or with the offer of sale of securities under the plan, or (d) is an issuer as contemplated by section 2(11) of the Securities Act. Although the definition of the term "issuer" appears in section 2(4) of the Securities Act, the reference (contained in section 1145(b)(1)(D) of the Bankruptcy Code) to section 2(11) of the Securities Act purports to include as "underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. "Control" (as such term is defined in Rule 405 of Regulation C under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the policies of a person, whether through the ownership of voting securities by contract, or otherwise.

The New Senior Note Indenture will be governed by the Trust Indenture Act of 1939.

THE FOREGOING SUMMARY DISCUSSION IS GENERAL IN NATURE AND HAS BEEN INCLUDED IN THIS DISCLOSURE STATEMENT SOLELY FOR INFORMATIONAL PURPOSES. THE DEBTOR MAKES NO REPRESENTATIONS CONCERNING, AND DOES NOT HEREBY PROVIDE ANY OPINION OR ADVICE WITH RESPECT TO, THE SECURITIES LAW AND BANKRUPTCY LAW MATTERS DESCRIBED ABOVE. IN LIGHT OF THE COMPLEX AND SUBJECTIVE INTERPRETIVE NATURE OF WHETHER A PARTICULAR RECIPIENT OF NEW COMMON STOCK, NEW SENIOR NOTES OR WARRANTS MAY BE DEEMED TO BE AN "UNDERWRITER" WITHIN THE MEANING OF SECTION 1145(b)(1) OF THE BANKRUPTCY CODE UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS AND, CONSEQUENTLY, THE UNCERTAINTY CONCERNING THE AVAILABILITY OF EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND EQUIVALENT STATE SECURITIES AND "BLUE SKY" LAWS, THE DEBTOR ENCOURAGES EACH CREDITOR TO CONSIDER CAREFULLY AND CONSULT WITH ITS OWN LEGAL ADVISOR(S) WITH RESPECT TO SUCH (AND ANY RELATED) MATTERS.

XVII. ABSENCE OF PUBLIC TRADING MARKET; AVAILABLE INFORMATION; FILINGS WITH THE COMMISSION AND RELATED MATTERS

The Debtor's 11-1/4% Senior Notes and 12-1/4% Senior Subordinated Notes were issued in a registered public offering pursuant to the Securities Act and are publicly-traded. The remainder of the Debtor's other securities (the 11-3/8% Senior Notes, the 13% Senior Subordinated Notes and the 12-1/4% Senior Subordinated Notes, Series A) were privately placed pursuant to section 144 of the Securities Act. Certain of these other securities were subsequently registered.

The Debtor currently complies with the informational and periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files periodic reports and other documents and information with the Commission. Such reports, documents and information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024 Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at its regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and at 75 Park Place, 14th Floor, New York, New York 10007.

No established trading market exists for the New Common Stock, the New Senior Notes or the Warrants. As provided in the Plan, Reorganized Grand Union will use its reasonable best efforts to cause the New Senior Notes, the New Common Stock and the Warrants to be listed on one or more stock exchanges or quoted on the National Market System on or before the date which is one hundred twenty (120) days after the Effective Date. Moreover, the Warrant Agreement provides that, if the New Common Stock is so listed or quoted, the Debtor shall use its best efforts to have the Warrants listed on such stock exchange(s) or quoted on the National Market System, as applicable. There can be no assurance, however, that the New Senior Notes, the New Common Stock or Warrants will be listed on any stock exchange or quoted on the National Market System. Moreover, no assurance can be given that a trading market for such securities will develop following the effectiveness of the Plan or, if a trading market for the New Common Stock, the Warrants or the New Senior Notes develops, no assurance can be given as to the liquidity of such a trading market. The Debtor anticipates that Reorganized Grand Union will comply with public reporting obligations.

XVIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes certain federal income tax consequences of the Plan to holders of Senior Notes, Senior Subordinated Notes, Credit Agreement Claims and Zero Notes based upon the Internal Revenue Code of 1986, as amended (the "IRC"), the Treasury regulations (including temporary and proposed regulations) promulgated thereunder (the "Regulations"), judicial authorities and current administrative rulings and practice. The tax consequences of certain aspects of the Plan are uncertain because of the lack of applicable legal authority and may be subject to administrative or judicial interpretations that differ from the discussion below. The Debtor has not requested a ruling from the Internal Revenue Service ("IRS") with respect to these matters, and no opinion of counsel has been sought or obtained by the Debtor with respect thereto. The following discussion does not address state, local or foreign tax considerations that may be applicable to creditors. ACCORDINGLY, ALL CREDITORS OF THE DEBTOR ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE PLAN TO THEM AND TO REORGANIZED GRAND UNION. THE DEBTOR IS NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY CREDITOR, NOR IS THE DEBTOR RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX CONSEQUENCES.

A. Tax Consequences to Creditors

The federal income tax consequences to creditors arising from the Plan may vary depending upon, among other things, whether the Senior Notes, the Senior Subordinated Notes, the New Senior Notes or the Credit Agreement Claims constitute "securities" for federal income tax purposes. The determination of whether such debt instruments constitute "securities" depends upon an evaluation of the nature of the debt instruments. Important factors to be considered include, among other things, the length of time to maturity, the degree of continuing interest in the issuer, the similarity of the debt instrument to a cash payment, and the purpose of the borrowing. Generally, corporate debt instruments with maturities when issued of less than five years are not considered securities, and corporate debt instruments with maturities when issued of ten years or more are considered securities. Although the treatment of the Senior Notes and Senior Subordinated Notes as "securities" is not entirely certain because their stated terms are less than ten years, the Debtor believes and intends to take the position that the Senior Notes, the Senior Subordinated Notes and the New Senior Notes should be treated as "securities" for federal income tax purposes. The Debtor further believes and intends to take the position that the Credit Agreement Claims should not be treated as "securities" for federal income tax purposes.

1. Holders of Senior Note Claims and Senior Subordinated Note Claims. Provided the Senior Notes, Senior Subordinated Notes and New Senior Notes constitute "securities" for federal income tax purposes (as

discussed above), the exchange of Senior Notes and Senior Subordinated Notes for, respectively, the New Senior Notes and the New Common Stock should constitute a "recapitalization" for federal income tax purposes. Accordingly, except as discussed below with respect to accrued market discount (see "CERTAIN FEDERAL INCOME TAX CONSEQUENCES-Tax Consequences to Creditors-Market Discount, Treatment of Receipt of New Common Stock or New Senior Notes") and Claims for accrued interest, holders of Senior Notes and Senior Subordinated Notes should not recognize any gain or loss on the exchange. In such case, a holder's tax basis in the New Common Stock or New Senior Notes (other than the New Common Stock or New Senior Notes received for accrued interest) should be equal to its tax basis in the Senior Notes or Senior Subordinated Notes, as the case may be, exchanged therefor (exclusive of any basis attributable to accrued interest), and such Creditor's holding period for the New Common Stock or New Senior Notes (other than the New Common Stock or New Senior Notes received for accrued interest) will include the holding period of the Senior Notes or the Senior Subordinated Notes, provided that the Senior Notes or the Senior Subordinated Notes are held as capital assets on the Effective Date.

If any of the Senior Notes, the Senior Subordinated Notes or the New Senior Notes were not treated as "securities," the exchange of Senior Notes for New Senior Notes, or the exchange of Senior Subordinated Notes for New Common Stock, as the case may be, would be treated as a taxable exchange. In such case, a holder of Senior Notes or Senior Subordinated Notes would generally recognize taxable gain or loss on the exchange equal to the difference between the issue price of the New Senior Notes or the fair market value of the New Common Stock, as the case may be, over such holder's basis in the exchanged debt instruments (exclusive of any basis attributable to accrued interest). A holder's tax basis in New Senior Notes so received would generally be equal to the issue price of such New Senior Notes and a holder's tax basis in New Common Stock so received would generally be equal to the fair market value of such New Common Stock. The holding period for any New Senior Notes or New Common Stock will begin on the day after the Effective Date.

As noted below (see "CERTAIN FEDERAL INCOME TAX CONSEQUENCES-Tax Consequences to Creditors-Allocation of Consideration Received"), under the Plan, some New Common Stock and New Senior Notes may be distributed to holders of Senior Notes or Senior Subordinated Notes with respect to their Claims for accrued interest. Holders of such Claims for accrued interest which have not previously included such accrued interest in taxable income will be required to recognize ordinary income equal to the fair market value of the New Common Stock or the issue price of the New Senior Notes, as the case may be, received with respect to such Claims for accrued interest. Holders of such Claims for accrued interest which have included such accrued interest in taxable income generally may take an ordinary deduction to the extent that such Claim is not fully satisfied under the Plan (after allocating the distribution between principal and accrued interest as described below), even if the underlying Claim is held as a capital asset. The tax basis of the New Common Stock or New Senior Notes received in exchange for such Claims for accrued interest will be the fair market value of the New Common Stock on the Effective Date or the issue price of the New Senior Notes, as the case may be, and the holding period for the New Common Stock or New Senior Notes received in exchange for such Claims will begin on the day after the Effective Date.

2. Original Issue Discount. Under the IRC, a holder of a debt instrument which has original issue discount ("OID") must include a portion of the OID in gross income in each taxable year or portion thereof in which the holder holds the debt instrument even if the holder has not received a cash payment in respect of such OID. The IRC defines OID as the difference between the issue price and the stated redemption price at maturity of a debt instrument (assuming the difference exceeds a de minimis amount). The stated redemption price at maturity is generally the total of all payments due the holder of the instrument, other than certain interest payments based on a fixed rate and payable unconditionally at fixed periodic intervals of one year or less during the entire term of the instrument. The issue price of a debt instrument issued for property (such as an outstanding debt instrument) depends on the circumstances surrounding its issuance. The issue price of a debt instrument that is publicly-traded is generally the fair market value of the debt instrument when issued. The fair market value is generally determined from the price at which such debt instrument trades on the first day on which it trades after issuance. If the new debt instrument is not publicly-

traded and is issued for property (such as an outstanding debt instrument) that is publicly-traded, then the issue price is generally determined from the price at which such property trades on the issue date. Under the IRC as interpreted by Treasury Regulations, a holder acquiring a debt instrument in a reorganization exchange may exclude all of the OID on such debt instrument from such holder's taxable income if it is acquired at a "premium" (that is, if the adjusted tax basis in the acquired debt instrument exceeds the sum of all payments due on the instrument after the acquisition date less certain stated interest) and may exclude a part of the OID on such debt instrument from such holder's taxable income if it is acquired at an "acquisition premium" (that is, if the adjusted tax basis in the acquired debt instrument exceeds its adjusted issue price). It is not possible at present to determine the issue price of the New Senior Notes and whether the New Senior Notes will be issued with OID, due to the uncertainty of the trading price.

Section 1275(c) of the IRC and the relevant Treasury Regulations require information to be set forth on the face of certain debt instruments issued with OID that are not publicly-offered (within the meaning of the applicable Treasury Regulations), including the amount of OID and the issue date of the instrument. If the instrument is publicly-offered, the issuer must instead furnish certain information to the Secretary of the Treasury. The Debtor or Reorganized Grand Union or their agents will appropriately legend the New Senior Notes or furnish such information if they are issued with OID in accordance with the IRC and the relevant Treasury Regulations.

If the New Senior Notes are issued with OID, a portion of Reorganized Grand Union's interest deduction with respect to the OID of the New Senior Notes may be deferred until paid and the remainder disallowed if the New Senior Notes are considered "applicable high yield discount obligations." The disallowed portion of the OID may qualify for the dividends received deduction for a corporate holder of New Senior Notes. An applicable high yield discount obligation must meet three requirements: (i) maturity of greater than five years; (ii) a yield to maturity greater than or equal to a specified rate (five percentage points plus the applicable federal rate for the calendar month in which the obligation is issued); and (iii) significant OID within the meaning of Section 163(i)(2) of the IRC. Because it is not possible at present to determine the OID, if any, on the New Senior Notes or the yield to maturity when the New Senior Notes are issued, it cannot be determined whether the high yield discount obligation rules will apply.

3. Market Discount. The market discount provisions of the IRC may apply to

holders of certain Claims. In general, a debt obligation other than a debt obligation with a fixed maturity of one year or less that is acquired by a holder in the secondary market (or, in certain circumstances, upon original issuance) is a "market discount bond" as to that holder if its stated redemption price at maturity (or, in the case of a debt obligation having OID, the revised issue price) exceeds the tax basis of the bond in the holder's hands immediately after its acquisition. However, a debt obligation will not be a "market discount bond" if such excess is less than a statutory de minimis amount. Gain recognized by a creditor with respect to a "market discount bond" will generally be treated as ordinary interest income to the extent of the market discount accrued on such bond during the creditor's period of ownership, unless the creditor elected to include accrued market discount in taxable income currently. A holder of a market discount bond that was required under the market discount rules of the IRC to defer deduction of all or a portion of interest on indebtedness incurred or maintained to acquire or carry the bond may be allowed to deduct such interest, in whole or in part, on disposition of such bond; however, continued deferral of the deduction for all or a portion of the interest on indebtedness incurred or maintained to acquire or carry a Claim that is a market discount bond may be required. Any such deferred interest expense would be attributed to the New Common Stock or New Senior Notes received in exchange for the Claim, and would be treated as interest paid or accrued in the year in which the New Common Stock or New Senior Notes are disposed of.

4. Market Discount, Treatment of Receipt of New Common Stock or New Senior Notes. Under the market discount rules, any accrued but unrecognized market discount with respect to Senior Notes or Senior Subordinated Notes would not (subject to the discussion below) be recognized upon the exchange of such debt instruments for New Senior Notes or New Common Stock, as the case may be. In the case of accrued

but unrecognized market discount with respect to the Senior Notes, such market discount would generally be treated as market discount with respect to the New Senior Notes. In the case of accrued but unrecognized market discount with respect to the Senior Subordinated Notes, such market discount would generally be treated as ordinary income to the extent of gain recognized upon the subsequent disposition of New Common Stock. The treatment of accrued market discount in nonrecognition transactions is, however, subject to the issuance of Treasury Regulations that have not yet been promulgated. In the absence of such regulations, the application of the market discount rules in the present transaction is uncertain.

In addition, because the exchange of New Common Stock for Senior Subordinated Notes would qualify as an exchange under Section 351 of the IRC as well as a recapitalization, it is possible that Treasury Regulations authorized but not yet promulgated will provide that holders of Senior Subordinated Notes will be required to recognize accrued but unrecognized market discount upon such exchange to the extent of gain realized.

It may be noted generally that the Treasury Department is authorized to issue regulations that may affect or change the rules discussed above. Creditors should consult their tax advisors regarding the application of the market discount rules to them.

5. Holders of Credit Agreement Claims. Under the Plan, holders of Allowed Credit Agreement Claims will, at the Debtor's discretion, be entitled to receive certain consideration described above. See "THE PLAN-Classification and Treatment of Claims and Interests Under the Plan-Credit Agreement Claims." In the event the Debtor exercises its option to execute the Post-Confirmation Credit Documents, such execution may (subject to the discussion below) constitute a taxable exchange of such Allowed Credit Agreement Claims. In addition, in the event the Debtor exercises its option to terminate the Existing Credit Agreement, such termination will constitute a taxable exchange of such Allowed Credit Agreement Claims. In the case of a taxable exchange, holders of Allowed Credit Agreement Claims will (subject to the accrued interest and market discount rules discussed above) generally recognize taxable gain or loss equal to the difference between the fair market value of the consideration received over such holders' basis in the Allowed Credit Agreement Claims.

As noted above, the execution of the Post-Confirmation Credit Documents pursuant to the Debtor's option under the Plan may, depending on the terms of the Post-Confirmation Credit Documents, be treated as an exchange under Section 1001 of the IRC of the Existing Credit Agreement for a modified debt instrument (i.e., the Post-Confirmation Credit Documents) that differs materially either in kind or in extent. In such case, such execution would give rise to a taxable exchange with respect to the Allowed Credit Agreement Claims. Because of the uncertainty relating to the terms of the Post-Confirmation Credit Documents, the Debtor is currently unable to determine whether such execution would give rise to a taxable exchange. In addition, the federal income tax consequences to holders of Allowed Credit Agreement Claims is uncertain due to the potential

application of Treasury regulations applicable to modifications of debt instruments currently promulgated in proposed form. Holders of Allowed Credit Agreement Claims are urged to consult their tax advisors regarding the application of the above rules.

6. Allocation of Consideration Received. Reorganized Grand Union intends to take the position that consideration distributed to Creditors will be allocated first in satisfaction of such Creditors' Claims for principal to the extent thereof and thereafter, to the extent of any excess, for accrued interest. Certain legislative history indicates that an allocation provided in a bankruptcy plan may be binding for federal income tax purposes. However, the IRS may take the position that consideration distributed to Creditors should be allocated (i) to Claims for principal and Claims for accrued interest in proportion to the relative amounts thereof, or (ii) first in satisfaction of such Creditors Claims for accrued interest to the extent thereof and thereafter, to the extent of any excess, to the principal amount of Claims held by such Creditors. Creditors should consult their own tax advisors as to the proper allocation of consideration between principal and interest.

7. Distribution of Warrants to Holders of Zero Notes. Pursuant to the Plan, the Debtor will issue the Series 1 Warrants and Series 2 Warrants to the holders of the Zero Notes. For federal income tax purposes, the Debtor intends to take the position that the Warrants were issued to the holders of the Zero Notes in exchange for the release of such holders' asserted Claims against the Debtor, and, accordingly, the holders of the Zero Notes should realize ordinary income in an amount equal to the fair market value of the Warrants on the date such Warrants are issued. On that basis, the distribution of the Warrants to the holders of the Zero Notes should not effect the tax basis of such holders in the Zero Notes.

8. Backup Withholding and Information Reporting. A noncorporate holder of Senior Notes, Senior Subordinated Notes, New Senior Notes or New Common Stock may be subject to backup withholding at the rate of 31% with respect to "reportable payments," which include dividends or interest paid on or the proceeds of a sale, exchange or redemption of such securities. The payor will generally be required to deduct and withhold the prescribed amounts if (a) the payee fails to furnish a taxpayer identification number to the payor in the manner required, (b) the IRS notifies the payor that the taxpayer identification number furnished by the payee is incorrect, or (c) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(D) of the IRC. In general, if any one of these events occurs, the Debtor would be required to withhold an amount equal to 31% from any dividend payment made with respect to New Common Stock, or any payment of interest or principal pursuant to the terms of the Senior Notes, the Senior Subordinated Notes or the New Senior Notes. In such case, Reorganized Grand Union may not be required pursuant to the Plan to make any distribution to any Entity. See "THE PLAN-Distributions Under the Plan-Compliance with Tax Requirements." Amounts paid as backup withholding do not constitute an additional tax and will be credited against the holder's federal income tax liabilities, so long as the required information is provided to the IRS. The Debtor will report to the holders of Senior Notes, Senior Subordinated Notes, New Senior Notes or New Common Stock and to the IRS the amount of any "reportable payments" for each calendar year on the appropriate IRS Form 1099.

For holders of the Senior Notes, Reorganized Grand Union does not intend to report the payment of any interest by reason of the exchange of the New Senior Notes for Senior Notes unless the issue price of the New Senior Notes (see "CERTAIN FEDERAL INCOME TAX CONSEQUENCES-Tax Consequences to Creditors-Original Issue Discount") exceeds the principal amount of the Senior Notes exchanged therefore, in which case Reorganized Grand Union will report the amount of such excess attributable to accrued interests to holders and the IRS as interest on IRS Form 1099-INT.

B. Tax Consequences to Reorganized Grand Union

1. Cancellation of Indebtedness

Under general tax principles, Reorganized Grand Union would realize cancellation of debt ("COD") income to the extent that a Creditor receives from Reorganized Grand Union pursuant to the Plan an amount of consideration in respect of a Claim against the Debtor that is worth less than the amount of such Claim. For this purpose, the amount of consideration received by a Creditor would equal the fair market value of the New Common Stock or the issue price of the New Senior Notes, as the case may be, received by such Creditor. Because the Debtor will be in a bankruptcy case at the time the COD income is realized, it will not be required to include COD income in gross income, but rather will be required to reduce its net operating loss carryovers ("NOLs") by the amount so excluded (and, if such amount exceeds the amount of NOLs, certain other tax attributes). As noted above, it is possible that the New Senior Notes will be issued with OID. In that case, Reorganized Grand Union would realize an

amount of COD income equal to the excess of the stated principal amounts of the Senior Notes over the issue price of the New Senior Notes. The Debtor believes that all or substantially all of its NOLs will be eliminated as a consequence of the recognition of COD income.

2. Limitation on Net Operating Losses. The Debtor believes that the transactions contemplated by the Plan will cause an ownership change under section 382 of the IRC. While the Debtor believes that all or

substantially all of its NOLs will be eliminated as a consequence of the recognition of COD income, such ownership changes could have a significant adverse effect on the Debtor's utilization of any remaining NOLs as well as certain built-in losses. Moreover, events outside the control of the Debtor may cause or have caused an ownership change under Section 382 of the IRC to occur prior to the consummation of the Plan.

3. Liability of Reorganized Grand Union for Prior Federal Income Taxes. Under the Treasury Regulations, corporations which are members of an affiliated group filing consolidated federal income tax returns are severally liable for the federal income tax liability of the affiliated group for each taxable year for which they were a member of such group during all or any part of such taxable year. Since July 1989, the Debtor has been a member of the affiliated group filing federal income tax returns of which Holdings is the common parent (the "Holdings Group"). The consummation of the Plan will result in the Debtor ceasing to be a member of the Holdings Group as of the day following the day that the Plan is consummated. Furthermore, the consummation of the Plan will result in the recognition of certain built-in gains within the Holdings Group. As a result of the substantial net operating losses of Holdings, such gains are not expected to result in any regular income tax liability, but because of limitations on the carryforward of alternative minimum net operating losses, ten percent (10%) of such recognized gains will be subject to the alternative minimum income tax.

As a former member of the Holdings Group, Reorganized Grand Union may be held liable for the income taxes of the Holdings Group for taxable years during which the Debtor was a member of the Holdings Group, including the alternative minimum tax liability of the Holdings Group for the entire taxable year during which the Plan is consummated. In view of the substantial losses of the Holdings Group during years which the Debtor has been a member of the Holdings Group, the Debtor believes that the income tax liability (including the alternative minimum tax liability) of the Holdings Group for which the Debtor may be severally liable would be less than $1 million.

THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN MANY RESPECTS, UNCERTAIN. THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND, AS SUCH, DOES NOT THE DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR CREDITOR OR HOLDER OF INTERESTS IN THE DEBTOR. ALL CREDITORS AND HOLDERS OF INTERESTS IN THE DEBTOR ARE STRONGLY URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE PLAN THAT ARE RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES.

XIX. FINANCIAL AND LEGAL ADVISORS; FEES AND EXPENSES

The Debtor has engaged Willkie Farr & Gallagher and Young Conaway Stargatt & Taylor to act as bankruptcy co-counsel, Price Waterhouse LLP, the Debtor's regular outside accountants and consultants, to act as the Debtor's accountants and consultants, and Donovan Leisure Newton & Irvine, the Debtor's regular corporate counsel, to act as special corporate counsel. For their services to the Debtor in connection with the Chapter 11 Case, these professionals will receive customary hourly fees and will be reimbursed for all reasonable out-of-pocket expenses.

The three Informal Committees, with the Debtor's consent and at its expense, engaged the following legal and financial advisors in connection with the Debtor's restructuring: (a) for the committee representing certain holders for Senior Notes, the law firms of Stroock & Stroock & Lavan and Rosenthal, Monhait, Gross & Goddess, P.A. and the investment banking firm of Houlihan Lokey Howard & Zukin; (b) for the committee representing certain holders of Senior Subordinated Notes, the law firm of Ropes and Gray and the investment banking firm of Donaldson, Lufkin & Jenrette; and (c) for the committee representing certain trade creditors, the law firm of Pepper, Hamilton & Scheetz.

The Plan provides that the reasonable fees and expenses incurred on or after the Filing Date (which may, as such fees relate to financial advisors, include a request by such professionals for success fees) by the counsel and financial advisors retained by agreement with the Debtor prior to the Filing Date by the

Informal Committees (together with the reasonable fees and expenses of local counsel) with respect to the Chapter 11 Case will be paid (without application by or on behalf of any such professionals to the Bankruptcy Court, and without notice and a hearing, unless specifically requested by the Bankruptcy Court upon request of a party in interest) by Reorganized Grand Union as an Administrative Expense. If Reorganized Grand Union and any professional cannot agree on the amount of fees and expenses to be paid to such professional, the amount of any such fees and expenses will be determined by the Bankruptcy Court.

The reasonable fees and expenses of the legal and financial advisors to the Informal Committees incurred prior to the Filing Date will be treated as General Unsecured Claims.

In addition, the fees and expenses of the professionals retained by the Official Committee (and any other committee appointed in this case) will be payable as Administrative Expenses, subject to application of and approval by the Bankruptcy Court, on notice and a hearing, on the later of the Effective Date or the date such fees and expenses are approved by the Bankruptcy Court.

The reasonable fees and expenses incurred on or after the Filing Date by the Capital Committee Advisors or the Informal Zero Committee Advisors with respect to this Chapter 11 Case or the GUCC Chapter 11 Case will be paid by Reorganized Grand Union after notice and a hearing in accordance with the procedures established by the Bankruptcy Court for professionals employed by the Debtor or the Official Committee; provided, however, that the aggregate maximum amount of fees and expenses for the Capital Committee Advisors and the Informal Zero Committee Advisors that shall be payable in this Chapter 11 Case shall not exceed $750,000 (plus the amount of any prepetition retainer). Applications for such compensation and reimbursement of expenses by such professionals must be filed no later than forty-five (45) days after the Effective Date.

Finally, the reasonable fees and expenses incurred on or after the Filing Date through the Effective Date by the GUHC and GUCC Legal Advisors with respect to this Chapter 11 Case, the GUCC Chapter 11 Case or the GUHC Chapter 11 Case will be paid (after application of any retainer held by any such professional) by Reorganized Grand Union after notice and a hearing in accordance with the procedures established by the Bankruptcy Court for professionals employed by the Debtor or the Official Committee. Applications for compensation and reimbursement of expenses by such professionals must be filed no later than forty-five (45) days after the Effective Date. On and after the Effective Date, Reorganized Grand Union will pay the reasonable fees and expenses of the GUHC and GUCC Legal Advisors incurred with respect to the dissolution of GUCC and GUHC. Notwithstanding anything in the Plan to the contrary, the aggregate amount of fees and expenses payable to the GUHC and GUCC Legal Advisors pursuant to Section 2.04 of the Plan will not exceed, in the aggregate, $150,000, in addition to the amount of any retainers paid to such professionals.

The Debtor estimates that the aggregate amount of all such administrative fees and expenses will be approximately $7.5 million.

XX. CONCLUSION

The Debtor believes that confirmation of the Plan is desirable and in the best interests of all holders of Claims and Interests. The Debtor therefore urges you to vote to accept the Plan.

Dated: Wilmington, Delaware
April 19, 1995

THE GRAND UNION COMPANY

By: /s/ Francis E. Nicastro
Francis E. Nicastro
An Officer

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Appendix A

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: Chapter 11

THE GRAND UNION COMPANY, Case No. 95-84 (PJW)
also d/b/a Big Star,

Debtor.

SECOND AMENDED CHAPTER 11 PLAN OF THE GRAND UNION COMPANY

April 19, 1995

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DEBTOR'S CHAPTER 11 PLAN

THE GRAND UNION COMPANY, the above-captioned Debtor and Debtor-In-Possession, proposes the following chapter 11 plan pursuant to section 1121(a) of the Bankruptcy Code:

ARTICLE 1

Rules of Interpretation and Definitions

1.01. Rules of Interpretation. Whenever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. The words "herein," "hereof," "hereto," "hereunder" and others of similar import, refer to the Plan as a whole and not to any particular section, subsection or clause contained in the Plan. Captions and headings to articles, sections and exhibits are inserted for convenience of reference only and are not intended to be part of or to affect the interpretation of the Plan. The rules of construction set forth in section 102 of the Bankruptcy Code shall apply. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) and Section 16.12 hereof shall apply; provided, however, that in the event of any inconsistency, Bankruptcy Rule 9006(a) shall govern.

1.02. Definitions. Unless the context requires otherwise, the following words and phrases shall have the meanings set forth below when used in initially-capitalized form in this Plan:

Additional Facility: The amounts by which the Revolving Credit Facility and the Term Facility shall increase as set forth in Section 6.01(a)(i) of this Plan.

Additional Facility Lenders: Bankers Trust or Bankers Trust and the syndicate of commercial banks and other financial lenders arranged by Bankers Trust to

provide the Additional Facility.

Administrative Expense: Collectively, (a) any cost or expense of administration of the Chapter 11 Case allowable under section 503(b) of the Bankruptcy Code, including, without limitation, the fees and expenses of professionals employed by the Debtor, the Official Committee, the Informal Committee(s) and the Indenture Trustees (if and to the extent the fees and expenses of the Indenture Trustees are not General Unsecured Claims or Miscellaneous Secured Claims), to the extent allowed or, as applicable, agreed to by the Debtor and/or Reorganized Grand Union pursuant to Sections 2.02, 2.03 or 2.04 of the Plan, and (b) any fees or charges assessed against the Debtor's estate under title 28, United States Code, section 1930.

Affiliate(s): shall have the meaning set forth in section 101 of the Bankruptcy Code and shall include GUCC and GUHC.

Allowed: Subject to Section 7.07 hereof, with respect to Administrative Expenses or Claims, (a) any Administrative Expense or Claim against the Debtor, proof of which is timely filed or by order of the Bankruptcy Court is not or will not be required to be filed, (b) any Claim that has been or is hereafter listed in the Schedules as liquidated in amount and not disputed or contingent, or (c) any Administrative Expense or Claim allowed pursuant to this Plan and, in each such case in (a) and (b) above, as to which either (i) no objection to the allowance thereof has been interposed within the applicable period of time fixed by this Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or (ii) such an objection is so interposed and the Administrative Expense or Claim shall have been allowed by a Final Order (but only to the extent so allowed).

Alternative Commitment Letter: If the Debtor elects the treatment set forth in Section 6.01(a)(ii) hereof with respect to the Credit Agreement Claims, a binding commitment to provide Reorganized Grand Union not less than $204 million in loan facilities (of which not less than $57 million shall be term facilities) on the

Effective Date on terms satisfactory to the Debtor and reasonably satisfactory to the Official Committee and the Informal Committee of Senior Noteholders, which loan facility shall in part be used to pay Credit Agreement Claims in full on the Effective Date, as provided in Section 6.01(a)(ii)(x) herein.

Alternative Credit Documents: New credit documents to be executed on the Effective Date by Reorganized Grand Union and which will contain those terms set forth in the Alternative Commitment Letter.

Ballot: The form of ballot distributed, together with the Disclosure Statement, to holders of Claims entitled to vote for the purpose of acceptance or rejection of this Plan.

Bankers Trust: Bankers Trust Company.

Bankruptcy Code: Title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Case.

Bankruptcy Court: The United States Bankruptcy Court for the District of Delaware.

Bankruptcy Rules: The Federal Rules of Bankruptcy Procedure, as amended, promulgated under section 2075 of title 28 of the United States Code and the Local Rules of the Bankruptcy Court, as applicable from time to time during the Chapter 11 Case.

Board of Directors: The board of directors of the Debtor as it exists immediately prior to the Effective Date.

Business Day: Any day other than a Saturday, Sunday or "legal holiday" as defined in Bankruptcy Rule 9006(a).

Cancelled Security: A security, note or other instrument evidencing an Impaired Claim or Impaired Interest outstanding immediately prior to the Effective Date.

Capital Committee: The Official Committee of Unsecured Creditors of Grand Union Capital Corporation.

Capital Committee Advisors: Collectively, The Argosy Group, L.P., Peterson Consulting L.P., Marcus Montgomery Wolfson P.C., and Williams, Hershman & Wisler, P.A., in their capacity as advisors to the Capital Committee.

Capital Indenture Trustees: The trustees under the Capital Indentures, in their capacity as such (i.e., First Trust National Association and Marine Midland Bank, and any of their successors and assigns).

Capital Indentures: The indentures governing the Zero Notes.

Causes of Action: Any and all actions, causes of action, suits, accounts, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whether known or unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise.

Chapter 11 Case: The case under chapter 11 of the Bankruptcy Code concerning the Debtor which was commenced on the Filing Date.

Claim: Any right to (a) payment from the Debtor, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable,

secured or unsecured, or (b) an equitable remedy for breach of performance if such breach gives rise to a right to payment from the Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

Claims Bar Date: The date fixed by the Bankruptcy Court as the deadline for filing proofs of claim applicable to Creditors whose Claims are included in Class 3, Class 5, Class 6(b), Class 7 and Class 11 of the Plan.

Commission: The Securities and Exchange Commission.

Commitment Letter: The agreement with Bankers Trust, dated January 24, 1995, as amended from time to time, pursuant to which Bankers Trust agreed to provide Reorganized Grand Union with no less than an additional $65 million of secured loan facilities (in addition to the facilities currently outstanding under the Existing Credit Agreement), upon those terms and conditions set forth in the Commitment Letter and the Credit Facility Term Sheet. Conformed copies of the Commitment Letter and the Credit Facility Term Sheet are collectively annexed hereto as Exhibit A.

Committee(s): Any committee or committees appointed pursuant to section 1102(a) of the Bankruptcy Code in the Chapter 11 Case, including, without limitation, the Official Committee.

Confirmation Date: The date and time on which the Confirmation Order is entered on the docket maintained by the Clerk of the Bankruptcy Court.

Confirmation Order: The order entered by the Bankruptcy Court confirming the Plan.

Credit Agreement Claim: Any Claim against the Debtor by the Existing Banks pursuant to the Existing Credit Documents.

Credit Facility Term Sheet: The term sheet, dated February 2, 1995, as amended from time to time, by and between the Debtor and Bankers Trust, as contemplated in the Commitment Letter. Conformed copies of the Commitment Letter and the Credit Facility Term Sheet are collectively annexed hereto as Exhibit A.

Creditor: Any Entity that is the holder of a Claim against the Debtor that arose on or before the Filing Date or a Claim against the Debtor's estate of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code.

Debtor: The Grand Union Company.

Debtor-In-Possession: The Debtor as debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

Disclosure Statement: The disclosure statement distributed to holders of Claims entitled to vote for the purpose of acceptance or rejection of this Plan in accordance with section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018.

Disputed: With respect to Administrative Expenses or Impaired Claims, any Administrative Expense or Impaired Claim that is not yet Allowed or disallowed.

Effective Date: That day that is five (5) Business Days after the conditions to the occurrence of the Effective Date of the Plan set forth in Section 15.02 have been satisfied or waived, or such earlier day after such conditions have been satisfied or waived that is designated by the Debtor.

11-1/4% Senior Note Claim: Any Claim against the Debtor by a holder of an 11-1/4% Senior Note for principal and interest.

11-1/4% Senior Notes: Collectively, the 11-1/4% Senior Notes due 2000, as amended, modified, restated or supplemented from time to time, issued by the Debtor.

11-3/8% Senior Note Claim: Any Claim against the Debtor by a holder of an 11-3/8% Senior Note for principal and interest.

11-3/8% Senior Notes: Collectively, the 11-3/8% Senior Notes due 1999, as amended, modified, restated or supplemented from time to time, issued by the Debtor.

Entity: Includes, without limitation, any individual, corporation, limited or general partnership, joint venture, association, joint stock company, estate, entity, trust, trustee, United States trustee, unincorporated organization, government, governmental unit (as defined in the Bankruptcy Code), agency or political subdivision thereof.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Existing Banks: Collectively, the banks and other financial institutions party to the Existing Credit Agreement, or their successors and assigns, as the case may be, as of the date to which reference to the Existing Banks is made.

Existing Credit Agreement: The Credit Agreement, dated as of July 14, 1992, among the Company, the Existing Banks, Bankers Trust, as administrative agent, and Midlantic National Bank, as co-agent, and various other lending institutions, as amended.

Existing Credit Documents: The Credit Documents as defined in the Existing Credit Agreement.

Filing Date: January 25, 1995.

Final Order: An order or judgment entered on the docket by the Clerk of the Bankruptcy Court or any other court exercising jurisdiction over the subject matter and the parties (a) that has not been reversed, stayed, modified or amended, (b) as to which no appeal, certiorari proceeding, reargument or other review or rehearing has been requested or is still pending, and (c) as to which the time for filing a notice of appeal or petition for certiorari or request for reargument or further review or rehearing has expired.

General Unsecured Claim: Any Unsecured Claim against the Debtor other than a Senior Subordinated Claim, a Subordinated Claim, Senior Zero Note Claim, Junior Zero Note Claim or a Trade Claim. General Unsecured Claims shall include, without limitation, Intercompany Claims and any Unsecured Claims arising from or with respect to the leasing of real estate and equipment, utility service, employee benefits, the fees and expenses of Indenture Trustees pursuant to the Indentures whether accruing before or after the Filing Date (except to the extent such fees and expenses are Miscellaneous Secured Claims or Administrative Expenses), or the provision of financial, legal or other professional services to the Debtor or for which the Debtor has agreed to pay. Solely for purposes of effectuating the Zero Settlement, the reasonable fees and expenses of the Capital Indenture Trustees (whether accruing before or after the Filing Date) shall constitute General Unsecured Claims.

GUCC: Grand Union Capital Corporation.

GUCC Chapter 11 Case: The case under chapter 11 of the Bankruptcy Code concerning GUCC which was commenced on February 6, 1995.

GUHC: Grand Union Holdings Corporation.

GUHC and GUCC Legal Advisors: Saul, Ewing, Remick & Saul and Patterson, Belknap, Webb & Tyler, L.L.P., in their capacity as attorneys for GUHC and GUCC.

GUHC Chapter 11 Case: The case under chapter 11 of the Bankruptcy Code concerning GUHC which was commenced on February 16, 1995.

Impaired: Any Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

Indenture Trustees: The trustees under the Indentures in their capacity as such (i.e., First Trust National Association; First Trust of California, National Association; United States Trust Company of New York; Chemical Bank; and State Street Bank and Trust Company; and any of their successors and assigns).

Indentures: The indentures governing the Senior Notes and Senior Subordinated Notes.

Informal Committee(s): The informal committees established prior to the Filing Date consisting of certain holders of: (a) Senior Notes (represented by Stroock & Stroock & Lavan and Rosenthal, Monhait, Gross & Goddess, P.A.), (b) Senior Subordinated Notes (represented by Ropes & Gray) and (c) Trade Claims (represented by Pepper, Hamilton & Scheetz).

Informal Zero Committee: The informal committee established prior to the Filing Date consisting of certain holders of Zero Notes (represented by Marcus Montgomery Wolfson, P.C.).

Informal Zero Committee Advisors: Collectively, The Argosy Group L.P., Marcus Montgomery Wolfson, P.C., and Williams, Hershman & Wisler, P.A., in their capacity as advisors to the Informal Zero Committee.

Insider: As defined in section 101 of the Bankruptcy Code; provided that MTH and Penn Traffic, and any Affiliate of such entities other than the Debtor, shall be deemed to be Insiders for purposes of this Plan.

Intercompany Claim: Any Claim arising prior to the Filing Date against the Debtor originally held by GUCC or GUHC or any wholly-owned subsidiary of the Debtor.

Intercreditor Agreement: The agreement between the Additional Facility Lenders and the Existing Banks who do not become Additional Facility Lenders to be executed on and become effective as of the Effective Date. If the Intercreditor Agreement is included in an amendment and restatement of the Existing Credit Agreement (i.e., the Post-Confirmation Credit Agreement), reference herein to the Intercreditor Agreement shall be to the Post-Confirmation Credit Agreement.

Interest Rate Protection Agreement: The Interest Rate and Currency Exchange Agreement, dated as of July 19, 1992, by and between the Debtor and Bankers Trust.

Interest Rate Protection Agreement Claims: Any Claims against the Debtor for payment of amounts due under the Interest Rate Protection Agreement.

Interests: The equity interests in the Debtor including, but not limited to, those represented by shares of capital stock of the Debtor and any options, warrants, calls, subscriptions or other similar rights or other agreements, commitments or outstanding securities obligating the Debtor to issue, transfer or sell any shares of capital stock of the Debtor.

Junior Zero Note Claims: Any Claim asserted against the Debtor by a holder of a Junior Zero Note relating to or arising from the ownership of a Junior Zero Note issued by GUCC.

Junior Zero Notes: Collectively, the 16.5% Senior Subordinated Zero Coupon Notes due January 15, 2007, Series A and B, as amended, modified, restated or supplemented from time to time, issued by GUCC.

Leasehold Interest: All real property leasehold interests (a) assumed by the Debtor either pursuant to this Plan or by separate order of the Bankruptcy Court and/or (b) acquired by Reorganized Grand Union on or after the Effective Date.

Lien Rights: (a) the rights of each Indenture Trustee or Capital Indenture Trustee under the Indentures or Capital Indentures to collect and receive any property deliverable in respect of the Claims of the respective securityholders and to apply the property in accordance with the priorities in the applicable Indenture or Capital Indenture, as the case may be, and (b) its lien, prior to the Securities (as defined in the respective Indenture or Capital Indenture), on that property.

Miscellaneous Secured Claim: Any Claim that is a secured claim under section 506(a) of the Bankruptcy Code (including, without limitation, the Claims of the Indenture Trustees for the Senior Notes for fees and expenses, if and to the extent such Claims are secured claims), other than Credit Agreement Claims, Interest Rate Protection Agreement Claims and Senior Note Claims.

MTH: Miller Tabak Hirsch & Co. and its Affiliates.

MTH Management Agreement: The management agreement, dated July 22, 1992, by and between MTH and the Debtor.

MTH Settlement Agreement: An agreement substantially in the form annexed hereto as Exhibit B, pursuant to which: (a) MTH shall be paid all amounts due and owing under the MTH Management Agreement for services provided through the Effective Date; and (b) MTH shall waive any rights to damages for termination of the MTH Management Agreement, including, without limitation (x) compensation for

the period from and after the Effective Date through July 22, 1997 (the date the MTH Management Agreement otherwise would have expired on its own terms); and (y) except to the extent set forth in Section 14.06 below and in the MTH Settlement Agreement, any indemnification claims arising under the MTH Management Agreement.

New Common Stock: The shares of Common Stock to be issued by Reorganized Grand Union pursuant to the terms of the Plan (or issuable after the Effective Date) and having the relative rights as set forth in the Restated Certificate of Incorporation.

New Senior Note Indenture: An indenture, dated as of the Effective Date, satisfactory to the Debtor to be entered into by Reorganized Grand Union with respect to the New Senior Notes.

New Senior Notes: Collectively, the notes to be issued on or promptly after the Effective Date by Reorganized Grand Union pursuant to the New Senior Note Indenture in the aggregate principal amount of $595,475,922, which notes shall be unsecured and bear interest at 12% per annum from September 1, 1995, to the holders of Allowed Senior Note Claims.

Official Committee: The Official Committee of Unsecured Creditors of The Grand Union Company appointed by the United States Trustee on February 6, 1995, pursuant to section 1102(a) of the Bankruptcy Code.

Plan: This Second Amended Chapter 11 Plan, as amended or modified from time to time.

Post-Confirmation Banks: The Existing Banks and the Additional Facility Lenders.

Post-Confirmation Credit Agreement: Either a new credit agreement or the amendment and restatement of the Existing Credit Agreement (whichever Bankers Trust, in its sole discretion, may select) which is to be executed as of the Effective Date by Reorganized Grand Union and which will contain those terms set forth in the Commitment Letter and the Credit Facility Term Sheet and which will evidence the Revolving Credit Facility and the Term Facility on and after the Effective Date.

Post-Confirmation Credit Documents: Either new documents of the type included in the definition of Credit Documents in the Existing Credit Agreement replacing such Credit Documents or amendments and restatements of such documents (whichever Bankers Trust, in its sole discretion, may select).

Post-Confirmation Facility: The loans and other financial accommodations provided pursuant to the Post-Confirmation Credit Documents including the Revolving Credit Facility and the Term Facility.

Post Reorganization Board: The board of directors of Reorganized Grand Union as determined pursuant to Section 10.02 hereof.

Priority Claim: Any Claim, other than a Priority Tax Claim or an Administrative Expense, which is entitled to priority in payment under section 507(a) of the Bankruptcy Code.

Priority Tax Claim: Any Claim which is entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code.

Registration Rights Agreement(s): The agreements to be entered into by Reorganized Grand Union pursuant to Section 11.05 of this Plan.

Reorganized Grand Union: The Debtor from and after the Effective Date.

Restated Bylaws: The bylaws of Reorganized Grand Union, as amended and restated pursuant to this Plan, substantially in the form of Exhibit C hereto.

Restated Certificate of Incorporation: The certificate of incorporation of Reorganized Grand Union, as amended and restated pursuant to this Plan, substantially in the form of Exhibit D to this Plan.

Retirement Plan: The Grand Union Employees' Retirement Plan.

Revolving Credit Facility: As the text requires, either the revolving credit facility in the Existing Credit Agreement or in the Post-Confirmation Credit Agreement.

Schedules: The Schedules of Assets and Liabilities and the Statement of Affairs for Debtor Engaged in Business, including any amendment thereto, that are required to be filed by the Debtor on or prior to April 4, 1995.

Senior Bank Agent: Bankers Trust as agent pursuant to the Existing Credit

Agreement.

Senior Note Claim: Any Claim against the Debtor by a holder of a Senior Note for any principal and interest due and owing on such Senior Note.

Senior Noteholders: The holders of Senior Notes.

Senior Notes: The 11-1/4% Senior Notes and the 11-3/8% Senior Notes.

Senior Subordinated Claim: Any Claim against the Debtor by the holder of a Senior Subordinated Note for principal and interest due and owing on such Senior Subordinated Note.

Senior Subordinated Notes: Collectively, the 12-1/4% Senior Subordinated Notes, the 12-1/4% Senior Subordinated Notes, Series A, and the 13% Senior Subordinated Notes.

Senior Zero Note Claims: Any Claim asserted against the Debtor by a holder of a Senior Zero Note relating to or arising from the ownership of a Senior Zero Note issued by GUCC.

Senior Zero Notes: Collectively, the 15% Senior Zero Coupon Notes due July 15, 2004, Series A and B, as amended, modified, restated or supplemented from time to time, issued by GUCC.

Series 1 Warrants: The Series 1 Warrants to be issued under the Plan pursuant to a warrant agreement substantially in the form annexed hereto as Exhibit E.

Series 2 Warrants: The Series 2 Warrants to be issued under the Plan pursuant to a warrant agreement substantially in the form annexed hereto as Exhibit E.

Settlement Order: An order of the Bankruptcy Court approving the Zero Settlement in this Chapter 11 Case.

Subordinated Claim: Any Claim against the Debtor subject to subordination pursuant to sections 510(b) or (c) of the Bankruptcy Code.

Term Facility: As the text requires, either the term loan facility in the Existing Credit Agreement or in the Post-Confirmation Credit Agreement.

13% Senior Subordinated Note Claim: Any Claim against the Debtor by a holder of a 13% Senior Subordinated Note for principal and interest due and owing on such notes.

13% Senior Subordinated Notes: Collectively, the 13% Senior Subordinated Notes due 1998, as amended, restated or supplemented from time to time, issued by GU Acquisition Corporation.

Trade Agreement: An agreement executed by and between the Debtor and a holder of a Trade Claim as contemplated pursuant to the Order Granting Authority for Provisional Payment of Prepetition Trade Claims entered by the Bankruptcy Court on February 10, 1995.

Trade Claim: A Claim of an Entity against the Debtor for goods provided prior to the Filing Date by such Entity to the Debtor for resale to the general public in the ordinary course of business.

12-1/4% Senior Subordinated Note A Claim: Any Claim against the Debtor by a holder of a 12-1/4% Senior Subordinated Note, Series A for principal and interest due and owing on such note.

12-1/4% Senior Subordinated Note Claim: Any Claim against the Debtor by a holder of a 12-1/4% Senior Subordinated Note for principal and interest due and owing on such note.

12-1/4% Senior Subordinated Notes: Collectively, the 12-1/4% Senior Subordinated Notes due 2002, as amended, restated or supplemented from time to time, issued by the Debtor.

12-1/4% Senior Subordinated Notes, Series A: Collectively, the 12-1/4% Senior Subordinated Notes due 2002, Series A, as amended, restated or supplemented from time to time, issued by the Debtor.

Ultimately Allowed Claim: Any Disputed Claim to the extent that it becomes an Allowed Claim in accordance with Section 13.02 of this Plan.

Unimpaired Claim: A Claim which is not Impaired.

Unsecured Claim: Any Claim other than a Credit Agreement Claim, an Interest Rate Protection Agreement Claim, a Senior Note Claim, a Miscellaneous Secured Claim, an Administrative Expense, a Priority Claim or a Priority Tax Claim.

Warrants: Collectively, the Series 1 Warrants and the Series 2 Warrants.

Zero Claims Release: A release substantially in the form of Exhibit F hereto (all terms not defined therein shall have the meanings ascribed to such terms in this Plan).

Zero Notes: Collectively, the Senior Zero Notes and the Junior Zero Notes.

Zero Settlement: A settlement, substantially in the form annexed hereto as Exhibit G (all terms not defined therein shall have the meanings ascribed to such terms in this Plan), concerning, among other things, the Senior Zero Note Claims and the Junior Zero Note Claims.

ARTICLE 2

Provisions for Treatment of Administrative Expenses

2.01. Administrative Expenses. Each holder of an Allowed Administrative Expense shall be entitled to payment in full in cash by Reorganized Grand Union, at its option, on (a) the later of (i) the Effective Date and (ii) the date on which the Bankruptcy Court enters an order allowing such Administrative Expense, and (b) the date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the Entity claiming such Allowed Administrative Expense otherwise agree or have agreed; provided, however, that Allowed Administrative Expenses representing obligations incurred in the ordinary course of business by the Debtor during the Chapter 11 Case shall be paid by the Debtor or Reorganized Grand Union, as the case may be, in the ordinary course of business and in accordance with any terms and conditions of the particular transaction, and any agreements relating thereto. Any final request for payment of an Administrative Expense, including, without limitation, applications for compensation and reimbursement of expenses by professionals employed by the Debtor and the Official Committee must be filed no later than 45 days after the Effective Date; provided that no request for payment of an Administrative Expense need be filed with respect to an Administrative Expense which is paid or payable by the Debtor or Reorganized Grand Union in the ordinary course, including, without limitation, any Administrative Expense which would have been a Trade Claim had it arisen prior to the Filing Date.

2.02. Compensation to Legal Counsel and Financial Advisors to the Informal Committees/Indenture Trustees. The reasonable fees and expenses incurred on or after the Filing Date by the counsel and financial advisors retained by agreement with the Debtor prior to the Filing Date by the Informal Committees (together with the reasonable fees and expenses of local counsel) or the Indenture Trustees (to the extent they are not General Unsecured Claims or Miscellaneous Secured Claims, and subject to Section 12.07 hereof) with respect to this Chapter 11 Case shall be paid (without application by or on behalf of any such professionals to the Bankruptcy Court, and without notice and a hearing, unless specifically required by the Bankruptcy Court upon request of a party in interest) by Reorganized Grand Union as an Administrative Expense under the Plan. If Reorganized Grand Union and any such professional retained by an Informal Committee or an Indenture Trustee cannot agree on the amount of fees and expenses to be paid to such professional, the amount of any such fees and expenses shall be determined by the Bankruptcy Court. Notwithstanding anything contained in this Plan to the contrary, the fees and expenses of the legal and financial advisors to the Informal Committee of Senior Noteholders shall be paid as set forth in the final cash collateral order entered by the Bankruptcy Court on February 16, 1995.

2.03. Compensation to the Capital Committee Advisors and the Informal Zero Committee Advisors. The reasonable fees and expenses incurred on or after the Filing Date by the Capital Committee Advisors or the Informal Zero Committee Advisors with respect to this Chapter 11 Case or the GUCC Chapter 11 Case shall be paid by Reorganized Grand Union after notice and a hearing in accordance with the procedures established by the Bankruptcy Court for professionals employed by the Debtor or the Official Committee; provided, however, that the aggregate maximum amount of fees and expenses for the Capital Committee Advisors and the Informal Zero Committee Advisors that shall be payable in this Chapter 11 Case shall not exceed $750,000 (plus the amount of any prepetition retainer). Applications for such compensation and reimbursement of expenses by such professionals must be filed no later than 45 days after the Effective Date.

2.04. Compensation to GUHC and GUCC Legal Advisors.

(a) The reasonable fees and expenses incurred on or after the Filing Date through the Effective Date by the GUHC and GUCC Legal Advisors with respect to this Chapter 11 Case, the GUCC Chapter 11 Case or the GUHC Chapter 11 Case shall be paid (after application of any retainer held by any such professional) by Reorganized Grand Union after notice and a hearing in accordance with the procedures established by the Bankruptcy Court for professionals employed by the Debtor or the Official Committee. Applications for compensation and

reimbursement of expenses by such professionals must be filed no later than 45 days after the Effective Date.

(b) On and after the Effective Date, Reorganized Grand Union shall pay the reasonable fees and expenses of the GUHC and GUCC Legal Advisors incurred with respect to the dissolution of GUCC and GUHC.

(c) Notwithstanding anything in this Plan to the contrary, the aggregate amount of fees and expenses payable pursuant to this Section 2.04 shall not exceed, in the aggregate, $150,000, in addition to the amount of any retainers paid to such professionals.

ARTICLE 3

Provisions for Treatment of Priority Tax Claims

3.01. Priority Tax Claims. With respect to each Allowed Priority Tax Claim, at the sole option of Reorganized Grand Union, the holder of an Allowed Priority Tax Claim shall be entitled to receive on account of such Allowed Priority Tax Claim: (a) equal cash payments made on the last Business Day of every three month period following the Effective Date, over a period not exceeding six years after the assessment of the tax on which such Claim is based, totalling the principal amount of such Claim plus simple interest on any outstanding balance from the Effective Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Effective Date; (b) such other treatment agreed to by the holder of such Allowed Priority Tax Claim and the Debtor or Reorganized Grand Union, provided such treatment is on more favorable terms to the Debtor or Reorganized Grand Union, as the case may be, than the treatment set forth in paragraph (a) hereof; or (c) payment in full, provided that, with respect to paragraphs (b) and (c) hereof, such treatment is approved by the Bankruptcy Court.

ARTICLE 4

Classification of Claims and Interests

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of classes of Claims and Interests. Administrative Expenses and Priority Tax Claims of the kinds specified in sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code (set forth in Articles 2 and 3, above) have not been classified and are excluded from the following classes in accordance with section 1123(a)(1) of the Bankruptcy Code.

4.01. Secured Claims.

Class 1. Class 1 consists of all Credit Agreement Claims.

Class 2. Class 2 consists of all Interest Rate Protection Agreement Claims.

Class 3. Class 3 consists of all Miscellaneous Secured Claims.

Class 4. Class 4 consists of all Senior Note Claims.

4.02. Priority Claims.

Class 5. Class 5 consists of all Priority Claims.

4.03. Unsecured Claims.

Class 6(a). Class 6(a) consists of Trade Claim(s) asserted by a Creditor whose aggregate asserted Trade Claim(s) total less than $25,000.

Class 6(b). Class 6(b) consists of all Trade Claim(s) asserted by a Creditor whose aggregate asserted Trade Claims(s) total $25,000 or more.

Class 7. Class 7 consists of all General Unsecured Claims.

Class 8. Class 8 consists of all Senior Subordinated Claims.

Class 9. Class 9 consists of all Senior Zero Note Claims.

Class 10. Class 10 consists of all Junior Zero Note Claims.

Class 11. Class 11 consists of all Subordinated Claims.

4.04. Interests.

Class 12. Class 12 consists of all Interests.

ARTICLE 5

Identification of Classes and Claims and Interests Impaired and Not Impaired by this Plan

5.01. Classes of Claims Impaired by this Plan and Entitled to Vote. Credit Agreement Claims (Class 1), Interest Rate Protection Agreement Claims (Class 2), Senior Note Claims (Class 4), Priority Claims (Class 5), General Unsecured Claims (Class 7), Senior Subordinated Claims (Class 8), Senior Zero Note Claims (Class 9) and Junior Zero Note Claims (Class 10), are Impaired by this Plan and the holders of Allowed Claims in such Classes are entitled to vote to accept or reject this Plan; provided, however, that the holders of Claims to be Allowed pursuant to Article 7 of this Plan shall be entitled to vote on the Plan, regardless of whether they have filed a proof of claim.

5.02. Classes Receiving No Property Deemed to Reject this Plan. Claims in Class 11 and Interests in Class 12 are Impaired and do not receive or retain any property under this Plan. Under section 1126(g) of the Bankruptcy Code, the holders of such Interests and Claims are deemed to reject this Plan and the votes of such holders will not be solicited.

5.03. Unimpaired Classes Conclusively Presumed to Accept this Plan. Miscellaneous Secured Claims (Class 3) and Trade Claims (Class 6), are not Impaired by this Plan. Under section 1126(f) of the Bankruptcy Code, the holders of such Claims are conclusively presumed to accept this Plan, and the votes of such holders will not be solicited.

ARTICLE 6

Provisions for Treatment of Claims and Interests

6.01. Credit Agreement Claims (Class 1).

(a) On the Effective Date, the holder of an Allowed Credit Agreement Claim shall receive with respect to such Claim the treatment set forth in subparagraph (i) of this Section 6.01(a), unless, at the sole option of the Debtor (which option shall be exercised not later than five (5) days prior to the commencement of the confirmation hearing), such holder shall receive the treatment described in subparagraph (ii) of this Section 6.01(a).

(i) (x) Reorganized Grand Union shall execute the Post-Confirmation Credit Documents and such documents shall become effective (provided that the other conditions contained in the Commitment Letter and the Credit Facility Term Sheet, as and if amended by consent of Bankers Trust and the Debtor, have been satisfied). Pursuant to the Post-Confirmation Credit Agreement, the commitment with respect to the amount of the Revolving Credit Facility and the Term Facility shall be increased in the aggregate by not less than $65 million.

(y) The Post-Confirmation Facility shall be secured by a perfected, first priority lien and security interest in all of the tangible and intangible assets (including, without limitation, all assets as described in the Commitment Letter, including leases) of Reorganized Grand Union and its subsidiaries, whether in existence at the Effective Date or acquired thereafter, subject only to such liens as may be permitted pursuant to the Post-Confirmation Credit Documents. Pursuant to the Intercreditor Agreement, the Additional Facility Lenders shall have priority (with respect to the Additional Facility and with respect to those loans owed to, and letter of credit exposure of, such Additional Facility Lenders under the Existing Credit Agreement as set forth in the Intercreditor Agreement) over Existing Banks who do not contribute to the Additional Facility.

(z) Upon confirmation of the Plan, but effective as of the Effective Date, the Debtor, Reorganized Grand Union, any Entity issuing securities under the Plan, any entity acquiring property under the Plan, and any Creditor and/or equity security holder of the Debtor, shall be deemed contractually to subordinate any present or future claim, right or other interest they may have in and to any proceeds received from the disposition, release, or liquidation of any Leasehold Interest, or any funds or proceeds received as a result of a subsequent pledge of such Leasehold Interest, to the obligations owed to the Post-Confirmation Banks pursuant to the Post-Confirmation Credit Documents until such obligations are paid in full.

(ii) (x) The holder of an Allowed Credit Agreement Claim shall receive on the Effective Date, cash payments equal to 100% of such Allowed Credit Agreement Claim.

(y) Upon payment in full of the Allowed Credit Agreement Claims, the Existing Credit Agreement shall be terminated and the notes issued pursuant

thereto shall be cancelled.

(b) On the Effective Date, all interest, fees, expenses and other charges that have accrued pursuant to the terms of the Existing Credit Documents but have not been paid as of the Effective Date shall be paid to the Senior Bank Agent for distribution to those parties entitled to receive such interest, fees, expenses and other charges pursuant to the Existing Credit Documents.

(c) Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, all prepetition liens on property of the Debtor held by or on behalf of the holders of Claims in this Class with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such holders until, as to each such holder, the Allowed or Subsequently Allowed Claims of such holder in this Class are paid in full; provided, however, on and after the Effective Date, such liens shall not attach to the Warrants, the New Senior Notes or New Common Stock. Class 1 is Impaired.

6.02. Interest Rate Protection Agreement Claims (Class 2). With respect to each Allowed Interest Rate Protection Agreement Claim, at the sole option of Reorganized Grand Union to be exercised on the Effective Date: (a) the legal, equitable and contractual rights to which the Allowed Interest Rate Protection Agreement Claim entitles the holder of such Claim shall be unaltered by the Plan and the Debtor shall, on the Effective Date, cure any defaults with respect thereto; or (b) on the Effective Date, the holder of an Allowed Interest Rate Protection Agreement Claim shall receive a cash payment equal to 100% of such Allowed Interest Rate Protection Agreement Claim. Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, all prepetition liens on property of the Debtor held by or on behalf of the holders of Claims in this Class with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such holders until, as to each such holder, the Allowed or Subsequently Allowed Claims of such holder in this Class are paid in full; provided, however, on and after the Effective Date, such liens shall not attach to the Warrants, the New Senior Notes or New Common Stock. Class 2 is Impaired.

6.03. Miscellaneous Secured Claims (Class 3). With respect to each Allowed Miscellaneous Secured Claim, at the sole option of Reorganized Grand Union to be exercised on the Effective Date: (a) the legal, equitable and contractual rights to which the Allowed Miscellaneous Secured Claim entitles the holder of

such Claim shall be unaltered by the Plan, or (b) Reorganized Grand Union shall provide such other treatment that will render such Allowed Miscellaneous Secured Claim an Unimpaired Claim under section 1124 of the Bankruptcy Code; provided that the Miscellaneous Secured Claims, if any, of the Indenture Trustees shall be treated in accordance with Section 12.07 of this Plan. The Debtor's failure to object to such Claim in the Chapter 11 Case shall be without prejudice to Reorganized Grand Union's right to contest or otherwise defend against such Claim in the appropriate forum when and if such Claim is sought to be enforced by the holder thereof. Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, all prepetition liens on property of the Debtor held by or on behalf of the holders of Claims in this Class with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such holders until, as to each such holder, the Allowed or Subsequently Allowed Claims of such holder in this Class are paid in full. Class 3 is not Impaired.

6.04. Senior Note Claims (Class 4). On the Effective Date, the Senior Notes shall be cancelled, Reorganized Grand Union shall execute the New Senior Note Indenture, and, subject to section 12.02 hereof, each holder of an Allowed Senior Note Claim shall be entitled to receive, in exchange for such Allowed Senior Note Claim, its pro rata share of New Senior Notes. Such pro rata share shall be determined by the ratio between the amount of such holder's Allowed Senior Note Claims and the aggregate amount of Allowed Senior Note Claims, each calculated as of the Filing Date without taking into account any interest on overdue interest or Sections 7.02 and 7.03 hereof, and pursuant to Section 12.02 hereof. Class 4 is Impaired.

6.05. Priority Claims (Class 5). On the latest of (a) the Effective Date, (b) the date such Priority Claim becomes an Allowed Claim, or (c) the date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the holder of such Priority Claim otherwise agree or have agreed, each holder of an Allowed Priority Claim shall be entitled to receive payment in full of 100% of such Allowed Priority Claim. Class 5 is Impaired.

6.06. Trade Claims (Class 6).

(a) Class 6(a). Each Creditor asserting Trade Claim(s) that, in the aggregate, are less than $25,000 in amount, need not file a proof of claim with respect to such Trade Claim(s) in order to receive a distribution under this Plan.

(b) Class 6(b). Each Creditor asserting Trade Claim(s) that, in the aggregate, are $25,000 or more in amount, must file a proof of claim with respect to such Trade Claim(s) on or before the Claims Bar Date. In the event that any such Creditor does not timely file a proof of claim with respect to its Trade Claim(s), all Trade Claim(s) asserted by such Creditor shall be barred and discharged; provided, however, that such Trade Creditor shall be treated as having filed a proof of claim with respect to its Trade Claim(s) in the amount(s), if any, that is/are listed in the Schedules regardless of whether such Trade Claim(s) are listed in the Schedules as disputed, contingent or unliquidated.

(c) With respect to each Trade Claim included in either Class 6(a) or in Class 6(b) that is not barred or discharged pursuant to Section 6.06(b) hereof, and subject to the terms of any Trade Agreement and to the rights set forth in Section 6.06(e) hereof, at the sole option of the Debtor, (i) the legal, equitable and contractual rights to which the Trade Claim entitles the holder of such Claim shall remain unaltered or (ii) the Debtor shall provide such other treatment that will render such Trade Claim an Unimpaired Claim under section 1124 of the Bankruptcy Code.

(d) Unless a Creditor asserting Trade Claim(s) files a written objection to the Plan, such Creditor shall be deemed to have waived and forever released any right to assert or claim that it may be entitled to interest accruing with respect to such Creditor's Trade Claim(s) and any such claims or assertions for interest shall be barred and discharged. In the event that a Creditor asserting Trade Claim(s) objects to the Plan in writing, such objecting Creditor's Trade Claim(s) shall be deemed included in Class 7 of the Plan and shall be deemed to have voted to reject the Plan. In the event included in Class 7, the objecting Creditor asserting a Trade

Claim shall be subject to the proof of claim and bankruptcy claims administration requirements that are applicable to other Class 7 Creditors. Notwithstanding anything herein to the contrary, a Creditor whose Claim would have been included in either Class 6(a) or 6(b) but for the objection referenced in this paragraph: (i) with respect to a Creditor which would have been included in Class 6(a), (y) such Creditor may rely on the amount of its Claim as set forth in the Schedules in the event that its Claim is not listed as contingent, disputed or unliquidated, or, (z) in the event that its Claim is so designated, or not scheduled, such Creditor shall have ten (10) days from the date its objection is filed within which to file a proof of claim which Claim may not exceed $25,000 plus any Claim for interest on such Claim; and (ii) with respect to a Creditor which would have been included in Class 6(b), such Creditor shall either (y) have filed a proof of claim by the Claims Bar Date or (z) its Claim shall be limited by the amount of such Claim as set forth in the Schedules unless such Claim is listed as contingent, disputed or unliquidated and, in the event of such designation, such Creditor shall have ten (10) days from the date its objection is filed within which to file a proof of claim which Claim shall not exceed the amount for which it was scheduled plus any claim for interest on such Claim.

(e) The Debtor's failure to file an objection with the Bankruptcy Court to a Trade Claim shall be without prejudice to Reorganized Grand Union's right to contest or otherwise defend against such Trade Claim in the appropriate forum, including the Bankruptcy Court, when and if such Trade Claim is sought to be enforced by the holder thereof. Neither Class 6(a) nor Class 6(b) is Impaired.

6.07. General Unsecured Claims (Class 7). On the latest of (a) the Effective Date, (b) the date such General Unsecured Claim becomes an Allowed Claim, and (c) the date, or dates, on which Reorganized Grand Union or the Debtor, as the case may be, and the holder of such General Unsecured Claim otherwise agree or have agreed, each holder of an Allowed General Unsecured Claim shall be entitled to receive payment in full of 100% of such Allowed General Unsecured Claim. Subject to Section 12.07 hereof, any General Unsecured Claims of an Indenture Trustee shall be paid in full on the Effective Date or on such later date as agreed to by the parties. Class 7 is Impaired.

6.08. Senior Subordinated Claims (Class 8). On the Effective Date, the Senior Subordinated Notes shall be cancelled, and, subject to Section 12.02 hereof, each holder of an Allowed Senior Subordinated Claim shall be entitled to receive its pro rata share of the New Common Stock to be issued under the Plan. Such pro rata share shall be determined by the ratio between the amount of such holder's Allowed Senior Subordinated Claim and the aggregate amount of all Allowed Senior Subordinated Claims as of the Effective Date, and pursuant to Section 12.02 hereof. The holders of Allowed Class 8 Claims shall receive in the aggregate, on a pro rata basis, 100% of the New Common Stock to be issued under the Plan. Class 8 is Impaired.

6.09. Senior Zero Note Claims (Class 9).

(a) Subject to the terms and conditions set forth in the Zero Settlement, and solely for purposes of effectuating such settlement, on the Effective Date, the

Senior Zero Note Claims shall be allowed as set forth in Section 7.09 hereof (subordinate to all Claims and Administrative Expenses against the Debtor, other than Claims set forth in Classes 10 and 11), the Senior Zero Notes shall be cancelled, and, subject to Section 12.02 hereof, each holder of an Allowed Senior Zero Note Claim shall be entitled to receive its pro rata share of 240,000 Series 1 Warrants and 480,000 Series 2 Warrants to be issued under the Plan as its full recovery against the Debtor and Reorganized Grand Union on its Senior Zero Note Claims. Such pro rata share shall be determined by the ratio between the face amount of such holder's Senior Zero Notes and the aggregate face amount of all Senior Zero Notes and pursuant to Section 12.02 hereof.

(b) Notwithstanding anything in this Plan to the contrary, it shall be a condition to the issuance of the Warrants (i) with respect to Senior Zero Note Claims held by a particular Entity holding Senior Zero Notes that, in the aggregate, are $200,000 or more in face amount, that such Entity execute and deliver a Zero Claims Release, and (ii) with respect to each holder of a Senior Zero Note Claim, that such holder not have filed a written objection to confirmation of the Plan (which is not withdrawn prior to commencement of the

hearing on confirmation of this Plan). Any Warrants not issued by operation of the foregoing before the later of (i) two years from the Effective Date, and (ii) six months following the date such holder's Claim becomes an Allowed or Ultimately Allowed Claim shall be deemed to be unclaimed property and cancelled.

(c) The Debtor has not assumed and shall not be deemed to have assumed any liability related to or arising from the Zero Notes.

6.10. Junior Zero Note Claims (Class 10).

(a) Subject to the terms and conditions set forth in the Zero Settlement, and solely for purposes of effectuating such settlement, on the Effective Date, the Junior Zero Note Claims shall be allowed as set forth in Section 7.10 hereof (subordinate to all Claims and Administrative Expenses against the Debtor, other than Claims set forth in Class 11) , the Junior Zero Notes shall be cancelled, and, subject to Section 12.02 hereof, each holder of an Allowed Junior Zero Note Claim shall be entitled to receive its pro rata share of 60,000 Series 1 Warrants and 120,000 Series 2 Warrants to be issued under the Plan as its full recovery against the Debtor and Reorganized Grand Union on its Junior Zero Note Claims. Such pro rata share shall be determined by the ratio between the face amount of such holder's Junior Zero Notes and the aggregate amount of all Junior Zero Notes, and pursuant to Section 12.02 hereof.

(b) Notwithstanding anything in this Plan to the contrary, it shall be a condition to the issuance of the Warrants (i) with respect to Junior Zero Note Claims held by a particular Entity holding Junior Zero Notes that, in the aggregate, are $200,000 or more in face amount, that such Entity execute and deliver a Zero Claims Release, and (ii) with respect to each holder of a Junior Zero Note Claim, that such holder not have filed a written objection to the Plan (which is not withdrawn prior to commencement of the hearing on confirmation of this Plan). Any Warrants not issued by operation of the foregoing before the later of (i) two years from the Effective Date, and (ii) six months following the date such holder's Claim becomes an Allowed or Ultimately Allowed Claim shall be deemed to be unclaimed property and cancelled.

(c) The Debtor has not and shall not be deemed to have assumed any liability related to or arising from the Zero Notes.

6.11. Subordinated Claims (Class 11). No distributions shall be made in respect of Class 11. On the Effective Date, any Claims in Class 11 shall be discharged. Class 11 is Impaired.

6.12. Interests (Class 12). No distributions shall be made in respect of Class 12. On the Effective Date, all Interests shall be cancelled. Class 12 is Impaired.

ARTICLE 7

Allowance of Claims

7.01. Credit Agreement Claims. Credit Agreement Claims shall be allowed in full as set forth herein. On or prior to fifteen (15) days prior to the date first set for hearing on confirmation of the Plan, the Senior Bank Agent shall file with the Bankruptcy Court and serve on counsel for the Debtor, the Official Committee and the Informal Committee of Senior Noteholders a schedule setting forth the proposed amounts of Allowed Credit Agreement Claims (on a per Entity basis) of each of the Existing Banks to be estimated as of the Confirmation Date. If no objection is filed by the Debtor, the Official Committee or the Informal Committee of Senior Noteholders and served on the Senior Bank Agent within five (5) days after receipt of such schedule, the Credit Agreement Claims shall be deemed Allowed in the amount set forth on the schedule, together with such additional amounts which may accrue subsequent to the Confirmation Date

through and including the Effective Date. In the event the Debtor, the Official Committee or the Informal Committee of Senior Noteholders objects to the scheduled amounts, the only issue that will be determined by the Bankruptcy Court is the amount of each Existing Bank's Allowed Credit Agreement Claim. Notwithstanding anything

contained in this Plan to the contrary, the fees and expenses incurred on account of the Credit Agreement Claims shall be paid as set forth in the final cash collateral order entered by the Bankruptcy Court on February 16, 1995.

7.02. 11-1/4% Senior Note Claims. 11-1/4% Senior Note Claims shall be allowed in the aggregate amount equal to $350 million in principal plus accrued but unpaid interest and interest on overdue interest on the 11-1/4% Senior Notes to the Effective Date.

7.03. 11-3/8% Senior Note Claims. 11-3/8% Senior Note Claims shall be allowed in the aggregate amount equal to $175 million in principal plus accrued but unpaid interest and interest on overdue interest on the 11-3/8% Senior Notes to the Effective Date.

7.04. 13% Senior Subordinated Note Claims. 13% Senior Subordinated Note Claims shall be allowed in the aggregate amount of $16,820,673.61, representing principal plus accrued but unpaid interest and interest on interest, if any, on the 13% Senior Subordinated Notes to the Filing Date.

7.05. 12-1/4% Senior Subordinated Note A Claims. 12-1/4% Senior Subordinated Note A Claims shall be allowed in the aggregate amount of $53,243,059.90, representing principal plus accrued but unpaid interest and interest on interest, if any, on the 12-1/4% Senior Subordinated Notes, Series A to the Filing Date.

7.06. 12-1/4% Senior Subordinated Note Claims. 12-1/4% Senior Subordinated Note Claims shall be allowed in the aggregate amount of $532,430,598.96, representing principal plus accrued but unpaid interest and interest on interest, if any, on the 12-1/4% Senior Subordinated Notes to the Filing Date.

7.07. Unimpaired Trade Claims. Subject to Section 6.06(b) of this Plan, Unimpaired Claims which are Trade Claims shall neither be deemed Allowed nor Disputed for purposes of this Plan. The right to payment on such Claim shall be determined, resolved or adjudicated, as the case may be, as if the Chapter 11 Case had not been commenced, subject to the following sentence. The Plan shall be without prejudice to the Debtor's or Reorganized Grand Union's rights to contest or otherwise defend against such Claims in the appropriate forum, including the Bankruptcy Court, when and if such Claim is sought to be enforced by the holder thereof.

7.08. Interest Rate Protection Claims. The Interest Rate Protection Claims shall be allowed in full as set forth herein. On or prior to fifteen (15) days prior to the date first set for hearing on confirmation of the Plan, the Senior Bank Agent shall file with the Bankruptcy Court and serve on counsel for the Debtor, the Official Committee and the Informal Committee of Senior Noteholders written notice of the proposed amount of the Allowed Interest Rate Protection Claims to be estimated as of the Confirmation Date. If no objection is filed by the Debtor, the Official Committee or the Informal Committee of Senior Noteholders and served on the Senior Bank Agent within five (5) days after receipt of such schedule, the Interest Rate Protection Claims shall be deemed Allowed in the amount asserted by the Senior Bank Agent in such schedule together with such additional amounts which may accrue subsequent to the Confirmation Date through and including the Effective Date. In the event the Debtor, the Official Committee or the Informal Committee of Senior Noteholders objects to the proposed amount, the only issue that will be determined by the Bankruptcy Court is the amount of the Interest Rate Protection Claims.

7.09. Senior Zero Note Claims. For purposes of effectuating the Zero Settlement only, the Senior Zero Note Claims shall be allowed in an amount equal to the value as of the Effective Date of the distributions made on account of such Claims under the Plan.

7.10. Junior Zero Note Claims. For purposes of effectuating the Zero Settlement only, the Junior Zero Note Claims shall be allowed in an amount equal to the value as of the Effective Date of the distributions made on account of such Claims under the Plan.

ARTICLE 8

Acceptance or Rejection of this Plan;
Effect of Rejection by one or More Impaired
Classes of Claims or Interests

8.01. Each Impaired Class of Claims Entitled to Vote. Subject to Section 8.04 hereof, the holders of Claims and Interests in each Impaired Class of Claims are entitled to vote as a class to accept or reject this Plan. Holders of Claims in Classes 1, 2, 4, 8, 9 and 10 shall be entitled to vote on the Plan whether or not such claims have theretofore been Allowed.

8.02. Acceptance by an Impaired Class of Creditors. Consistent with section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted this Plan if this Plan is accepted by the holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class that have timely and properly voted to accept or reject this Plan.

8.03. Presumed Acceptances by Unimpaired Classes. Miscellaneous Secured Claims (Class 3) and Trade Claims (Class 6), which are not Impaired under this Plan, are conclusively presumed to have accepted this Plan, and the Debtor will not solicit acceptances from such Classes.

8.04. Deemed Rejection by Class 11 and Class 12. Class 11 (Subordinated Claims) and Class 12 (Interests), which are Impaired under this Plan, are deemed to have rejected this Plan, and the Debtor will not solicit votes from holders of Claims and Interests in such Classes.

8.05. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code. The Debtor intends to request that the Bankruptcy Court confirm this Plan in accordance with section 1129(b) of the Bankruptcy Code because Class 11 and Class 12 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. The Debtor also may seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to Class 7, Class 8, Class 9 and Class 10, as the case may be, to the extent such Classes reject the Plan.

ARTICLE 9

Unexpired Leases and Executory Contracts

9.01. Assumption and Rejection of Unexpired Leases and Executory Contracts.

(a) Any unexpired lease or executory contract that has not been expressly rejected by the Debtor with the Bankruptcy Court's approval on or prior to the Confirmation Date shall, as of the Confirmation Date (subject to the occurrence of the Effective Date), be deemed to have been assumed by the Debtor unless there is pending before the Bankruptcy Court on the Confirmation Date a motion to reject such unexpired lease or executory contract or such executory contract or unexpired lease is otherwise designated for rejection, provided that such lease or executory contract is ultimately rejected; provided, however, that, as of the Confirmation Date (subject to the occurrence of the Effective Date), any executory contracts or unexpired leases to which an Insider or Affiliate of the Debtor is party shall be deemed to have been rejected by the Debtor unless, by such date, either (i) such unexpired lease or executory contract has been expressly assumed by the Debtor or Reorganized Grand Union or (ii) a motion seeking such assumption has been filed, provided that such motion is ultimately granted; provided, however, that no executory contract or unexpired lease shall be subject to the foregoing deemed rejection (subject to explicit assumption) solely by virtue of the fact that one or more wholly owned subsidiaries of the Debtor is party to such contract or lease.

(b) For purposes of this Plan, leases of nonresidential real property which were assigned by the Debtor prior to the Filing Date shall be treated as being neither executory nor unexpired, and notwithstanding this Section 9.01, shall be deemed neither assumed nor rejected pursuant to this Plan.

ARTICLE 10

Operation and Management
of Reorganized Grand Union

10.01. Resignation of Board of Directors. Upon the inauguration of the Post Reorganization Board on the Effective Date, each of the members of the Debtor's Board of Directors shall be deemed to have resigned.

10.02. Board of Directors.

(a) On the Effective Date, the operation of Reorganized Grand Union shall become the general responsibility of the Post Reorganization Board, in accordance with applicable law.

(b) The initial members of the seven (7) member Post Reorganization Board

shall be selected by the members of the Official Committee which were members of the Informal Committee of certain holders of Senior Subordinated Notes. Such board members shall be identified not less than five (5) days prior to the Confirmation Date; provided that, if and to the extent that any member(s) of the Post Reorganization Board are not so identified by five (5) days prior to the Confirmation Date, the Debtor shall designate such member(s).

(c) From and after the Effective Date, selection of members of the Post Reorganization Board shall be governed by the Restated Bylaws and/or the Restated Certificate of Incorporation, as the case may be.

10.03. Termination of MTH Agreement. On the Effective Date, the MTH Management Agreement shall be terminated and Reorganized Grand Union shall execute the MTH Settlement Agreement.

10.04. Listing of New Senior Notes, New Common Stock and Warrants. Reorganized Grand Union will use its reasonable best efforts to cause the New Senior Notes, the New Common Stock and the Warrants to be listed on one or more stock exchanges or quoted on the National Market System on or before the date which is one hundred twenty (120) days after the Effective Date.

ARTICLE 11

Implementation of this Plan

11.01. Vesting of Property. On the Effective Date, pursuant to section 1141 of the Bankruptcy Code, title to all property of the Debtor's estate shall pass to Reorganized Grand Union free and clear of all Claims and Interests (except as otherwise provided in this Plan). Reorganized Grand Union may pay any expenses, including any fees and expenses of professionals, accruing from and after the Confirmation Date without any application to the Bankruptcy Court. Confirmation of this Plan (subject to the occurrence of the Effective Date) shall be binding and the Debtor's debts shall, without in any way limiting Section 14.01 of this Plan, be discharged as provided in section 1141 of the Bankruptcy Code. The previous sentence notwithstanding, nothing in the Plan shall be construed as discharging, releasing, or relieving the Debtor, Reorganized Grand Union, or any other party, in any capacity, from any liability with respect to the Retirement Plan to which any such party is subject as of immediately prior to the Effective Date under any law or regulatory provision.

11.02. Surrender and Cancellation of Securities, Notes or Other Instruments; Discharge of Indenture Obligations.

(a) On the Effective Date, each of the respective transfer books maintained for the Cancelled Securities will be closed. Except for the right to receive the distributions, if any, called for by this Plan, the holder of a Cancelled Security shall have no rights arising from or relating to such Cancelled Security after the Effective Date, including, without limitation, any rights of subordination or subrogation that may be construed to be contained in such Cancelled Security. Each holder of a Cancelled Security evidencing an Allowed or

Ultimately Allowed Claim shall surrender such Cancelled Security to Reorganized Grand Union (or its designee), and Reorganized Grand Union (or its designee) shall distribute to the holder thereof the appropriate consideration therefor in accordance with this Plan as promptly as is reasonably practicable. No distribution under this Plan shall be made to or on behalf of any holder of an Allowed or Ultimately Allowed Claim evidenced by a Cancelled Security unless and until such Cancelled Security is received by Reorganized Grand Union (or its designee). If a Cancelled Security is lost or destroyed, the holder of such Cancelled Security must deliver an affidavit of loss or destruction to the Debtor or Reorganized Grand Union (or their designee), as well as an agreement to indemnify the Debtor and Reorganized Grand Union (and post a bond if so requested by Reorganized Grand Union or the Debtor), in form and substance reasonably acceptable to Reorganized Grand Union, before such holder may receive any distribution under this Plan in respect of such lost or destroyed Cancelled Security. Any holder of an Allowed or Ultimately Allowed Claim that fails to surrender a Cancelled Security related thereto or deliver an affidavit and an indemnity agreement before the later to occur of (i) two years from the Effective Date, and (ii) six months following the date such holder's Claim becomes an Allowed or Ultimately Allowed Claim shall be deemed to have no further Claim and no distributions shall be made under this Plan in respect of such Claim. The Debtor or Reorganized Grand Union may waive the requirements of this Section.

(b) Each Indenture and Capital Indenture, and the obligations of the Indenture Trustee and Capital Indenture Trustee thereunder, and, subject to the implementation of Section 12.07 hereof (to the extent applicable), any Lien Rights of the Indenture Trustees or Capital Indenture Trustees thereunder, shall be cancelled and discharged on the Effective Date.

(c) Notwithstanding anything contained herein to the contrary, if Reorganized

Grand Union does not elect to treat Credit Agreement Claims in the manner described in Section 6.01(a)(ii) hereof and Bankers Trust effects the Post-Confirmation Facility by way of an amendment and restatement of existing documents, the Existing Credit Documents shall not be cancelled, discharged, satisfied and/or otherwise expunged except to the extent provided in such amendments and restatements.

11.03. The Debtor's Causes of Action. Except as expressly provided in Section 14.01 hereof, and except for any avoidance actions against holders of Unimpaired Class 6 Trade Claims or any Causes of Action released pursuant to Article 14 hereof, pursuant to section 1123(b)(3) of the Bankruptcy Code, Reorganized Grand Union shall retain, with the exclusive right to enforce in its sole discretion, any and all Causes of Action of the Debtor or Debtor-In-Possession, including all Causes of Action which may exist under sections 510, 542, 544 through 550 and 553 of the Bankruptcy Code or under similar state laws, including, without limitation, fraudulent conveyance claims, if any, and all other Causes of Action of a trustee and debtor-in-possession under the Bankruptcy Code. The Debtor or Reorganized Grand Union, as the case may be, may, but shall not be required to, set off against any Claim and the distributions to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever which the Debtor or Debtor-In-Possession may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claim the Debtor or Debtor In Possession may have against such holder.

11.04. Restated Certificate of Incorporation; Restated Bylaws. On or prior to the Effective Date, the Debtor shall file its restated certificate of incorporation and the restated bylaws shall be deemed adopted, such that they become the Restated Certificate of Incorporation and Restated Bylaws.

11.05. Registration Rights. Reorganized Grand Union shall enter into Registration Rights Agreements with each Entity which, as of the Effective Date (a) holds Senior Subordinated Notes entitling such holder to received ten percent (10%) or more of the shares of New Common Stock and requests in writing that the Debtor execute such Registration Rights Agreement or (b) holds Senior Notes entitling such holder to New Senior Notes to be issued under the Plan and requests in writing that the Debtor execute such Registration Rights Agreement.

11.06. Filing of Credit Documents/Indenture/Registration Rights Agreements. The Post-Confirmation Credit Agreement (and such other of the Post-Confirmation Credit Documents as the Debtor, the Official Committee or the Informal Committee of Senior Noteholders shall reasonably request) and the final drafts of the New Senior Note Indenture and the Registration Rights Agreements shall be filed by the Debtor with the Bankruptcy Court no later than a date which is five (5) days prior to the first date set by the Bankruptcy Court as the deadline for voting to accept or reject the Plan. The Post-Confirmation Credit Documents shall be in form and substance satisfactory to the Debtor and the Senior Bank Agent (if the Debtor does not elect the treatment set forth in Section 6.01(a)(ii) hereof). Notice of any modification to the Post-Confirmation Credit Documents after their filing with the Bankruptcy Court shall be provided to the Official Committee and the Informal Committee of Senior Noteholders. The New Senior Note Indenture and the Registration Rights Agreements shall be in form and substance reasonably satisfactory to the Senior Bank Agent, the Official Committee and, with respect to the New Senior Note Indenture and the Registration Rights Agreement for the New Senior Notes, the Informal Committee of Senior Noteholders. In the event the Debtor chooses the treatment to be afforded to the Existing Banks as set forth in Section 6.01(a)(i) hereof, the terms and conditions of the Post-Confirmation Credit Documents shall include in all respects the terms and conditions of the Commitment Letter and the Credit Facility Term Sheet except to the extent that the Debtor and Bankers Trust otherwise agree. In the Confirmation Order, the Bankruptcy Court shall approve the Post-Confirmation Credit Documents in substantially the form filed with the Bankruptcy Court and authorize the Debtor to execute the same together with such other documents as Bankers Trust may reasonably require in order to effectuate the treatment afforded to the Post-Confirmation Banks hereunder.

ARTICLE 12

Provisions Covering Distributions

12.01. Time of Distributions Under this Plan. Except as otherwise provided in this Plan and without in any way limiting Section 11.02 and Article 13 of this Plan, payments and distributions in respect of Allowed Claims shall be made by Reorganized Grand Union (or its designee) on or as promptly as practicable after the Effective Date.

12.02. Fractional Securities.

(a) Fractional shares of New Common Stock, fractional Warrants and New Senior Notes in non-integral multiples of $1,000 shall not be distributed. Instead, on the date of final distribution of such securities to the persons entitled

thereto, the aggregate of all fractional interests (including, for such purposes, New Senior Notes in a principal amount less than $1,000) that would otherwise be issued to such persons shall instead be placed in two separate pools in respect of each such securities (hereinafter the "Fractional Securities Pools") provided this Section 12.02 shall not affect the distributions to such holders of whole shares of Common Stock, whole Warrants or New Senior Notes in $1,000 increments, but solely the fractional portion thereof. There shall be a single Fractional Securities Pool for the fractional interests in New Common Stock and a single Fractional Securities Pool for the fractional interests in New Senior Notes. With respect to the Warrants, there shall be separate Fractional Securities Pools established for each of (i) the fractional interests in Series 1 Warrants to be distributed to holders of Class 9 Claims, (ii) the fractional interests in Series 1 Warrants to be distributed to holders of Class 10 Claims, (iii) the fractional interests in Series 2 Warrants to be distributed to holders of Class 9 Claims and (iv) the fractional interests in Series 2 Warrants to be distributed to holders of Class 10 Claims.

(b) All holders of Allowed or Ultimately Allowed Claims entitled to a fractional interest in New Common Stock, as the case may be, shall be placed on a list (hereinafter the "Distribution List") in descending order according to the size of the fractional interest in the New Common Stock to which each such holder is entitled. In the event two or more holders of Allowed or Ultimately Allowed Claims are entitled to the same fractional interest (rounded to six decimal places) in New Common Stock, their relative

ranking on the Distribution List shall be determined by lot. A whole share of New Common Stock shall be distributed to holders entitled to the largest fractions of New Common Stock until all of the whole shares of the New Common Stock in the Fractional Securities Pool for the New Common Stock shall have been distributed.

(c) (i) Subject to subparagraph (ii), the holders of Allowed or Ultimately Allowed Claims entitled to a fractional interest in the New Senior Notes (i.e., New Senior Notes in a principal amount less than $1,000) shall be entitled to receive either, at the election of the Debtor or Reorganized Grand Union (which election shall be exclusive of the other option) (x) cash equal to the principal amount of the fractional New Senior Notes to which they would otherwise be entitled, and the New Senior Notes which would otherwise have been issued in respect of such fractional interests shall be cancelled by the Debtor or Reorganized Grand Union, or (y) (a) the holders entitled to a fractional interest which is greater than $500 shall receive an additional $1,000 New Senior Note (subject to subparagraph (ii)) and (b) the holders entitled to a fractional interest which is $500 or less shall not be entitled to any distribution with respect to such fractional interest.

(ii) Notwithstanding subparagraph (i) hereof, in the event that the aggregate amount of the cash which would be distributed pursuant to subparagraph (i)(x) is less than $100,000, then the Debtor or Reorganized Grand Union must elect option (x). Notwithstanding subsection (i)(y)(a), in no event shall the aggregate New Senior Notes distributed pursuant to this Plan exceed $595,475,922 in aggregate principal amount, and if the New Senior Notes to be distributed pursuant to subparagraph (c)(i)(y) would cause the aggregate to exceed this amount, then, in ascending order according to the size of their respective fractional interests, the holders entitled to receive New Senior Notes pursuant to subsection (c)(i)(y)(a) shall be deemed to instead fall under subsection (c)(i)(y)(b) with respect to such fractional interests.

(d) All holders of Allowed or Ultimately Allowed Claims entitled to a fractional interest in Warrants shall be treated as follows with respect to such fractional interests. In descending order of size of fractional interests, the holders of fractional interests in each of the four separate Fractional Securities Pools established with respect to the Warrants pursuant to subparagraph (a) of this Section 12.02 shall receive (in addition to the number of whole Warrants to which each is otherwise entitled) a whole Warrant with respect to such fractional interest until the aggregate number of each Series of Warrants to be distributed, respectively (x) to holders of Claims in Classes 9 pursuant to Section 6.09(a) hereof and (y) to holders of Claims in Class 10 pursuant to Section 6.10(a) hereof have been distributed; provided that, in the event two or more holders of Allowed or Ultimately Allowed Claims in the same Fractional Securities Pool are entitled to the same fractional interest (rounded to six decimal places) with respect to the Warrants to be distributed with respect to that pool, their relative ranking on the distribution list shall be determined by lot.

12.03. Compliance With Tax Requirements. In connection with each distribution with respect to which the filing of an information return (such as an Internal Revenue Service Form 1099 or 1042) and/or withholding is required, Reorganized Grand Union shall file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such distribution, and/or effect any such withholding and deposit all moneys so withheld as required by law. With respect to any Entity from whom a tax

identification number, certified tax identification number or other tax information required by law to avoid withholding has not been received by Reorganized Grand Union (or its distribution agent), Reorganized Grand Union may, at its option, withhold the amount required and distribute the balance to such Entity or decline to make such distribution until the information is received; provided, however, that Reorganized Grand Union shall not be obligated to liquidate New Senior Notes, Warrants or New Common Stock to perform such withholding.

12.04. Persons Deemed Holders of Registered Securities. Except as otherwise provided herein and subject to Section 11.02, the Debtor and Reorganized Grand Union (or their designee) shall be entitled to treat the record holder of a registered security as the holder of the Claim or Interest in respect thereof for purposes of all notices, payments or other distributions under this Plan unless the Debtor or Reorganized Grand Union,

as the case may be, shall have received written notice specifying the name and address of any new holder thereof (and the nature and amount of the interest of such new holder) at least ten (10) Business Days prior to the date of such notice, payment or other distribution. In the event of any dispute regarding the identity of any party entitled to any payment or distribution in respect of any Claim under this Plan, no payments or distributions will be made in respect of such Claim until the Bankruptcy Court resolves that dispute pursuant to a Final Order.

12.05. Allocation Between Principal and Accrued Interest. Except as specifically provided in this Plan, on the Effective Date, the aggregate consideration paid to Creditors in respect of their Claims shall be treated as allocated first to the principal amount of such Claims and then to the accrued interest thereon; provided, however, that the foregoing shall not apply to distributions with respect to Claims in Classes 9 and 10. (i.e., there shall be no mandated reporting requirement by operation of this Plan).

12.06. Distribution of Unclaimed Property. Any distribution of property under this Plan that is unclaimed after two years following the Effective Date shall irrevocably revert to Reorganized Grand Union, without regard to state escheatment laws.

12.07. Indenture Trustee Reserves.

(a) To the extent that, as of the Effective Date, (i) any pending General Unsecured Claims, Miscellaneous Secured Claims or Administrative Expenses of an Indenture Trustee (including a good faith estimate submitted to the Debtor by each Indenture Trustee of its estimated fees and expenses accruing through the Effective Date) are not paid on the Effective Date, or (ii) any pending General Unsecured Claims, Miscellaneous Secured Claims or Administrative Expenses of an Indenture Trustee for its fees and expenses are not yet Allowed or Ultimately Allowed Claims as of the Effective Date, the Debtor shall establish on the Effective Date a separate cash reserve (a "Reserve") for each Indenture Trustee in the amount of any such amounts then outstanding, to consist of cash equal to the total of the above unpaid or pending fees and expenses of each Indenture Trustee (including such good faith estimate of fees and expenses through the Effective Date), as of the Effective Date.

(b) The obligation of Reorganized Grand Union to pay each Indenture Trustee its fees and expenses owing to it under its applicable Indenture and this Plan, including, without limitation, its General Unsecured Claims, Miscellaneous Secured Claims and Administrative Expenses, shall be secured by the amounts in the Reserve established for that Indenture Trustee; provided, however, that the Lien Rights of the Indenture Trustees under their respective Indentures shall be deemed to attach to the cash in the applicable Reserve to the same extent as if the cash in the Reserve were property received by the Indenture Trustee pursuant to its Indenture; and provided, further, that each Indenture Trustee shall be conclusively deemed to have taken any and all action required, including under its respective Indenture or applicable law, to perfect its Lien Rights as to the cash in the Reserve established for its benefit, including, without limitation, any requirement of possession for such perfection.

(c) In consideration of the foregoing, and subject to the establishment of the Reserves in the specified amounts and under the foregoing terms and conditions, the Indenture Trustees each are deemed to have waived their Lien Rights in the New Senior Notes and the New Common Stock to be distributed under the Plan to the holders of, respectively, the Senior Notes and the Senior Subordinated Notes, and shall be deemed to have waived and released any and all right, title and interest in and to property of the Debtor or Reorganized Grand Union other than in and to the cash in the applicable Reserve. Each Indenture Trustee shall be entitled to Allowed Claims for the reasonable fees and expenses incurred by such Indenture Trustee under the respective Indenture. Upon payment by the Debtor or Reorganized Grand Union of such Claims, the respective Lien Rights of the Indenture Trustee shall be extinguished. Objections to such claims shall be governed by the provisions respecting Impaired Claims set forth in Section 13.01

hereof.

ARTICLE 13

Resolution of Disputed Claims

13.01. Objections to Claims. Any party in interest may object to an Impaired Claim, other than an Impaired Claim otherwise allowed as provided in this Plan, by filing an objection with the Bankruptcy Court and serving such objection upon the holder of such Claim not later than the last to occur of (a) the 45th day following the Effective Date, (b) 30 days after the filing of the proof of claim of such Claim, or (c) such other date set by order of the Bankruptcy Court (the application for which may be made on an ex parte basis), whichever is later. Only Reorganized Grand Union shall have the authority to file objections to Unimpaired Claims. Objections to Unimpaired Claims may be filed by Reorganized Grand Union at any time.

13.02. Procedure. Unless otherwise ordered by the Bankruptcy Court or agreed to by written stipulation of the Debtor or Reorganized Grand Union, or until the objection of the Debtor or Reorganized Grand Union is withdrawn, the Debtor or Reorganized Grand Union shall litigate the merits of each Disputed Claim until determined by a Final Order; provided, however, subject to the approval of the Bankruptcy Court, if necessary, the Debtor or Reorganized Grand Union, as the case may be, may compromise and settle any objection to any Claim.

13.03. Payments and Distributions With Respect to Disputed Claims. No payments or distributions shall be made in respect of a Disputed Claim until and unless such Disputed Claim becomes an Ultimately Allowed Claim.

13.04. Timing of Payments and Distributions With Respect to Disputed Claims. Subject to the provisions of this Plan, payments and distributions with respect to each Disputed Claim that becomes an Ultimately Allowed Claim, which would have otherwise been made had the Ultimately Allowed Claim been an Allowed Claim on the Effective Date shall be made within thirty (30) days after the date that such Disputed Claim becomes an Ultimately Allowed Claim. Holders of Disputed Claims that become Ultimately Allowed Claims shall be bound, obligated and governed in all respects by the provisions of this Plan.

ARTICLE 14

Discharge, Releases and Settlements of Claims

14.01. Discharge of All Claims and Interests and Releases.

(a) Except as otherwise specifically provided by this Plan, the confirmation of this Plan (subject to the occurrence of the Effective Date) shall discharge the Debtor and Reorganized Grand Union from any debt (including, without limitation, Class 11 Claims and Claims related to Class 12 Interests) that arose before the Confirmation Date, and any debt of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not a proof of Claim is filed or is deemed filed, whether or not such Claim is Allowed, and whether or not the holder of such Claim has voted on this Plan.

(b) Except as otherwise specifically provided by this Plan, the distributions and rights that are provided in this Plan shall be in complete satisfaction, discharge and release, effective as of the Confirmation Date (but subject to the occurrence of the Effective Date) of (i) all Claims and Causes of Action against, liabilities of, liens on, obligations of and Interests in the Debtor or Reorganized Grand Union or the direct or indirect assets and properties of the Debtor or Reorganized Grand Union, whether known or unknown, and (ii) all Causes of Action (whether known or unknown, either directly or derivatively through the Debtor or Reorganized Grand Union) against, claims (as defined in section 101 of the Bankruptcy Code in the case of GUCC and GUHC) against, liabilities (as guarantor of a Claim or otherwise) of, liens on the direct or indirect assets and properties of, and obligations of successors and assigns of the Debtor, Affiliates of the Debtor and their successors and assigns, and present and former stockholders, directors, officers, agents (including MTH), attorneys, advisors, financial advisors, investment bankers and employees of the Debtor and such Affiliates

based on the same subject matter as any Claim or Interest, in each case regardless of whether a proof of Claim or Interest was filed, whether or not Allowed and whether or not the holder of the Claim or Interest has voted on this Plan, or based on any act or omission, transaction or other activity or security, instrument or other agreement of any kind or nature occurring, arising or existing prior to the Effective Date that was or could have been the subject of any Claim or Interest, in each case regardless of whether a proof of Claim or

Interest was filed, whether or not Allowed and whether or not the holder of the Claim or Interest has voted on this Plan.

(c) Except as otherwise specifically provided by this Plan, any Entity accepting any distribution pursuant to this Plan shall be presumed conclusively to have released the Debtor, Reorganized Grand Union and any other Entity accepting any distribution pursuant to this Plan, successors and assigns of the Debtor and such Entities, Affiliates of the Debtor and such Entities, successors and assigns of such Affiliates, present and former stockholders, directors, officers, agents (including MTH), attorneys, advisors, financial advisors, investment bankers and employees of the Debtor, such Affiliates and such Entities, and any Entity claimed to be liable derivatively through any of the foregoing, from any Cause of Action based on the same subject matter as the Claim or Interest on which the distribution is received. The release described in the preceding sentence shall be enforceable as a matter of contract against any Entity that accepts any distribution pursuant to this Plan.

(d) On the Effective Date, the Debtor and the Debtor-In-Possession will be conclusively deemed to release (i) all professionals (including, but not limited to, advisors and attorneys) retained by (aa) the Debtor (that were retained as of November 1, 1994 in connection with the Debtor's restructuring, but only as to claims which arise in connection with such restructuring, or were retained by order of the Bankruptcy Court), (bb) the Senior Bank Agent, the Official Committee or the Informal Committees, provided that such professionals were disclosed to the Debtor prior to the Filing Date or retained by order of the Bankruptcy Court, (cc) the Indenture Trustees, or (dd) the Capital Indenture Trustees, the Informal Zero Committee, or the Capital Committee, (ii) MTH and (iii) all directors and officers of the Debtor holding such offices at any time during the period from and including the Filing Date through and including the Confirmation Date from all liability based upon any act or omission related to past service with, for or on behalf of the Debtor or the Debtor-In-Possession except for:

(i) any indebtedness of any such person to the Debtor or Debtor-In-Possession for money borrowed by such person;

(ii) any setoff or counterclaim the Debtor or Debtor-In-Possession may have or assert against any such person, provided that the aggregate amount thereof shall not exceed the aggregate amount of any Claims held or asserted by such person against the Debtor or Debtor-In-Possession, as the case may be;

(iii) the uncollected amount of any claim made by the Debtor or Debtor-In-Possession (whether in a filed pleading, by letter or otherwise asserted in writing) prior to the Effective Date against such person which claim has not been adjudicated to Final Order, settled or compromised; or

(iv) claims arising from the fraud, willful misconduct or gross negligence of such persons.

(e) On the Confirmation Date, subject to the occurrence of the Effective Date, the Debtor shall be deemed to have released all Causes of Action against the members of the Official Committee, the members of the Informal Committees, the members of the Capital Committee, the members of the Informal Zero Committee, the Additional Facility Lenders, the Existing Banks, the holders of Senior Notes, the Indenture Trustees, the Capital Indenture Trustees or the holders of Senior Subordinated Notes, in their respective capacities as such.

(f) Notwithstanding anything herein to the contrary, the foregoing releases shall be enforced only to the extent permitted by applicable law.

(g) Nothing in the Plan shall be construed as discharging, releasing or relieving the Debtor, Reorganized Grand Union, or any other party, in any capacity, from any liability with respect to the Retirement Plan to which any such party is subject as of immediately prior to the Effective Date under any law or regulatory provision.

The Releases embodied in this Plan are in addition to, and not in lieu of, any other release separately given, conditionally or unconditionally, by the Debtor or Debtor-In-Possession to any other person or entity.

14.02. Exculpation. Neither Reorganized Grand Union, the Official Committee, any of the Informal Committees, the Capital Committee, the Informal Zero Committee, the Senior Bank Agent, nor (as applicable) any of their respective members, officers, directors, shareholders, employees, agents (including MTH), attorneys, accountants or other advisors, shall have or incur any liability to any holder of a Claim or Interest for any act or failure to act in connection with, or arising out of, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for any act or failure to act that

constitutes willful misconduct or recklessness as determined pursuant to a Final Order, and in all respects, such Entities (a) shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan, and shall be fully protected from liability in acting or in refraining from action in accordance with such advice, and (b) shall be fully protected from liability with respect to any act or failure to act that is approved or ratified by the Bankruptcy Court.

14.03. Injunction. The satisfaction, release and discharge pursuant to Section 14.01 of this Plan shall also act as an injunction against any Entity commencing or continuing any action, employment of process, or act to collect, offset or recover any Claim or Cause of Action satisfied, released or discharged under this Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof. Nothing in the Plan shall be construed as discharging, releasing or relieving the Debtor, Reorganized Grand Union, or any other party, in any capacity, from any liability with respect to the Retirement Plan to which any such party is subject as of immediately prior to the Effective Date under any law or regulatory provision, and neither the Pension Benefit Guaranty Corporation nor the Retirement Plan shall be enjoined from enforcing such liability as a result of the Plan's provisions for satisfaction, release and discharge of Claims.

14.04. Preservation of Rights. Notwithstanding any provision of this Plan or the Disclosure Statement, or any exhibit hereto or thereto, or the Confirmation Order, nothing herein or in the Disclosure Statement, in any exhibit hereto or thereto or in the Confirmation Order shall affect any rights preserved pursuant to Section 14.06 of this Plan.

14.05. Claims of Subordination.

(a) Subject to the Confirmation Order becoming a Final Order (or the requirement therefor being waived in accordance with Sections 15.02(a) and 16.07) and subject to the distributions that are required to be made under the Plan as of the Effective Date to Classes 1, 2 and 4 having been made, as of the Effective Date, each holder of an Allowed or Ultimately Allowed Claim, (i) by virtue of the acceptance of the Plan by such holder's Class in accordance with section 1126 of the Bankruptcy Code, (ii) by virtue of the acceptance of the Plan by such Holder, (iii) by virtue of the acceptance of any distribution under the Plan on account of such Claim or (iv) by virtue of the confirmation of the Plan, waives, releases and relinquishes any and all rights, claims or causes of action arising under and in any way related to any subordination agreement in effect as of the Filing Date, whether arising out of contract or under applicable law, including, without limitation, any claim or security interest in the Debtor's common stock or subsections (a) or (c) of section 510 of the Bankruptcy Code and the provisions of the Indentures, to the payment and distributions of the consideration made or to be made hereunder or otherwise consistent with the Plan to any holder of an Allowed or Ultimately Allowed Claim against the Debtor; provided, however, that the holders of Credit Agreement Claims shall retain all rights under subordination agreements in effect as of the Filing Date, if any, as to all persons, other than claims against (x) holders of Senior Note Claims, Senior Subordinated Claims, and the Indenture Trustees

with respect thereto and (y) distributions made with respect to Junior Zero Note Claims, Senior Zero Note Claims, and Capital Indenture Trustees hereunder; and provided further that the foregoing shall not affect the rights of any party to seek subordination under section 510(b) or (c) of the Bankruptcy Code of any Claim that otherwise would constitute a General Unsecured Claim.

(b) Pursuant to Bankruptcy Rule 9019, and any applicable state law, and as consideration for the distributions and other benefits provided under this Plan, the provisions of this Section 14.05 shall constitute a good faith compromise and settlement of any Causes of Action relating to the matters described in this Section 14.05 which could be brought by any holder of a Claim or Interest against or involving another holder of a Claim or Interest, which compromise and settlement is in the best interests of Creditors and holders of Interests and is fair, equitable and reasonable. This settlement shall be approved by the Bankruptcy Court as a settlement of all such Causes of Action. The Bankruptcy Court's approval of this settlement pursuant to Bankruptcy Rule 9019 and its finding that this is a good faith settlement pursuant to any applicable state law, including, without limitation, the laws of the states of New York, New Jersey and Delaware, given and made after due notice and opportunity for hearing, shall bar any such Cause of Action relating to the matters described in this Section 14.05 which could be brought by any holder of a Claim or Interest against or involving another holder of a Claim or Interest.

14.06. Termination of Indemnification Obligations.

(a) Termination of Indemnification Obligations. Except as and to the extent set forth in subsections (b) and (c) of this Section 14.06 and in the MTH

Settlement Agreement, and notwithstanding any other provision of the Plan, all obligations of the Debtor to indemnify, or to pay contribution or reimbursement to, its present or former directors, officers, agents (including, without limitation, MTH), employees and representatives holding such positions at any time prior to the Confirmation Date whether pursuant to its certificate of incorporation, bylaws, contractual obligations or any applicable laws or otherwise in respect of all past, present and future actions, suits and proceedings against any of such directors, officers, agents, employees and representatives based upon any act or omission related to service with, for or on behalf of the Debtor or Debtor-In-Possession or any present or former Affiliate shall be discharged under the Plan, all such undertakings and agreements shall be rejected and terminated, and Reorganized Grand Union shall have no obligation thereunder pursuant to this Plan or otherwise.

(b) Limited Continuing Indemnification. The obligations of the Debtor pursuant to law or its certificate of incorporation or bylaws or otherwise to indemnify, or to pay contribution or reimbursement to, the Indemnified Persons, as defined below, in respect of all past, present and future actions, suits and proceedings, whether commenced or threatened, against such Indemnified Persons, which include obligations based upon any act or omission arising out of the performance by an Indemnified Person of services to the Debtor, its present or former subsidiaries, GUCC, or GUHC, for or at the request of the Debtor, prior to the Effective Date, whether prior to the Filing Date or not, shall not be discharged or impaired by confirmation of this Plan and shall not be subordinated under Section 510 of the Code or otherwise, or be disallowed by reasons of Section 502(e) of the Code or otherwise; provided, however, that the limited continuing obligations preserved by this Section 14.06(b) shall not cover any claim for indemnification, contribution, reimbursement or other payment by an Indemnified Person arising out of or related, directly or indirectly, to any action, suit or proceeding against any Indemnified Person (i) brought by GUCC or GUHC, (ii) brought by any other person which is a present or former purchaser, seller, underwriter or owner, in each case acting in such capacity, of present or former securities of the Debtor, its predecessors or any present or former Affiliate thereof, including, without limitation, GUCC or GUHC, in such capacity or (iii) brought by any trustee, receiver or other representative of or asserting the rights of GUCC, GUHC or any other person described in (i) of this Section 14.06(b) or (iv) brought by any other person (a "Third Party Claimant") against an Indemnified Person asserting claims for contribution, reimbursement or indemnity by such Third Party Claimant arising out of or related to any action, suit or proceeding against such Third Party Claimant which, had it been brought against an Indemnified Person, would be described in (i), (ii) or (iii) of this Section

14.06(b) (such claims being hereinafter referred to as the "Excluded Claims"). As used in this Section 14.06(b), the term "Indemnified Persons" shall mean (x) the Debtor's present and former directors, officers and employees which have held such position with the Debtor at any time during the period from and including one year prior to the Filing Date through and including the Confirmation Date, (y) persons who retired as directors, officers or employees of the Debtor ("Retirees") prior to the Effective Date and (z) MTH and the other MTH Entities, as defined in the MTH Settlement Agreement. Any liability of the Debtor under this paragraph which is attributable to the period from the Filing Date to the Effective Date and which under the Bankruptcy Code has the priority of an expense of administration shall be entitled to such priority, but no aggregate amount of dollars shall be paid by reason of such priority which is greater than the absolute maximum payable under this paragraph.

(c) Additional Limited Indemnification for Costs. Notwithstanding the provisions of subsections (a) and (b) of this Section 14.06, the obligations of the Debtor pursuant to law or its certificate of incorporation or bylaws or otherwise to indemnify, or to pay contribution or reimbursement to, the Continuing Indemnified Persons, as defined below, in respect of legal fees, costs, expert advice and witnesses and expenses ("Defense Expenses") incurred by the Continuing Indemnified Persons in the defense of Excluded Claims shall not be discharged or impaired by reason of confirmation of this Plan or otherwise and shall not be subordinated under Section 510 of the Code or otherwise and shall not be disallowed under Section 502(e) of the Code or otherwise. As used in this Section 14.06(c), the term "Continuing Indemnified Persons" shall mean those persons who are entitled to indemnification under the certificate of incorporation or bylaws of the Debtor as in effect prior to the Filing Date and who shall have served as directors, officers or employees of the Debtor at any time from and after one year before the Filing Date and Retirees, but shall not include any MTH Entity. Upon written request of any one or more Continuing Indemnified Person, the Board of Directors may, in its reasonable discretion, apply funds that would be used in respect of the defense of an Excluded Claim to the settlement thereof if such settlement payment will be less than the reasonably anticipated Defense Expenses which would be incurred in respect of such Excluded Claim and such application would be in the best interest of Reorganized Grand Union. Any liability of the Debtor under this paragraph which is attributable to the period from the Filing Date to the Effective Date and which under the Bankruptcy Code has the priority of an expense of administration

shall be entitled to such priority, but no aggregate amount of dollars shall be paid by reason of such priority which is greater than the absolute maximum payable under this paragraph.

(d) No Indemnified Person or Continuing Indemnified Person shall be required to file any Claim or Administrative Expense to establish rights preserved under subsections (b) and (c) of this Section 14.06.

14.07. Preservation of Insurance. The Debtor's discharge and release as provided herein, except as necessary to be consistent with this Plan, shall not diminish or impair the enforceability of any insurance policies that may cover claims against the Debtor or any other person or entity.

14.08. Claims of Holders of Zero Notes and Capital Indenture Trustees. As of the Effective Date, the holders of the Zero Notes shall not be heard, either directly or indirectly, other than with respect to any post-confirmation modifications to the Plan or the Confirmation Order or with respect to matters concerning distribution of the Warrants, applications by professionals for compensation or reimbursement of expenses or payment of Claims of the Capital Indenture Trustees.

ARTICLE 15

Confirmation and Consummation of the Plan

15.01. Conditions to Confirmation. Prior to confirmation of the Plan, the following conditions must occur and be satisfied or (a) have been waived by the Debtor, with the consent of the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, or (b) have been waived by the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) is not elected), the Official Committee, and the

Informal Committee of Senior Noteholders, such waiver having been approved by order of the Bankruptcy Court upon motion of the Senior Bank Agent (if applicable), the Official Committee, and the Informal Committee of Senior Noteholders:

(a) If the Debtor elects the treatment set forth in Section 6.01(a)(i) hereof with respect to Credit Agreement Claims:

(i) The Post-Confirmation Credit Documents (including the Intercreditor Agreement) shall have been filed with the Bankruptcy Court not less than five (5) days prior to the Confirmation Date; and

(ii) The Debtor shall have received authority to execute, and the Bankruptcy Court shall have approved, the Post-Confirmation Credit Documents and all other documents necessary to effectuate the Post-Confirmation Credit Documents, which authority and approval shall be contained in the Confirmation Order;

(b) If the Debtor elects the treatment set forth in Section 6.01(a)(ii) hereof with respect to Credit Agreement Claims:

(i) The Debtor shall have entered into an Alternative Commitment Letter, which shall have been approved by the Bankruptcy Court;

(ii) The Alternative Credit Documents shall have been filed with the Bankruptcy Court not less than five (5) days prior to the Confirmation Date;

(iii) The Debtor shall have received authority to execute, and the Bankruptcy Court shall have approved, the Alternative Credit Documents and all other documents necessary to effectuate the Alternative Credit Documents;

(c) The Settlement Order shall have been entered;

(d) The Claims Bar Date shall have been established by the Bankruptcy Court as a date which is no less than five Business Days prior to the Confirmation Date; and

(e) As of a date which is three (3) Business Days prior to the Confirmation Date, the Official Committee shall not have filed a written notice that is not withdrawn asserting that such Committee has determined in the exercise of its fiduciary duties to unsecured creditors generally that the amount of the General Unsecured Claims has rendered the Plan not feasible pursuant to section 1129 of the Bankruptcy Code.

15.02. Conditions to the Effective Date. Before the Effective Date occurs, the following conditions must occur and be satisfied or have been waived (a) by the Debtor, with the consent of the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, or (b) by the Senior Bank Agent (if the alternative funding option pursuant to Section 6.01(a)(ii) is not elected), the Official Committee, and the Informal Committee of Senior Noteholders, such waiver having been approved by order of the Bankruptcy Court upon motion of the Senior Bank Agent (if applicable), the Official Committee, and the Informal Committee of Senior Noteholders:

(a) Confirmation Order and Settlement Order. The Confirmation Order and Settlement Order shall have become Final Orders;

(b) Regulatory Approval. Unless otherwise waived by the Debtor with the consent of the Official Committee and the Informal Committee of Senior Noteholders (and the Senior Bank Agent, if the Debtor does not elect the treatment set forth in Section 6.01(a)(ii) hereof with respect to Credit Agreement Claims), which consent shall not be unreasonably withheld, there shall have been obtained all regulatory approvals required in connection with the consummation of this Plan;

(c) TIA. The New Senior Note Indenture shall have been qualified under the Trust Indenture Act of 1939 (15 U.S.C. (S)(S) 77aaa-77bbb) as currently in effect;

(d) Credit Conditions. The Post-Confirmation Credit Document or Alternative Credit Agreements, as the case may be, shall be executed by all necessary parties thereto and delivered and all conditions to effectiveness of such documents shall have been satisfied or waived as provided therein, subject to the occurrence of the Effective Date;

(e) Delivery of Documents. All other documents provided for under this Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited by such documents; and

(f) Other Orders. Any order necessary to satisfy any condition to effectiveness of this Plan shall be a Final Order.

ARTICLE 16

Miscellaneous Provisions

16.01. Bankruptcy Court to Retain Jurisdiction. The business and assets of the Debtor shall remain subject to the jurisdiction of the Bankruptcy Court until the Effective Date. From and after the Effective Date, the Bankruptcy Court shall retain and have exclusive jurisdiction over Reorganized Grand Union and the Chapter 11 Case to the fullest extent permissible by law, including, but not limited to, for the purposes of determining all disputes and other issues presented by or arising under this Plan including, without limitation, exclusive jurisdiction to:

(a) determine any and all disputes relating to Claims and Administrative Expenses, including those allowed by operation of the Plan, and the allowance, amount and classification thereof; provided, however, the Bankruptcy Court's jurisdiction shall be concurrent, not exclusive, after the Effective Date with respect to the enforcement or adjudication of any Unimpaired Claim,

(b) determine any and all disputes among Creditors with respect to their Claims,

(c) consider and allow any and all applications for compensation for professional services rendered and disbursements incurred in connection therewith,

(d) determine any and all applications, motions, adversary proceedings and contested or litigated matters pending on the Effective Date and arising in or related to the Chapter 11 Case or this Plan,

(e) remedy any defect or omission or reconcile any inconsistency in the Confirmation Order,

(f) issue such orders, consistent with section 1142 of the Bankruptcy Code, as may be necessary to effectuate the consummation and full and complete implementation of this Plan,

(g) enforce and interpret any provisions of this Plan,

(h) determine such other matters as may be set forth in the Confirmation Order or that may arise in connection with the implementation of this Plan,

(i) determine the final amounts allowable as compensation or reimbursement of expenses pursuant to section 503(b) of the Bankruptcy Code, and

(j) determine any and all disputes among Creditors with respect to the Zero Claims Release.

16.02. Binding Effect of this Plan. The provisions of this Plan shall be binding upon and inure to the benefit of the Debtor, Reorganized Grand Union, any holder of a Claim or Interest, their respective predecessors, successors, assigns, agents, officers and directors and any other Entity affected by this Plan.

16.03. Nonvoting Stock. In accordance with section 1123(a)(6) of the Bankruptcy Code, the certificate of incorporation of Reorganized Grand Union shall contain a provision prohibiting the issuance of nonvoting equity securities by Reorganized Grand Union.

16.04. Authorization of Corporate Action. The entry of the Confirmation Order shall constitute authorization for the Debtor and Reorganized Grand Union to take or cause to be taken any corporate action necessary or appropriate to consummate the provisions of this Plan prior to and through the Effective Date (including, without limitation, the filing of or amending or restating the certificate of incorporation of Reorganized Grand Union), and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court. All matters provided for under the Plan involving the corporate structure of the Debtor and/or Reorganized Grand Union in connection with the Plan, and any corporate action required by the Debtor and/or Reorganized Grand Union in connection with the Plan, and any corporate action required by the Debtor and/or Reorganized Grand Union in connection with the Plan, shall be deemed to have occurred and shall be in effect pursuant to section 303 of the Delaware General Corporation Law and the Bankruptcy Code, without any requirement of further action by the stockholders or directors of the Debtor and/or Reorganized Grand Union. On the Effective Date, the appropriate officers of Reorganized Grand Union and members of the Post Reorganization Board are authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan and the Disclosure Statement in the name of and on behalf of Reorganized Grand Union.

16.05. Retiree Benefits. On and after the Effective Date, Reorganized Grand Union shall continue to pay all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, to the extent required by section 1129(a)(3) of the Bankruptcy Code, without prejudice to Reorganized Grand Union's rights under applicable non-bankruptcy law to modify, amend or terminate the foregoing arrangements.

16.06. Withdrawal of this Plan. Subject to the provisions of Section 16.16 of this Plan, Debtor reserves the right, at any time prior to the entry of the Confirmation Order, to revoke or withdraw this Plan. If the Debtor revokes or withdraws this Plan or if the Confirmation Date does not occur, then this Plan shall be deemed null and void.

16.07. Final Order. Subject to the provisions of Sections 15.02(a) and 16.16 of this Plan, any requirement in the Plan for a Final Order may be waived by the Debtor upon written notice to the Bankruptcy Court; provided, however, that nothing contained herein shall prejudice the right of any party in interest to seek a stay pending appeal with respect to such Final Order.

16.08. Method of Notice. All notices required to be given under this Plan, if any, shall be in writing and shall be sent by first class mail, postage prepaid, or by overnight courier:

If to the Debtor to:

The Grand Union Company
201 Willowbrook Boulevard
Wayne, New Jersey 07470
Attn: Mr. Francis E. Nicastro
(201) 890-6000

with copies to:

Willkie Farr & Gallagher
One Citicorp Center

153 East 53rd Street
New York, New York 10022-4677
Attn: Myron Trepper
Barry N. Seidel
(212) 821-8000

and

Young, Conaway Stargatt & Taylor
11th Fl., Rodney Square North
P.O. Box 391
Wilmington, Delaware 19899-0391
Attn: James L. Patton, Jr.
Laura Davis Jones
(302) 571-6600

Any of the above may, from time to time, change its address for future notices and other communications hereunder by filing a notice of the change of address with the Bankruptcy Court. Any and all notices given under this Plan shall be effective when received.

16.09. Dissolution of any Committee. Except as otherwise provided in this Section 16.09, on the Effective Date all Committees, including the Official Committee and the Informal Committees, shall cease to exist and their members and employees or agents (including, without limitation, attorneys, investment bankers, financial advisors, accountants and other professionals) shall be released and discharged from all further authority, duties, responsibilities and obligations relating to, arising from or in connection with the Chapter 11 Case. The Official Committee shall continue to exist after such date solely with respect to (i) any objections made by the Official Committee pursuant to Section 13.01 of this Plan or other matters pending before the Bankruptcy Court to which the Official Committee is party, until such objections or matters are resolved; (ii) all fee applications filed pursuant to section 330 of the Bankruptcy Code or Claims for fees and expenses by professionals employed by the Debtor or agreed to be paid by the Debtor; and (iii) any post-confirmation modifications to the Plan or Confirmation Order. The Informal Committee of Senior Noteholders shall continue to exist after such date (x) until substantially all of the distributions to be made with respect to Senior Note Claims under this Plan have been made and (y) solely with respect to any matters pending as of the Effective Date before the Bankruptcy Court to which the Informal Committee of Senior Noteholders is party, until such matters are resolved.

16.10. Continued Confidentiality Obligations. Pursuant to the terms thereof, members of and advisors to any Committee, Informal Committee, the Informal Zero Committee or the Capital Committee, any other holder of a Claim or Interest and their respective predecessors and successors shall continue to be obligated and bound by the terms of any confidentiality agreement executed by them in connection with the Chapter 11 Case or the Debtor, to the extent that such agreement, by its terms, may continue in effect after the Confirmation Date.

16.11. Amendments and Modifications to Plan. Subject to the provisions of Section 16.16 of this Plan, this Plan may be altered, amended or modified by the Debtor, before or after the Confirmation Date, as provided in section 1127 of the Bankruptcy Code.

16.12. Time. Unless otherwise specified herein, in computing any period of time prescribed or allowed by the Plan, the day of the act or event from which the designated period begins to run shall not be included.

The last day of the period so computed shall be included, unless it is not a Business Day, in which event the period runs until the end of the next succeeding day which is a Business Day.

16.13. Section 1145 Exemption. Pursuant to, in accordance with, and solely to the extent provided under, section 1145 of the Bankruptcy Code, the issuance of the New Senior Notes, the New Common Stock, the Warrants and the New Common Stock to be issued upon the exercise of the Warrants under this Plan is exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended, and any state or local law requiring registration or licensing of an issuer, underwriter, broker or dealer in, such New Senior Notes, New Common Stock or Warrants, and is deemed to be a public offering of the New Senior Notes, New Common Stock and Warrants.

16.14. Section 1146 Exemption. To the extent permitted by section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, or the execution, delivery or recording of an instrument of transfer pursuant to, in implementation of or as contemplated by the Plan, or the revesting, transfer or sale of any real property of the Debtor pursuant to, in implementation of or as contemplated by the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for

any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax or similar tax.

16.15. Severability. If any provision of the Plan is determined to be unenforceable, such determination shall not limit or affect the enforceability and operative effect of any other provisions of the Plan. Subject to the provisions of Section 16.16 of this Plan, to the extent any provision of the Plan would, by its inclusion in the Plan, prevent or preclude the Bankruptcy Court from entering the Confirmation Order, the Bankruptcy Court, on the request of the Debtor, may modify or amend such provision, in whole or in part, as necessary to cure any defect or remove any impediment to the confirmation of the Plan existing by reason of such provision.

16.16. Conditions to Modification, Withdrawal and Waiver Rights. Notwithstanding any provisions contained herein to the contrary, including, without limitation, Sections 16.06, 16.07, 16.11 and 16.15, the Debtor may: (a) withdraw the Plan after having first given four (4) Business Days notice in writing to counsel for the Senior Bank Agent, the Official Committee and the Informal Committee of Senior Noteholders (to be served via facsimile and overnight delivery) of the date of the proposed withdrawal and the reason therefor; provided, however, that the Senior Bank Agent, the Official Committee or the Informal Committee of Senior Noteholders may object to such withdrawal and seek an order of the Bankruptcy Court preventing the occurrence thereof; or (b) amend or modify the Plan; provided, however, that the Debtor must first obtain the consent of the Senior Bank Agent, the Official Committee, and/or the Informal Committee of Senior Noteholders, as the case may be, if the Claims or interests of their respective constituencies (in their capacities as such) are adversely and materially affected by such amendment or modification.

16.17. Setoff Rights Unaffected. Except as otherwise expressly provided in this Plan, this Plan is not intended to, and shall not, abrogate or impair any rights of setoff of the Debtor or Reorganized Grand Union.

16.18. Manner of Payment. Except with respect to Credit Agreement Claims and Interest Rate Protection Agreement Claims, payment of which shall be made by wire transfer of same day funds, payments provided hereunder may be made, at the option of the Debtor or Reorganized Grand Union, in cash, by wire transfer or by check drawn on any money market center bank.

Dated: Wilmington, Delaware
April 19, 1995

Respectfully submitted,

THE GRAND UNION COMPANY

By: /s/ Francis E. Nicastro

Francis E. Nicastro
An Officer

WILLKIE FARR & GALLAGHER
Co-counsel for Debtor and
Debtor-In-Possession
One Citicorp Center
153 East 53rd Street
New York, New York 10022-4677
(212) 821-8000

By: /s/ Myron Trepper

Myron Trepper (MT-2636)
Barry N. Seidel (BNS-1945)
A Member of the Firm

- and -

YOUNG, CONAWAY, STARGATT
& TAYLOR
Co-counsel for Debtor and
Debtor-In-Possession
11th Fl., Rodney Square North
P.O. Box 391
Wilmington, Delaware 19899-0391
(302) 571-6642

By: /s/ James L. Patton, Jr.

James L. Patton, Jr. (#2202)

Exhibit A

Bankers Trust Company

One Bankers Trust Plaza
New York, New York 10006

Mailing Address:
P.O. Box 318, Church Street Station
New York, New York 10008

[CONFORMED COPY]

January 24, 1995

VIA HAND

The Grand Union Company
201 Willowbrook Boulevard
Wayne, New Jersey 07470

Attention: Mr. Francis E. Nicastro
Vice President and Treasurer

Re: The Grand Union Company Credit Facility --
Additional Facility Commitment Letter

Gentlemen:

You have advised us that, in connection with a contemplated plan of reorganization of The Grand Union Company (the "Company"), in order to provide for (a) the working capital needs of the Company and its subsidiaries as set forth in the Company's Five Year Business Plan revised as of January 17, 1995 and (b) the issuance of additional letters of credit necessary to the operations of the Company and its subsidiaries, the Company desires the aggregate principal amount of credit provided for in the Credit Agreement dated as of July 14, 1992 among the Company, Grand Union Holdings Corporation (formerly known as GND Holdings Corporation) ("Holdings"), Grand Union Capital Corporation ("GU Capital"), the lending institutions party thereto (the "Existing Lenders"), Bankers Trust Company ("BTCo"), as agent, and Midlantic Bank, N.A., as co-agent (as amended through the date hereof, the "Existing Credit Agreement") to be increased by $65,000,000 to an aggregate principal committed amount of approximately $204,144,371.

Specifically, you have advised us that the Company requests from us a commitment to amend the Existing Credit Agreement pursuant to an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agree-

ment") to provide (a) an additional $18,000,000 secured term loan facility (the "C Term Loan Facility") for the purpose of borrowing one term loan on the closing date of the Amended and Restated Credit Agreement and (b) $47,000,000 in additional secured revolving credit facilities on the closing date of the Amended and Restated Credit Agreement (collectively referred to as the "Additional Facility").

The Company's request for us to consider the Additional Facility has been made in the context of, and is materially related to, a proposed restructuring of the Company's capital structure that will be consummated in connection with a prenegotiated reorganization case under Chapter 11 of Title 11 of the United States Code (the "Reorganization Plan"). You have further advised us that as part of the Reorganization Plan: (a) the holders of the Company's 11-1/4% Senior Notes due July 15, 2000 (the "11-1/4% Notes"), and the Company's 11-3/8% Senior Notes due February 15, 1999 (the "11-3/8% Notes"; and together with the 11-1/4% Notes, the "Senior Notes"), have agreed in principle to release the liens and security interests of the Senior Notes in the Collateral (as defined in the Existing Credit Agreement); and (b) the holders of the Company's 12-1/4% Senior Subordinated Notes due July 15, 2002 (the "12-1/4% Notes"), the Company's 12-1/4% Senior Subordinated Notes due July 15, 2002, Series A (the "Series A Notes"), and the Company's 13% Senior Subordinated Notes due March 2, 1998 (the "13% Notes"; and together with the 12-1/4% Notes and Series A Notes, the "Subordinated Notes"), have agreed in

principle to convert the Company's obligations under the Subordinated Notes into all of the issued shares of the Company's common stock. Additionally, you have advised us that the Company will provide for the full principal payment of other claims against the Company as allowed in the Chapter 11 case.

BTCo, on the terms and subject to the conditions set forth or referred to herein, is pleased to advise you of its commitment to provide the Additional Facility. All revolving loans will mature on the fifth anniversary of the date of the effectiveness of the Loan Documentation (as hereinafter defined) (the "Closing Date"). The B Term Loan Facility (as defined in the Existing Credit Agreement) and the C Term Loan Facility will mature on the seventh anniversary of the Closing Date; PROVIDED, HOWEVER, that the term loans will be amortized in eight equal quarterly mandatory prepayments beginning on the fifth anniversary of the Closing Date.

In connection with the Additional Facility, BTCo, at its election, may arrange a syndicate of commercial banks and other financial institutions (BTCo and such other financial institutions being collectively referred to as the "Additional Facility Lenders") to provide a portion of the Additional Facility. Additionally, BTCo is prepared to act as Agent for the Additional Facility Lenders and to recommend that the Existing Lenders commit to contribute to the Additional Facility.

This commitment letter is based in material part on the Company's representations that the Company has successfully completed all required negotiations to promptly implement the Reorganization Plan and that the Reorganization Plan is feasible and there is no known impediment to confirmation and consummation of the Reorganization Plan in a Chapter 11 case on an expedited basis. Additionally, it is BTCo's position that the relative status quo among the Company's creditors must be maintained during the brief duration of the pre- confirmation Chapter 11 case to be pursued by the Company. Accordingly, in addition to the other requirements and conditions set forth in this letter, our commitment is subject to the following specific conditions precedent:

- - TIMELINE FOR CONSUMMATION OF REORGANIZATION PLAN: The Disclosure Statement for Second Amended Chapter 11 Plan of Reorganization of The Grand Union Company filed on April 19, 1995 and the order approving the adequacy thereof entered on April 19, 1995 shall not be materially amended or modified. A plan of reorganization that is acceptable to the Existing Lenders and Additional Facility Lenders which incorporates the Reorganization Plan and an identified and qualified management team to execute the Reorganization Plan must be confirmed by order of the Bankruptcy Court on or prior to June 2, 1995 and must be substantially consummated on or prior to June 16, 1995.

- - CONVERSION OF OTHER DEBT: On the Effective Date of the Reorganization Plan, the Senior Notes shall be converted to unsecured debt and all secured liens held by the Senior Noteholders shall be released. The terms of the indenture to be executed in favor of the Senior Notes as contemplated by the Reorganization Plan shall be acceptable to BTCo. (In that regard, the Company is advised that, subject to reinvestment provisions to be negotiated in the Amended and Restated Credit Agreement: (a) all pro-

ceeds of our collateral must be used to repay the lenders under the Amended and Restated Credit Agreement; and (b) all proceeds of any future debt or equity offering must first be used to repay the C Term Loan Facility and, thereafter, must be used to repay the B Term Loan Facility and Senior Notes on a PRO RATA basis.) Additionally, the Subordinated Notes shall be exchanged for common stock of the Company. The only liens on the Company's assets shall be those securing the obligations owed pursuant to the Amended and Restated Credit Agreement except with respect to lessors' interests in capitalized leases and existing purchase money security interests and other liens on assets having an aggregate value not exceeding $15,000,000.

- - LIEN PRIORITY AND COLLATERAL: On the Effective Date of the Reorganization Plan, the Company's obligations under the Amended and

Restated Credit Agreement shall be secured by a perfected, first priority security interest in all of the assets (including leases) of the Company, Holdings, GU Capital and each of their respective subsidiaries; PROVIDED, HOWEVER, that the Additional Facility Lenders shall be entitled to priority over Existing Lenders who do not contribute to the Additional Facility up to the entire amount owed to such Additional Facility Lenders pursuant to the Amended and Restated Credit Agreement, on terms that must be agreed to in an intercreditor agreement between the Existing Lenders and the Additional Facility Lenders. Additionally, the Existing Lenders must also consent to the Amended and Restated Credit Agreement.

- - PAYMENT OF OTHER CLAIMS: On the later of allowance or the Effective Date of the Reorganization Plan, the Company shall pay the allowed claims of administrative and unsecured creditors of the Company (unless such creditors have agreed to different treatment), including prepetition and reclamation obligations owed to trade creditors. BTCo will not support the accelerated payment of prepetition unsecured claims (except usual and customary prepetition priority claim payments with respect to the Company's employees) during the brief reorganization case planned by the Company; PROVIDED, HOWEVER, that if the Court authorizes such payments such authorization in and of itself shall not constitute cause for termination of this commitment letter.

- - CASH COLLATERAL AND DIP FINANCING FACILITY: Any interim cash collateral order and any debtor in possession financing facility that may be offered by the Company for approval in any bankruptcy case shall be on terms that are acceptable to BTCo as Agent for the Existing Lenders.

- - PAYMENT OF INTEREST, FEES AND EXPENSES: During the pendency of any bankruptcy case filed by the Company, BTCo and the remaining Existing Lenders will agree to accrue interest payable under the Existing Credit Agreement; PROVIDED, HOWEVER that: (a) all such accrued interest is paid in cash on the Effective Date of the Reorganization Plan; and (b) BTCo and the Existing Lenders receive prompt periodic reimbursement of fees and expenses as provided in the Existing Credit Agreement and in this letter.

BTCo reserves the sole right to apportion in any manner it deems appropriate the total amount of the Additional Facility among the Additional Facility Lenders that agree to be a part of the syndicate for the Additional Facility. The Company understands and agrees that BTCo may employ the services of any of its affiliates in connection with the syndication of the Additional Facility (the "Syndication") and that BTCo may share any information relating to the Company and its subsidiaries with such affiliates and such affiliates may share any such information relating to the Company and its subsidiaries with BTCo.

By its acceptance of the terms of this letter in the manner provided below, the Company agrees that BTCo will act as sole and exclusive administrative agent and arranger or, if BTCo so requests, as Co-Agent, for the Amended and Restated Credit Agreement, or if BTCo so requests, any other financing facility contemplated by the Reorganization Plan (including any amendments or modifications thereto), unless you and BTCo after reasonable efforts and in good faith are unable to agree on the terms of such financing.

The Company also agrees to assist and fully cooperate, to the extent requested by BTCo or any of its affiliates, in achieving the Syndication, and acknowledges that the Syndication of the Additional Facility may occur in whole or in part after definitive documentation for the Amended and Restated Credit Agreement has been executed. The Syndication will be accomplished by a variety of means, including direct contact during such Syndication between senior management and advisors of the Company and the proposed syndicate members.

The Company's assistance in connection with the Syndication of the Additional Facility will also include, if BTCo or any of its affiliates so requests at any time prior to the closing of the Amended and Restated Credit Agreement, the restructuring, in a manner mutually acceptable to BTCo and the Company, of the terms and conditions of the Amended and Restated Credit Agreement if, in BTCo's sole judgment, any portion of the Syndication of the Additional

Facility shall have been unsuccessful.

Without limitation of the foregoing, to assist BTCo in the Syndication of the Additional Facility, the Company hereby agrees both before and after the closing of the Amended and Restated Credit Agreement to (a) provide and cause its advisors to provide BTCo, BTCo's affiliates and actual and prospective syndicate members upon request with all information deemed necessary by BTCo or any of its affiliates to complete such Syndication, including but not limited to (i) information and evaluations prepared by the Company and its advisors or on its behalf relating to the transactions contemplated hereby and (ii) information, projections and valuations described herein or in the Company's Reorganization Plan in support of the Company's Reorganization Plan, (b) assist BTCo and its affiliates upon their request in the preparation of an Information Memorandum to be completed by March 1, 1995 and used in connection with the Syndication of the Additional Facility, and (c) make available officers of the Company from time to time for purposes of the foregoing and to attend and make presentations regarding the Additional Facility and the Company's and its subsidiaries' businesses and prospects, as appropriate, at a meeting or meetings of prospective syndicate members.

BTCo's obligations hereunder are subject to the negotiation, execution and delivery of a definitive term sheet (the "Term Sheet") and the negotiation, execution and delivery of definitive documentation for the Amended and Restated Credit Agreement that, in each case, is in form and substance satisfactory to BTCo (collectively, the "Loan Documentation"). The Term Sheet and Loan Documentation shall be prepared by special counsel to BTCo and shall contain the loan pricing and such covenants, representations and warranties, events of default, conditions precedent, security arrangements, indemnities and other terms and provisions as shall be satisfactory to BTCo. The Loan Documents shall consist of an amendment and restatement of the Existing Credit Agreement and each other Credit Document (as defined in the Existing Credit Agreement) and such

other documents as BTCo may reasonably require in light of the transactions contemplated hereby.

As you are aware, BTCo has not had the opportunity to complete its business, financial or legal due diligence analysis and review of the Company or its subsidiaries, their respective businesses or the Reorganization Plan or the other transactions contemplated hereby. BTCo's willingness and obligations hereunder to provide all or any of the Additional Facility in the manner contemplated hereby are therefore subject, without limitation, to (a) the completion of such analysis and review and BTCo's satisfaction with the results thereof, (b) BTCo's satisfaction with the structure and terms and the financial, accounting and tax aspects of the Reorganization Plan and the other transactions contemplated thereby, including the effect of any prepetition trade payments that may be authorized by the Court on the Company's capital structure and/or Reorganization Plan and (c) BTCo's determination that there has not occurred or become known any condition or any change in the business, operations, assets, condition of the Company or any of its subsidiaries which in the judgment of BTCo is material and adverse.

Without limiting the foregoing, if after completing such review and analysis, BTCo is not satisfied with respect to the business, property, operations, assets, liabilities, condition (financial or otherwise) or prospects of the Company or its subsidiaries or their respective businesses, the feasibility of the Reorganization Plan or the other transactions contemplated hereby or the ability of the Company to satisfy its obligations under the Amended and Restated Credit Agreement after giving effect thereto, BTCO may decline to provide all or any of the Additional Facility. Any determination or election to be made by BTCo under this letter shall be made in BTCo's sole discretion. BTCo shall not be responsible or liable for any damages which may be alleged as a result of its failure to arrange or participate in the Additional Facility in the event that it declines to arrange or participate in the proposed financing contemplated by the Amended and Restated Credit Agreement in accordance with the terms outlined in this letter or the Term Sheet.

The Company hereby represents, warrants and covenants that all information (other than projections, if any) and data concerning the Company and its subsidiaries which has been or is hereafter furnished or otherwise made avail-

able to BTCo and its affiliates by the Company is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements are made. Projections, if any, will constitute the Company's good faith estimate of the items projected.

The costs and expenses of BTCo (including the fees and expenses of Skadden, Arps, Slate, Meagher & Flom, special counsel to BTCo, and Policano & Manzo, financial advisors to such special counsel) in connection with (a) the preparation, execution, delivery and enforcement of this letter or any other document (including, without limitation, the Term Sheet, the Fee Letter (as hereinafter defined) and the Loan Documentation), (b) BTCo's due diligence with respect to the Company and its subsidiaries, the Additional Facility, the Amended and Restated Credit Agreement, the other transactions contemplated hereby and the Reorganization Plan, (c) the Syndication (including the preparation of any information for prospective syndicate members as described above and costs and expenses incurred by BTCo in connection with any assignment of all or any portion of the Additional Facility after the initial funding thereof), and (d) the other transactions contemplated hereby shall be paid by the Company promptly upon request therefor, regardless of whether the Additional Facility, the Amended and Restated Credit Agreement, any Syndication or each or any other transaction contemplated hereby is consummated.

The Company agrees to indemnify and hold harmless BTCo, each Existing Lender, each prospective and actual member of a syndicate for the Additional Facility and each of the foregoing entities' respective affiliates, advisors, directors, officers, agents, attorneys and employees and each other person or entity, if any, controlling such persons or entities (all such persons and entities being referred to hereafter as "Indemnified Persons") from and against all losses, claims, damages, liabilities, proceedings, actions, suits, investigations, inquiries or expenses of any kind or nature whatsoever which may be incurred by, asserted against or involve any Indemnified Person as a result of or arising out of or in any way related to any of the transactions contemplated hereby (whether or not consummated) or the preparation, execution, delivery and enforcement of this letter or the Fee Letter and, upon demand by BTCo, to pay or reimburse any such Indemnified Person for any legal or other out-of-pocket expenses

incurred in connection with investigating, defending, or preparing to defend any such action, suit, proceeding (including any inquiry or investigation) or claim (whether or not such Indemnified Person is named as a party to any action or proceeding out of which any such expenses arise); PROVIDED that the Company shall not be responsible to any such Indemnified Person for any losses, claims, damages, liabilities or expenses which resulted primarily from such Indemnified Person's gross negligence or willful misconduct. If and to the extent the foregoing obligations are unenforceable for any reason or are insufficient to hold any Indemnified Person harmless as so provided, the Company agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law. Neither BTCo, any Existing Lender, any prospective or actual member of any syndicate for the Additional Facility nor any affiliate of any of the foregoing persons or entities shall be responsible or liable to the Company or any other person or entity for consequential damages which may be alleged as a result of this letter.

By its acceptance of this letter, the Company hereby agrees to pay, or cause to be paid, to BTCo the non-refundable fees as set forth in the letter addressed to the Company from BTCo of even date herewith (the "Fee Letter"). The provisions of this paragraph and the immediately preceding two paragraphs shall survive any termination of this letter and the consummation of the transactions contemplated hereby.

By its acceptance of delivery of this letter, the Company agrees that the Company shall not disclose to any person or entity (other than on a confidential basis to its directors, officers, employees, auditors and financial and legal advisors who need to know about this letter and the Fee Letter) the existence or terms of this letter or the Fee Letter; PROVIDED that after the execution and delivery by the Company of this letter and the Fee Letter in accordance with the terms hereof, the Company may disclose this letter or the terms hereof.

This letter may not be assigned by the Company without the prior

written consent of BTCo. BTCo shall have the right to effect the Syndication as provided above and BTCo, each Existing Lender and each actual member of a syndicate for the Additional Facility shall have the right to assign and sell participations in any interest in the Additional Facility and the Amended and

Restated Credit Agreement in accordance with the Term Sheet and the applicable provisions of the Loan Documentation.

This letter will terminate at 5:00 p.m., New York time, on February 6, 1995, unless, prior to such time, the Company: (a) notifies BTCo in writing that the commitment letter is to be extended and (b) causes to be wire transferred to BTCo the Extension Fee provided for in the Fee Letter; PROVIDED, HOWEVER, that if prior to February 6, 1995 the Company files a motion with the Bankruptcy Court seeking authority to extend the commitment letter, then the February 6, 1995 termination date set forth above shall be extended by the number of days required to obtain a hearing on the motion but shall not in any event be extended beyond February 15, 1995. If the commitment letter is extended by the Company and unless earlier terminated in accordance with the terms hereof, the obligations of BTCo hereunder shall terminate at 5:00 p.m., New York time, on June 16, 1995.

This letter may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original but all of which shall constitute one and the same instrument. This letter is solely for the benefit of the Company, BTCo and its affiliates and, to the extent specified herein, the Existing Lenders and prospective and actual members of the syndicate for the Additional Facility, and no provision hereof shall be deemed to confer rights on any other person or entity. THIS LETTER WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS. This letter and the Fee Letter supersede all prior discussions and agreements, and set forth the sole and complete agreement of BTCo and the Company in respect of the transactions contemplated hereby. Any term of this letter may be amended, supplemented or otherwise modified and the observance of any term of this letter may be waived (either generally or in a particular instance and either retroactively or prospectively), only by a written document signed by the Company and BTCo.

If the Company is in agreement with the foregoing, please execute the enclosed copy of this letter and return the same to BTCo, attention Mary Kay Coyle, no later than 2:00 p.m., New York time, on Tuesday, January 24, 1995, whereupon the undertakings of the parties shall become effective to the extent and

in the manner provided hereby and in the Fee Letter. This offer shall terminate if not so accepted by the Company on or prior to 2:00 p.m., New York City time, on January 24, 1995, in which case the Company shall return all copies and originals of this letter and the Fee Letter to BTCo as promptly as possible.

Very truly yours,

BANKERS TRUST COMPANY

By: /s/ Michael R. Shraga

Name: Michael R. Shraga

Title: Managing Director

ACCEPTED AND AGREED TO
AS OF THE DATE FIRST
WRITTEN ABOVE:

THE GRAND UNION COMPANY

By: /s/ Gary D. Hirsch

Name: Gary D. Hirsch
Title: Chairman of the Board

Bankers Trust Company

Bankers Trust Plaza
New York, New York 10006

Mailing Address:
P.O. Box 318, Church Street Station
New York, New York 10008

[CONFORMED COPY]

February 2, 1995

VIA HAND

The Grand Union Company
201 Willowbrook Boulevard
Wayne, New Jersey 07470

Attention: Mr. Francis E. Nicastro
Vice President and Treasurer

Re: The Grand Union Company Credit Facility --
Additional Facility Term Sheet

Gentlemen:

Reference is made to the commitment letter dated January 24, 1995 (the "Commitment Letter") addressed to you from Bankers Trust Company ("BTCo"). The parties hereto agree that this letter together with the preliminary summary of certain terms and conditions of the Amended and Restated Credit Agreement (as defined in the Commitment Letter) attached as Exhibit A hereto, constitute the Term Sheet referenced in the Commitment Letter and that the terms hereof are incorporated in and made a part of the Commitment Letter. This letter supersedes any prior letters (other than the Commitment Letter and the Fee Letter (as defined in the Commitment Letter)) from BTCo with respect to the subject matter hereof.

This letter may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original but all of which shall constitute one and the same instrument. THIS LETTER AND THE TERM SHEET ATTACHED HERETO AS EXHIBIT A WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS.

If the Company is in agreement with the foregoing and the Term Sheet, please execute the enclosed copy of this letter and return the same to BTCo, attention Mary Kay Coyle, no later than 5:00 p.m., New York time, on Thursday, February 2, 1995, whereupon the undertakings of the parties shall become effective to the extent and in the manner provided hereby and in the Commitment Letter and the Fee Letter.

Very truly yours,

BANKERS TRUST COMPANY

By: /s/ Michael R. Shraga
Name: Michael R. Shraga
Title: Managing Director

ACCEPTED AND AGREED TO
AS OF THE DATE FIRST
WRITTEN ABOVE:

THE GRAND UNION COMPANY

By: /s/ Francis E. Nicastro

Name: Francis E. Nicastro

Title: Vice President and Treasurer

EXHIBIT A

$204,144,371 OF
SENIOR SECURED CREDIT FACILITIES

Summary of Certain Terms and Conditions
SUBJECT TO THE COMMITMENT LETTER DATED JANUARY 24, 1995

Capitalized terms used but not defined herein shall have the respective meanings assigned thereto in the Commitment Letter.

BORROWER:

The Grand Union Company (the "Borrower")

TOTAL COMMITMENT:

A total initial commitment amount of $204,144,371 (the "Total Commitment"), to be allocated among the facilities set forth below in a manner which is mutually satisfactory to BTCo and the Borrower.

REVOLVING FACILITY:

(a) FACILITY. A revolving credit facility (the "Revolving Facility"), with tranches to be allocated in accordance with an intercreditor agreement (the "Intercreditor Agreement") among the Lenders (as hereinafter defined), in an initial commitment amount of up to $147,000,000 (the "Total Revolving Loan Commitment"), of which up to (a) $60,000,000 shall be available for the issuance of standby letters of credit ("SBLC's"), and (b) $15,000,000 shall be available for the borrowing of swingline loans ("Swingline Loans"). Loans (including Swingline Loans) made pursuant to the Revolving Facility ("Revolving Loans") may be repaid and reborrowed to the extent of the unutilized portion of the Total Revolving Loan Commitment at the time of reborrowing. The SBLC's will not extend beyond the Final Revolving Loan Maturity Date. In no event will Revolving Loans outstanding and outstanding SBLC exposure ever exceed the Total Revolving Loan Commitment as then in effect.

(b) FINAL REVOLVING LOAN MATURITY DATE. Fifth anniversary of the Closing Date.

TERM LOAN FACILITY:

(a) FACILITY. A term loan credit facility (the "Term Loan Facility"; and, together with the Revolving Facility, the "Facilities"), with tranches to be allocated in accordance with the terms of the Intercreditor Agreement, in an amount not less than $57,144,371.

(b) FINAL TERM LOAN MATURITY DATE. Seventh anniversary of the Closing Date. Beginning on the fifth anniversary of the Closing Date, Loans made pursuant to the Term Loan Facility (the "Term Loans") shall amortize in eight equal quarterly payments. The Term Loans together with the Revolving Loans shall hereafter be referred to as the "Loans."

PURPOSE:

Loans may be utilized to provide for working capital and other general corporate purposes of the Borrower.

AGENT:

Bankers Trust Company ("BTCo")

LENDERS:

The lenders under the Existing Credit Agreement and syndicates of commercial banks and other financial institutions to be formed by BTCo.

CLOSING DATE:

That date, which is not earlier than the effective date of the Reorganization Plan, on or before June 16, 1995 (the "Closing Date").

GUARANTIES:

Each now and hereafter existing subsidiary of the Borrower shall be required to provide a guaranty of all amounts and other obligations owing under the Facilities (collectively, the "Guaranties"), subject to such exceptions, if any, as are acceptable to BTCo and the Required Lenders.

The Guaranties shall contain terms and conditions substantially similar to those contained in the guaranties entered into in connection with the Existing Credit Agreement, with such changes as BTCo or the Lenders shall require.

SECURITY:

The Facilities (and all obligations under the Guaranties) shall be secured by a perfected first priority security interest in all of the tangible and intangible assets (including, without limitation, all assets as described in the Commitment Letter) of the Borrower and its subsidiaries, whether in existence at the Closing Date or acquired thereafter; PROVIDED, HOWEVER, that, pursuant to the Intercreditor Agreement, the Additional Facility Lenders shall have priority (with respect to the Additional Facility and with respect to those loans owed to and letter of credit exposure of such Additional Facility Lenders under the Existing Credit Agreement as set forth in the Intercreditor Agreement) over Existing Lenders who do not contribute to the Additional Facility.

OPTIONAL REVOLVING LOAN COMMITMENT REDUCTIONS:

Upon 3 business days' prior written notice, the Borrower may terminate entirely, or reduce permanently, in whole or in part, in $2,000,000 increments, the unutilized portion of the Total Revolving Loan Commitment.

MANDATORY REVOLVING LOAN COMMITMENT REDUCTIONS:

In addition, on terms and conditions substantially similar to those in the Existing Credit Agreement, once the Term Loans have been repaid in full, the Total Revolving Loan Commitment shall automatically be reduced on each day a mandatory prepayment of Term Loans would have been required under the circumstances described in clauses (i) and (ii) in the section below entitled "Mandatory Prepayments" if the Term Loans were then outstanding in such amount by an amount equal to the amount of the required mandatory prepayment of Term Loans that would have been so required.

OPTIONAL PREPAYMENTS:

Permitted in whole or in part in an amount equal to $2,000,000 upon 2 business days' prior notice, without any premium or penalty; PROVIDED that Eurodollar Rate Loans shall only be prepayable on the last day of the interest period applicable thereto. Optional prepayments that are to be applied to the Term Loans shall be applied ratably to the respective scheduled prepayments thereof in the inverse order of maturity.

MANDATORY PREPAYMENTS:

(a) MANDATORY PREPAYMENT OF TERM LOANS. Mandatory Prepayments of Term Loans shall be required on terms and conditions substantially similar to those contained in the Existing Credit Agreement; PROVIDED, that, (i) subject to negotiated reinvestment baskets, all proceeds of collateral securing the Facilities shall be applied to the prepayment of the Term Loans, (ii) subject to negotiated baskets, all proceeds of any future indebtedness of the Borrower for money borrowed, sale-leaseback and other similar transactions shall be used to prepay the Term Loans and (iii) all proceeds up to $65,000,000 of any future equity offerings by the Borrower shall be used to prepay the Loans in accordance with the Intercreditor Agreement.

Mandatory prepayments of Term Loans will be applied to reduce future scheduled amortization payments in the order and on terms substantially similar to those contained in the Existing Credit Agreement subject to such additional provisions relating to allocations between the Term Loan Facility tranches.

(b) MANDATORY PREPAYMENTS OF REVOLVING LOANS. Revolving Loans shall be required to be prepaid (and after all Revolving Loans have been repaid in full, outstanding SBLC's shall be required to be cash collateralized) at any time that the sum of the aggregate principal amount of outstanding Revolving Loans plus the outstanding SBLC exposure exceeds the Total Revolving Loan Commitment as then in effect, in an amount equal to such excess.

INTEREST RATES:

At the Borrower's option, outstanding Loans may be maintained from

time to time as:

(a) loans ("Base Rate Loans") which bear interest at a rate equal to the sum (the "Base Rate") of (i) the higher of (A) the Prime Lending Rate (as defined in the Existing Credit Agreement), (B) the sum of 1/2 of 1% plus the Adjusted Certificate of Deposit Rate (as defined in the Existing Credit Agreement), and (C) the sum of 1/4 of 1% plus the Federal Funds Rate (as defined in the Existing Credit Agreement), plus (ii) the Applicable Margin; and/or

(b) loans ("Eurodollar Rate Loans") which bear interest at a rate equal to the sum of the relevant one, two, three or six months Eurodollar Rate (as defined in the Existing Credit Agreement), plus the Applicable Margin;

PROVIDED that: (i) all Loans will be subject to terms and conditions substantially similar to those contained in the Existing Credit Agreement and (ii) Swingline Loans shall only be maintained as Base Rate Loans.

"Applicable Margin" shall mean with respect to: (i) the Revolving Loans, (A) 1-1/2% in the case of any such Loans that are Base Rate Loans and (B) 3% in the case of any such Loans that are Eurodollar Rate Loans and (ii) the Term Loans, (A) 2% in the case of any such Loans that are Base Rate Loans and (B) 3-1/2% in the case of any such Loans that are Eurodollar Rate Loans.

Interest on Loans shall be payable as set forth in the Existing Credit Agreement. Interest periods for Eurodollar Loans shall be one, two, three or six months.

DEFAULT RATE:

Overdue amounts under the Facilities shall bear interest at a rate equal to the greater of (a) the Base Rate in effect from time to time plus the sum of 2% and the applicable base rate margin, and (b) the interest rate otherwise applicable thereto (without giving effect to any reductions to such rate) plus 2% per annum. Interest at the Default Rate shall be payable on demand.

UNUSED COMMITMENT FEE:

1/2 of 1% per annum of the average daily unused amount of the Total Revolving Loan Commitment, commencing on the Closing Date and payable monthly in arrears on the last day of each month.

SBLC FEES:

3% per annum on the amount available under each outstanding SBLC, commencing on the Closing Date and payable in arrears on the last day of each month for the account of all the Lenders. In addition, a 1/4 of 1% per annum facing fee as well as customary issuance and drawing charges, in respect of each outstanding SBLC will be payable by the Borrower.

ASSIGNMENT FEES:

$3,500 per assignment payable upon execution to the Agent (such fee not to be paid by the Borrower). An additional fee to be negotiated will be payable to any other facing bank upon any assignment.

CALCULATION OF FEES AND INTEREST:

Interest, Unused Commitment Fees and SBLC Fees shall be calculated on the basis of a 360-day year for the actual number of days elapsed.

NOTIFICATION SCHEDULE:

Eurodollar Rate Loans	- 3 business days
Base Rate Loans	- 1 business day
Swingline Loans	- same day, if notice given by 11:00 A.M., New York City time

CONDITIONS TO INITIAL LOANS:

Usual conditions for facilities of this type and such other conditions as may be appropriate in the context of the proposed Reorganization Plan, including but not limited to the conditions set forth in the Commitment Letter and the following:

(a) Execution of the Amended and Restated Credit Agreement, the Intercreditor Agreement and the other credit documents in form and substance satisfactory to BTCo and the Existing Lenders.

(b) The Guaranties shall have been executed and delivered.

(c) All orders, including without limitation the confirmation order, of the Bankruptcy Court entered in connection with the Reorganization Plan (as amended or supplemented from time to time and approved by BTCo, the Existing Lenders and the other Lenders (the "Confirmation Orders")) shall be satisfactory to BTCo (which orders shall, except as agreed to by BTCo, be final orders on the Closing Date) and, as of the Closing Date and after giving effect to the initial Loans, such Reorganization Plan shall have been substantially consummated in accordance with the terms thereof and the terms of the Confirmation Orders.

(d) All aspects of the equity ownership and corporate and operational governance (including the composition of the Board of Directors and the management of the Borrower) of the Borrower and its subsidiaries, to the extent not expressly set forth in the Reorganization Plan, shall be satisfactory to BTCo. Additionally, all agreements relating to, and the corporate and capital structure of, the Borrower and its subsidiaries after giving effect to the transactions contemplated hereby, and all organizational documents of such entities, to the extent not expressly set forth in the Reorganization Plan, shall be satisfactory to BTCo.

(e) All necessary governmental and all material third party approvals and/or consents in connection with the consummation of the Reorganization Plan and the Facilities shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents, or imposes materially adverse conditions upon, the consummation of the

Reorganization Plan and the Facilities. Additionally, there shall not exist any judgement, order, injunction or other restraint prohibiting or imposing materially adverse conditions upon the Facilities.

(f) No litigation, investigation or inquiry by any entity (private or governmental) shall be pending or threatened with respect to the Facilities, any of the other transactions contemplated hereby or any documentation executed in connection herewith, or with respect to any material debt of the Borrower or its subsidiaries which is to remain outstanding after the Closing Date, or which BTCo or the Required Lenders shall determine could have a materially adverse effect on the ability of the Borrower and its subsidiaries to perform their obligations to the Lenders or the business, property, assets, condition (financial or otherwise) or prospects of the Borrower and its subsidiaries taken as a whole.

(g) The Lenders shall have received legal opinions from counsel, and covering matters, acceptable to BTCo (including, without limitation, the absence of any conflict with any of the agreements and instruments governing the Borrowers indebtedness, and local counsel opinions in respect of all mortgages and other security documents securing the Facilities).

(h) The indebtedness of the Borrower and its subsidiaries existing on the Closing Date, including without limitation capital leases, shall be as described in the Reorganization Plan (including, without limitation, the Borrower's proposed amendment of the Senior Notes and the conversion of the Subordinated Notes on the terms set forth in the Commitment Letter) and, to the extent not described in the Reorganization Plan, shall be satisfactory to BTCo, and the Borrower and its subsidiaries shall have no outstanding indebtedness other than as described in the Reorganization Plan and the Post-Confirmation Projections defined below (with exceptions, if any, as may be acceptable to BTCo in its sole discretion).

(i) The Lenders shall have received the five-year annual financial projections included in the BTCo confidential Information Memorandum regarding the Borrower and monthly projections through the Fiscal Year ended in the year 1996 and annual projections through the Fiscal Year ended in the year 2000 of the Borrower and its subsidiaries (collectively, the "Post-Confirmation Projections"), and BTCo shall be satisfied with the accounting practices and procedures to be utilized by the Borrower and its subsidiaries, and any changes to such Post-Confirmation Projections prior to the Closing Date shall be satisfactory to BTCo.

(j) BTCo shall be satisfied on the Closing Date (i) that the Borrower's cash-on-hand, trade support and other operations are as set forth in the Post-Confirmation Projections and (ii) with the results of operations set forth in the most recent financial statements delivered by the Borrower prior to such date.

(k) To the extent not previously received, BTCo shall have received audited financial statements for the most recent fiscal year of the Borrower.

(l) To the extent not previously established, a cash management system, together with cash concentration accounts for the Borrower shall have been established to the satisfaction of BTCo.

(m) To the extent not previously delivered, the Lenders shall have received (i) financial statements for the most recent fiscal period ending at least 30 days prior to the Closing Date certified by the chief financial officer of the Borrower, and (ii) such inventory analyses as BTCo shall request, in each case satisfactory to BTCo.

(n) To the extent not previously accomplished, the termination of, and repayment of all amounts owing under, or with respect to letters of credit, provisions for payment of reimbursement obligations by cash collateralization or the issuance of Letters of Credit in accordance with the terms thereof, under the debtor in possession financing facility.

(o) All franchises, licenses, permits, certifications, accreditation and other rights, consents and approvals which are necessary for the operations of the Borrower's and its subsidiaries' respective businesses after giving effect to the transactions contemplated hereby shall be in full force and effect.

(p) All loans and other financing to the Borrower and its subsidiaries shall be in full compliance with all applicable requirements of the margin regulations.

(q) All costs, fees, expenses (including, without limitation, legal fees and expenses) and other compensation contemplated hereby and by the Commitment Letter and the Fee Letter that are payable to the Lenders and/or BTCo shall have been paid to the extent due.

(r) The Lenders shall have received, and shall be satisfied with, all appropriate information and advice of professional consultants, including, without limitation, (A) environmental and hazardous substance (including hazardous or toxic materials and waste, or medical waste) assessments, reports or analyses, which, in each such case, shall be in scope, and in form and substance, acceptable to BTCo and (B) insurance certificates that are in form and substance substantially similar to the ones required by the Existing Credit Agreement.

(s) All labor and related employee agreements and liabilities, and all pension and other employee benefit plans and liabilities of the Borrower and its subsidiaries after giving effect to the Reorganization Plan shall be satisfactory to BTCo.

(t) Subject to the qualifications and exceptions referred to under the "Security" section above, the Lenders shall have a perfected first priority security interest in all of the assets of the Borrower and its subsidiaries pursuant to documentation that is satisfactory in form and substance to BTCo and the Lenders; PROVIDED, HOWEVER, that liens with respect to lessors' interests in capitalized leases and existing purchase money security interest, interests of consignors in goods shipped to the Borrower on consignment, and other liens on assets having an aggregate value not exceeding $15,000,000 in the aggregate will be permitted.

(u) There shall not have occurred and be continuing a material disruption of or material adverse change since the date of the Commitment Letter in financial, banking or capital markets that in the sole discretion of BTCo has materially adversely impaired the syndication of loans or the placement of securities of generally the same type and size as any of the types of loans contemplated by the Revolving Facility or the Term Loan Facility in such markets; and the Closing Date occurs on a date that is no earlier than April 17, 1995.

CONDITIONS TO ALL LOANS AND SBLC'S:

Usual for facilities of this type, including but not limited to the following:

(a) No Event of Default or default (including, but not limited to, cross-defaults) under the Facilities;

(b) All representations and warranties are true and correct on the date of such borrowing or issuance, as applicable, as though made on and as of such date, except for those representations and warranties expressly

relating to a particular point in time;

(c) Since January 28, 1995, nothing shall have occurred (and the Lenders shall have become aware of no facts or conditions not previously known) which BTCo or the Required Lenders shall determine (i) could have a material adverse effect on the rights or remedies of the Lenders or the Agent or on the ability of the Borrower and its subsidiaries to perform their obligations to the Lenders, or (ii) has had or could have a materially adverse effect on the business, property, assets, conditions (financial or otherwise) or prospects of the Borrower and its subsidiaries taken as a whole; and

(d) Receipt of borrowing notices and other documents or opinions as requested by the Agent or any Lender.

REPRESENTATIONS AND WARRANTIES:

Usual for facilities of this type and such additional ones as may be appropriate in the context of the proposed Reorganization Plan, including but not limited to representations and warranties regarding corporate powers and organization, good standing, third party approvals, enforceability of the documentation for the Facilities, no violation, use of proceeds, financial statements, government approvals, Investment Company Act, Public Utility Holding Company Act, litigation or governmental investigations materially affecting the business, assets, property, condition (financial or otherwise) or prospects of the Borrower and its subsidiaries taken as a whole, no material ad-

verse change in the business, assets, property, condition (financial or otherwise) or prospects of the Borrower and its subsidiaries taken as a whole, compliance with laws (including, but not limited to ERISA, environmental and labor), taxes, title to properties, patents and trademarks, disclosure, employee benefit plans, labor relations, collective bargaining agreements, existing indebtedness, restrictions on subsidiaries and the first priority nature of the security interests in the property intended to secure the Facilities; it being understood that each such representation and warranty shall contain materiality thresholds substantially similar to those set forth for such type of representation and warranty in the Existing Credit Agreement.

AFFIRMATIVE COVENANTS:

Usual for facilities of this type and such additional ones as may be appropriate in the context of the proposed Reorganization Plan, including but not limited to affirmative covenants concerning the maintenance of properties and insurance, good repair, access to and inspection of books, records, property and business, payment of taxes and other liabilities, compliance with statutes (including, but not limited to, environmental statutes, ERISA and worker health and safety), maintenance of corporate existence and franchises, maintenance of corporate separateness, maintenance of fiscal years and fiscal quarters, additional security, further assurances, interest rate protection and delivery of reports, financial statements, certificates, notices of litigation, defaults, ERISA events and other adverse actions and other information requested from time to time by any Lender, through the Agent.

NEGATIVE AND FINANCIAL COVENANTS:

Usual for facilities of this type and such additional ones as may be appropriate in the context of the proposed Reorganization Plan, it being understood that the negative and financial covenants and the exceptions thereto shall be substantially similar to those contained in the Existing Credit Agreement, but with such changes and additions thereto (including, without limitation, such changes to (i) the required ratios and other financial maintenance and incurrence tests contained therein, and (ii) the respective amounts of the numerous indebtedness, lien, investment, dividend and other baskets contained therein) as BTCo may require in light of the Reorganization Plan and the other transactions contemplated thereby and the capital structure of the Borrower after giving effect thereto. Although the negative and financial covenants have not yet been specifically determined, it is anticipated that the negative and financial covenants shall in any event include, without limitation, with respect to the Borrower and its subsidiaries: (a) Limitations on mergers, consolidations, sale or purchase of assets, etc.; (b) Limitations on liens; (c) Limitations on indebtedness; (d) Restrictions on capital expenditures; (e) Restrictions on advances, investments and loans, etc.; (f) Limitations on dividends; (g) Restrictions on transactions with affiliates; (h) Restrictions on changes in business; (i) Financial covenants, including the following: (i) EBITDA tests; (ii) Fixed charge coverage ratio tests; (iii) EBITDA to total cash interest expense tests; (iv) Cumulative EBITDA minus adjusted consolidated capital

expenditures tests; and (v) Certain additional financial covenants; (j) Limitation on voluntary payments, preferred stock, etc.; (k) Restrictions on issuance of subsidiary stock; (l) Limitations on restrictions affecting subsidiaries; (m) No other post closing designated senior indebtedness; and (n) Restrictions on voluntary prepayments of debt, amendments to the transaction documents, etc.

EVENTS OF DEFAULT:

Usual for facilities of this type and such additional ones as may be appropriate in the context of the proposed Reorganization Plan, it being understood that the events of default shall be substantially similar to those contained in the Existing Credit Agreement, but with such changes and additions thereto as BTCo may require in light of the Reorganization Plan and the other transactions contemplated hereby and the capital structure of the Borrower after giving effect thereto.

INCREASED COSTS AND YIELD PROTECTION:

Customary for facilities of this type, including protective provisions for such matters as defaulting banks, capital adequacy, increased costs, funding losses, illegality and withholding taxes.

REQUIRED LENDERS:

As set forth in the Intercreditor Agreement, but in any event not more than 51% of the Total Commitment.

ASSIGNMENTS AND PARTICIPATIONS:

The Borrower may not assign its rights or obligations without the consent of the Lenders. Assignments by the Lenders will be permitted with the consent of the Agent and, in the case of assignments of Revolving Loans to non- Lenders, the facing bank, which consents shall not be unreasonably withheld, in minimum amounts of $5,000,000 in the case of assignments to non-Lenders. Assignments to Federal Reserve Banks shall not require consent.

Participations by the Lenders shall be permitted and participants may be granted voting rights limited to decisions affecting changes in amount, rate, fees, and maturity date. Participants will be entitled to the same benefits as the Lenders with respect to the provision of information and also with respect to increased costs and yield protection, but only to the extent the participating Lender would have incurred such costs. Assignments and participations shall be subject to such other limitations as BTCo may require.

EXPENSES AND INDEMNIFICATIONS:

All out-of-pocket expenses and costs of the Agent in connection with the syndication of the Facilities (including but not limited to printing, duplicating, mailing, travel expenses) and in connection with the preparation, execution, and delivery of documentation evidencing the Facilities, and waivers, consents and amendments thereof (including fees and expenses of Skadden, Arps, Slate, Meagher & Flom, special counsel to BTCo, and Policano & Manzo, L.L.C., financial advisors to such special counsel) shall be paid by the Borrower. Out- of-pocket costs and expenses of the Lenders and the Agent with respect to stamp and documentary taxes and enforcement shall be paid by the Borrower. The Borrower shall indemnify the Agent and each Lender for, among other customary items, costs, losses, liabilities and damages of the Lenders and the Agent arising from litigation, proceedings or other claims.

GOVERNING LAW:

State of New York

THE TERMS AND CONDITIONS OF THIS TERM SHEET ARE NOT LIMITED TO THOSE CONTAINED IN THIS SUMMARY.

Miller Tabak Hirsch & Co.
331 Madison Avenue
12th Floor
New York, New York 10017

, 1995

The Grand Union Company
201 Willowbrook Boulevard
Wayne, New Jersey 07470

Dear Sirs:

In connection with, among other things, (i) the agreement dated July 22, 1992 (the "Agreement") between Miller Tabak Hirsch & Co. ("MTH") and The Grand Union Company (the "Company") and (ii) the Second Amended Plan of Reorganization dated April , 1995 (the "Plan") of the Company filed on April , 1995 in connection with the chapter 11 case filed by the Company on January 25, 1995 in the United States Bankruptcy Court for the District of Delaware, this will confirm our agreement as follows:

1. Termination of Agreement. The Agreement shall be terminated as of the Effective Date, as such term is defined in the Plan, and the obligations of the Company under the Agreement, including its obligation to pay fees to MTH in the amount of $750,000 per year for financial services rendered by MTH, shall cease as of the Effective Date. The Company shall remain obligated to pay to MTH all fees accrued prior to the Effective Date.

2. Indemnification of MTH Entities. The Company hereby confirms that, notwithstanding the termination of the Agreement, it will indemnify, pay contribution to, reimburse and hold harmless MTH and its present and former partners, officers, employees, advisors, attorneys, consultants, agents and representatives, including Messrs. Martin A. Fox, Glenn L. Goldberg, Claude Incaudo and James A. Lash, and any person or entity that directly or indirectly controls MTH, including Gary Hirsch, Jeffrey Miller and Jeffrey Tabak (MTH and any such partner, officer, employee, advisor, attorney, consultant, agent, representative, person or entity being hereinafter referred to individually as an "MTH Entity" and collectively as the "MTH Entities"), from and against any losses, claims, damages or liabilities, joint or several, including the reimbursement of legal and other expenses (including costs of investigation) in connection with any action, suit or proceeding, whether commenced or threatened, incurred by any MTH Entity or to which any MTH Entity may become subject, in connection with the services or matters which are the subject of the Agreement, which services the parties agree include the performance of services of any of the MTH Entities to the Company or any direct or indirect subsidiary thereof, Grand Union Capital Corporation ("GUCC") or Grand Union Holding Corporation ("GUHC") (GUCC, GUHC or any such other subsidiary hereinafter referred to individually as an "Affiliate" and collectively as the "Affiliates") for or at the request of the Company, prior to the Effective Date, whether prior to the Filing Date (as defined in the Plan) or not; provided, however, that the indemnification, contribution, reimbursement or hold harmless provisions of this paragraph 2 shall not cover any claim to be indemnified, reimbursed or held harmless by any MTH Entity arising out of or related, directly or indirectly, to any action, suit or proceeding against any MTH Entity (i) brought by GUCC or GUHC, (ii) brought by any person which is a present or former purchaser, seller, underwriter or owner of present or former securities of the Company, its predecessors or any present or former Affiliate thereof, including, without limitation, GUCC or GUHC, in such capacity, (iii) brought by any trustee, receiver or other representative on behalf of, or asserting the rights of GUCC, GUHC or any other person described in clause (i) hereof, or (iv) brought by any other person (a "Third Party Claimant") against an MTH Entity asserting claims for contribution, reimbursement or indemnity by such Third Party

Claimant arising out of or related to any action, suit or proceeding against such Third Party Claimant which, had it been brought against an MTH Entity, would be described in clauses (i), (ii) or (iii) hereof (such claims described in clauses (i), (ii), (iii) and (iv) being hereinafter referred to as the "Excluded Claims"); and provided further, however, that the Company shall not be liable to any MTH Entity as an indemnified party hereunder in respect of any loss, claim, damage or liability to the extent that a court having jurisdiction shall have determined by a final judgment that such loss, claim, damage or liability of such indemnified party resulted from the willful misfeasance or gross negligence of such indemnified party. In the event that the foregoing indemnity, contribution or reimbursement is unavailable or insufficient to indemnify and hold such MTH Entity harmless, then the Company shall contribute to amounts paid or payable by such MTH Entity in respect of such losses, claims, damages and liabilities in such proportion as appropriately reflects all equitable considerations, including but not limited to the relative benefits received by, and fault of, the Company or such Affiliate on the one hand, and such MTH Entity, on the other

hand, in connection with the matters as to which such losses, claims, damages or liabilities relate. For purposes of this agreement, the term "MTH Entity" shall exclude any advisor, financial advisor, investment banker (including Goldman, Sachs & Co., BT Securities Corporation and Nomura Securities International), attorney, or consultant directly engaged by the Company or any Affiliate of the Company and shall also exclude any person or entity other than the individuals expressly named above who are designated by MTH to be excluded from being an MTH Entity.

3. Limited Liability Relating to Excluded Claims.

(a) To the extent that any losses, claims, damages or liabilities (including the reimbursement of legal and other expenses, including costs of investigation), arise out of Excluded Claims ("Excluded Claims Liability"), the Company shall indemnify, pay contribution or reimburse MTH or any other MTH Entity in respect of Excluded Claims as set forth in this paragraph 3.

(b) The Company and MTH agree that the Company shall indemnify, pay contribution or reimburse MTH and the other MTH Entities for the first $3,000,000 of any Excluded Claims Liability and that any Excluded Claims Liability above $3,000,000 shall be shared, 662/3% to be borne by the Company and 331/3% to be borne by MTH or such other MTH Entities; provided that the Company's indemnity, contribution and reimbursement obligations under this paragraph 3 shall not exceed $13,000,000 in the aggregate; and provided further that the first $3,000,000 of any Excluded Claims Liability shall be increased to $3,150,000 and the limit on the Company's indemnity, contribution and reimbursement obligations under this paragraph shall be increased to $14,000,000 in the aggregate if the release by Federated Research Corp. referred to in paragraph 5 hereof is not delivered for any reason to MTH and any claim is asserted by or on behalf of Federated Research Corp. (including any claim for contribution or reimbursement) against MTH or any MTH Entity or Federated Research Corp. commences an action, suit or proceeding against MTH or any MTH Entity in connection with the Company or any Affiliate of the Company (the Company's obligations as set forth and limited in this clause (b) of this paragraph 3 are hereinafter referred to as the "Excluded Claims Fund").

(c) The Company agrees that the Excluded Claims Fund may be used, subject to the limitations and allocations thereof as set forth in clause (b) of this paragraph 3, to pay any judgment, settle any claim, pay any legal or other expense or pay any contribution or reimbursement and, in the sole and absolute discretion of Gary Hirsch or his designee, any loss, claim, damage or liability incurred by or asserted against any present or former officer or director of the Company, GUCC or GUHC that is not an MTH Entity (the "Continuing Management Group") arising out of Excluded Claims (as used here such term shall have the definition as set forth in Section 15.06(b) of the Plan), and that any such settlement in respect of any asserted Excluded Claims Liability or such Excluded Claims shall be in the sole and absolute discretion of Gary Hirsch or his designee.

(d) The Company agrees to pay promptly its share, as determined under the provisions of clause (b) of this paragraph 3, of (i) any Excluded Claims Liability that is a legal or other expense incurred in connection with defending or preparing to defend any Excluded Claims Liability promptly upon being furnished an

invoice for such expense that has been approved by Gary Hirsch or his designee (whether for an expense of MTH or any MTH Entity) with a certification of Gary Hirsch or his designee that such expense is subject to reimbursement hereunder, (ii) any judgment against MTH or any other MTH Entity unless a stay of execution of such judgment is obtained within 20 days after the date of such judgment and such stay is thereafter fully maintained in effect, and (iii) any settlement approved by Gary Hirsch or his designee described in clause (c) of this paragraph 3.

(e) The Company agrees that the first $3,000,000 of the Company's obligation for the Excluded Claims Fund shall be deposited in escrow on the Effective Date on the terms and with the escrow agent described in the Escrow Agreement annexed hereto as Exhibit A.

(f) For purposes of this paragraph 3 and the determination of Excluded Claims, the term "partners" as used in paragraph 2 above with respect to an MTH Entity shall include all partnerships or other persons or entities which may be general or limited partners of MTH and their respective partners, shareholders, directors, officers and employees.

(g) The Company has agreed as provided in the Plan to pay certain legal fees and expenses of the "GUHC and GUCC Legal Advisors" (as such term is defined in the Plan). MTH agrees that the amount paid by the Company to the GUHC and GUCC Legal Advisors for services rendered in connection with the

dissolution of GUCC and GUHC as provided in Section 2.04(b) of the Plan shall be applied against the first $3,000,000 or $3,150,000, as the case may be, of the Excluded Claims Fund and reduce the Company's Excluded Claims Liability under clause (b) of this paragraph 3 by such amount.

4. Insurance. The Company agrees that any insurance presently in effect covering officers and directors of the Company, GUCC or GUHC will remain in full force and effect with coverage substantially similar in amounts and terms at the sole expense of the Company for not less than six years after the Effective Date of the Plan.

5. Releases of MTH and Other MTH Entities. The Company shall release MTH and each other MTH Entity from all claims, losses, damages and liabilities and all suits, actions and causes of action which the Company has or may have against MTH or any other MTH Entity arising out of any act or failure to act of MTH or any other MTH Entity in connection with the Company or any Affiliate of the Company, including any transaction or agreement to which the Company or any Affiliate of the Company was or is a party and any security, note, instrument or other obligation issued by the Company or any Affiliate of the Company, and MTH shall similarly release the Company and such Affiliates, all such releases to become effective upon the Effective Date of the Plan. In addition, Putnam Investment Management and various funds managed by it or its affiliates, Federated Management and various funds managed by it or its affiliates, and Leland Zaubler shall execute releases in favor of MTH and the other MTH Entities by which MTH and such MTH Entities shall be released from all claims arising in connection with the Company, GUHC, and GUCC and shall on or before April 21, 1995 deliver such releases to counsel for MTH to be held in escrow pursuant to the Escrow Agreement annexed hereto as Exhibit B until the Effective Date of the Plan or any plan which is substantially similar to the Plan, whereupon such releases shall be delivered to MTH, provided that the releases executed by Federated Management and various funds managed by it and its affiliates and by Leland Zaubler shall be delivered to MTH only if the Plan or such substantially similar Plan, the terms of which are not less advantageous to such parties in any material respect, as confirmed by the Bankruptcy Court includes the same or substantially similar release provisions as those contained in Sections 14.01 (b)(i) and 14.01 (c) of the Plan. Notwithstanding anything in the Plan to the contrary, neither MTH nor any MTH Entity shall have waived or released or be deemed to have waived or released any rights it may have against any person or entity which has not released or is not deemed to have released MTH or such MTH Entity of all claims arising in connection with the Company, GUHC or GUCC. The provisions of this agreement shall not affect or release any agreement or obligation between the Company and Penn Traffic Company.

6. Amended Plan of Reorganization of Company. Except to the extent that any such release prevents confirmation of the Plan, the Company agrees (i) to provide for the release and settlement of all claims, losses,

damages and liabilities and Causes of Action (as such term is defined in the Plan) against MTH and the other MTH Entities as set forth in the Plan and (ii) to otherwise provide for the rights and remedies of MTH and the other MTH Entities and benefits to MTH and the other MTH Entities as set forth in the Plan.

7. Legal Expenses. The reasonable legal expenses of MTH for services of Denis F. Cronin and Gilmartin, Poster & Shafto incurred in connection with the negotiation and preparation of this agreement, the Plan, and otherwise in connection with the Company's pending chapter 11 case in the United States Bankruptcy Court for the District of Delaware, will be paid by the Company.

8. Effective Date. This agreement shall become effective on the Effective Date of the Plan.

9. Headings. Headings are for reference only and are to be ignored in interpreting this agreement.

10. Counterparts. This agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

11. Entire Agreement. This agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all oral and written negotiations and agreements with respect to the subject matter hereof.

12. Governing Law. This agreement may not be changed orally, shall be binding on the respective successors and assigns of the parties hereto, and shall be governed by and construed and interpreted in accordance with the

laws of the State of New York.

Very truly yours,

Miller Tabak Hirsch & Co.

By

Accepted and Agreed:

The Grand Union Company

By

BY ITS SIGNATURE BELOW, EACH OF THE UNDERSIGNED AGREES TO EXECUTE AND DELIVER THE RELEASE ON THE TERMS DESCRIBED IN THE SECOND SENTENCE OF PARAGRAPH 5 OF THIS AGREEMENT:

EACH OF PUTNAM DIVERSIFIED INCOME TRUST, PUTNAM HIGH INCOME CONVERTIBLE AND BOND FUND, PUTNAM MANAGED HIGH YIELD TRUST, PUTNAM CAPITAL MANAGER TRUST-PCM HIGH YIELD FUND, PUTNAM MASTER INCOME TRUST, PUTNAM PREMIER INCOME TRUST, PUTNAM MASTER INTERMEDIATE INCOME TRUST, PUTNAM CAPITAL MANAGER TRUST-PCM DIVERSIFIED IN-

COME, PUTNAM ASSET ALLOCATION FUNDS-BALANCED PORTFOLIO, PUTNAM ASSET ALLOCATION FUNDS-CONSERVATIVE PORTFOLIO, PUTNAM ASSET ALLOCATION FUNDS-GROWTH PORTFOLIO, PUTNAM HIGH YIELD MUNICIPAL TRUST, PUTNAM GLOBAL GOVERNMENTAL INCOME TRUST, PUTNAM HIGH YIELD ADVANTAGE FUND, PUTNAM HIGH YIELD TRUST AND PUTNAM MANAGED HIGH YIELD TRUST

By:

PUTNAM DIVERSIFIED INCOME PORTFOLIO/SMITH BARNEY/TRAVELERS SERIES FUND BY PUTNAM INVESTMENT MANAGEMENT

By:

EACH OF SOUTHERN FARM BUREAU ANNUITY INSURANCE COMPANY TRAVELERS SERIES FUND, AMERITECH PENSION TRUST, US BOND TRUST 93, US BOND TRUST 91, US BOND TRUST 92, US BOND TRUST 94-03, US BOND TRUST 93-11, CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION FUND, US BOND TRUST 91-12, US BOND TRUST 90, MARSH & McLENNAN COMPANIES, INC. U.S. RETIREMENT PLAN AND PUTNAM EMBASSY FUNDS LTD. DIVERSIFIED INCOME FUND BY THE PUTNAM ADVISORY COMPANY, INC.

By:

FEDERATED ADVISERS AS ATTORNEY-IN-FACT FOR FEDERATED HIGH YIELD TRUST, FIXED INCOME SECURITIES, INC. ON BEHALF OF ITS STRATEGIC INCOME FUND, INVESTMENT SERIES FUNDS, INC. ON BEHALF OF ITS FORTRESS BOND FUND, INSURANCE MANAGEMENT SERIES ON

BEHALF OF ITS CORPORATE BOND FUND,
AND LIBERTY HIGH INCOME BOND FUND,
INC.

By:

- ---
LELAND ZAUBLER

EXHIBIT A

[To be provided and executed on or prior to the Effective Date of the Plan]

EXHIBIT B

[To be provided and executed on or prior to the Effective Date of the Plan]

Exhibit C

THE GRAND UNION COMPANY

BY-LAWS

As restated on , 1995.

ARTICLE I.

Stockholders

Section I. The annual meeting of the stockholders of the Corporation for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting shall be held at such place, within or without the State of Delaware, and at such hour, as may be determined by the Board of Directors, on the third Wednesday in June of each year (or if said day be a legal holiday then on the next succeeding day not a legal holiday), or on such later date, not later than 30 days thereafter, as may be fixed by the Board of Directors.

Section II. Special meetings of the stockholders may be held upon call of the Board of Directors or of the Executive Committee or of the Chairman of the Board (and shall be called by the Chairman of the Board at the request in writing of stockholders owning a majority of the outstanding shares of the Corporation entitled to vote at the meeting) at such time and at such place within or without the State of Delaware, as may be fixed by the Board of Directors or by the Executive Committee or the Chairman of the Board or by the stockholders owning a majority of the outstanding stock of the Corporation entitled to vote, as the case may be, and as may be stated in the notice setting forth such call.

Section III. Notice of the time and place of every meeting of stockholders shall be delivered personally or mailed at least ten days previous thereto to each stockholder of record entitled to vote at the meeting, who shall have furnished a written address to the Secretary of the Corporation for the purpose. Such further notice shall be given as may be required by law. Meetings may be held without notice if all stockholders entitled to vote at the meeting are present, or if notice is waived by those not present.

Section IV. The holders of record of a majority of the issued and outstanding shares of the Corporation, which are entitled to vote at the meeting, shall, except as otherwise provided by law, constitute a quorum at all meetings of the stockholders. If there be no such quorum present in person or by proxy, the holders of a majority of such shares so present or represented may adjourn the meeting from time to time.

Section V. Meetings of the stockholders shall be presided over by the Chairman of the Board or, if the Chairman is not present, by the President or a Vice-President or, if no such officer is present, by a chairman to be chosen at the meeting. The Secretary of the Corporation, or in his absence, an Assistant Secretary shall act as secretary of the meeting, if present.

Section VI. Each stockholder entitled to vote at any meeting shall have one vote in person or by proxy for each share of stock held by him which has voting power upon the matter in question at the time; but no proxy shall be voted after three years from its date, unless such proxy expressly provides for a longer period.

Section VII. When a quorum is present at any meeting, a plurality of the votes properly cast for election to any office shall elect to such office and a majority of the votes properly cast upon any question other than election to an office shall decide the question, except when a larger vote is required by law, by the certificate of incorporation or by these by-laws. No ballot shall be required for any election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election. In the event a ballot shall be required, the chairman of each meeting at which directors are to be elected shall appoint two inspectors of election, unless such appointment shall be unanimously waived by those stockholders present

or represented by proxy at the meeting and entitled to vote in the election of directors. No director, or candidate for the office of director, shall be appointed as such inspector. The inspectors shall first take and subscribe an oath or affirmation faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of their ability, and shall take charge of the polls and after the balloting shall make a certificate of the result of the vote taken. Except where the stock transfer books of the Corporation shall have been closed or a date shall have been fixed as a record date for the determination of the stockholders entitled to vote, as hereinafter provided, no share of stock shall be voted at any election of directors which shall have been transferred on the books on the Corporation within twenty days next preceding such election.

Section VIII. The Board of Directors may close the stock transfer books of the Corporation for a period not exceeding sixty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of stock shall go into effect; or, in lieu of closing the stock transfer books, the Board of Directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for allotment of rights, or the date when any change or conversion or exchange of stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of stock, and in such case only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date as aforesaid.

ARTICLE II.

Board of Directors

Section I. The Board of Directors of the Corporation shall consist of not less than three nor more than twelve persons, who shall hold office until the annual meeting of the stockholders next ensuing after their election and until their respective successors are elected and shall qualify and shall initially consist of seven directors. Within the limits above specified, the number of directors shall be determined by resolutions of the Board of Directors or by the stockholders at an annual meeting. Newly created directorships resulting from any increase in the authorized number of Directors shall be filled in the same manner and with the same effect prescribed in Section 2 of this Article II with respect to vacancies. A majority of the Board of Directors shall constitute a quorum.

Section II. Vacancies in the Board of Directors shall be filled by a majority of the remaining directors, though less than a quorum, and the directors so chosen shall hold office until the next annual election and until their successors shall be duly elected and qualified, unless sooner displaced pursuant to law.

Section III. Meetings of the Board of Directors shall be held at such place within or without the State of Delaware as may from time to time be fixed by resolution of the Board or as may be specified in the call of any meeting. Regular meetings of the Board of Directors shall be held at such times as may from time to time be fixed by resolution of the Board; and special meetings may be held at any time upon the call of the Executive Committee or the Chairman of the Board, by oral, telegraphic or written notice, duly served on or sent or mailed to each director not less than two days before the meeting. A meeting of the Board may be held without notice immediately after the annual meeting of stockholders at the same place at which such meeting is held. Notice need not be given of regular meetings of the Board held at times fixed by resolutions of the Board. Meetings may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in writing.

Section IV. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, when a quorum is present at any meeting the vote of a majority of the directors present shall be the act of the Board of Directors.

Section V. Any action required or permitted to be taken at any meeting of the Board of Directors or a committee thereof may be taken without a meeting if all the members of the Board or of such committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the records of the meetings of the Board or of such committee. Such consent shall be treated for all purposes as the act of the Board or of such committee, as the case may be.

Section VI. Members of the Board of directors, or any committee designated by such Board, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other or by any other means permitted by law. Such participation shall constitute presence in person at such meeting.

Section VII. The Board of Directors may also, by resolution or resolutions, passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the directors of the Corporation, which, to the extent provided in said resolution or resolutions, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. A majority of the members of any such committee may determine its action and fix the time and place of its meetings unless the Board of Directors shall otherwise provide. The Board of Directors shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee.

ARTICLE III.

Officers

Section I. The Board of Directors as soon as may be after the election held in each year shall choose a President of the Corporation, one or more Vice Presidents, a Secretary, Treasurer, such Assistant Secretaries, Assistant Treasurers and such other officers, agents, and employees as it may deem proper.

Section II. The term of office of all officers shall be one year, or until their respective successors are chosen; but any officer may be removed from office at any time by the affirmative vote of a majority of the members of the Board.

Section III. Subject to such limitations as the Board of Directors, or the Executive Committee may from time to time prescribe, the officers of the Corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors or by the Executive Committee.

ARTICLE IV.

Certificates of Stock

Section I. The interest of each stockholder of the Corporation shall be evidenced by a certificate or certificates for shares of stock in such form as the Board of Directors may from time to time prescribe. The shares in the stock of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his attorney, upon surrender for cancellation of a certificate or certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, and with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require.

Section II. The certificates of stock shall be signed by the Chairman of the Board or the President or a Vice President and by the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, shall be sealed with the seal of the Corporation (or shall bear a facsimile of such seal), and

shall be countersigned and registered in such manner, if any, as the Board of Directors may by resolution prescribe.

Section III. Certificates for shares of Stock in the Corporation may be issued in lieu of certificates alleged to have been lost, stolen, destroyed or mutilated, upon the receipt of (1) such evidence of loss, theft, destruction or mutilation, and (2) a bond of indemnity in such amount, upon such terms and with such surety, if any, as the Board of Directors may require in each specific case or in accordance with general resolutions.

ARTICLE V.

Corporate Books

The books of the Corporation, except the original or duplicate stock ledger, may be kept outside of the State of Delaware, at the office of the Corporation in Wayne, New Jersey or at such other place or places as the Board of Directors may from time to time determine.

ARTICLE VI.

Checks, Notes, Etc.

All checks and drafts on the Corporation's bank accounts and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, shall be signed by such officer or officers or agent or agents as shall be thereunto authorized from time to time by the Board of Directors.

ARTICLE VII.

Fiscal Year

The fiscal year of the Corporation shall end on the Saturday nearest the thirty-first day of March in each year.

ARTICLE VIII.

Corporate Seal

The corporate seal shall have inscribed thereon the name of the Corporation and the words "Incorporated Delaware 1928." In lieu of the corporate seal, when so authorized by the Board of Directors or a duly empowered committee thereof, a facsimile thereof may be impressed or affixed or reproduced.

ARTICLE IX.

Offices

The Corporation and the stockholders and the directors may have offices outside of the State of Delaware at such places as shall be determined from time to time by the Board of Directors.

ARTICLE X.

Amendments

The by-laws of the Corporation, regardless of whether made by the stockholders or by the Board of Directors, may be amended, added to, rescinded or repealed at any meeting of the Board of Directors or of the stockholders, provided notice of the proposed change is given in the notice of the meeting. No change of the time or place for the annual meeting of the stockholders for the election of directors shall be made except in accordance with the laws of the State of Delaware.

Exhibit D

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

THE GRAND UNION COMPANY

Pursuant to Section 303 of the General Corporation Law

of the State of Delaware and Orders of the United States
Bankruptcy Court for the District of Delaware

THE GRAND UNION COMPANY, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), DOES HEREBY CERTIFY:

1. The name of the Corporation is The Grand Union Company and the date of filing of its original Certificate of Incorporation in the office of the Secretary of State was May 17, 1928.

2. Pursuant to a court order issued in the Chapter 11 Proceedings of the Corporation before the United States Bankruptcy Court for the District of Delaware, Case No. 95-84-PJW, all authorized and issued and outstanding shares of common stock of the Corporation are hereby cancelled.

3. The following Restated Certificate of Incorporation was duly adopted in accordance with the applicable provisions of Section 303 of the General Corporation Law of the State of Delaware.

4. The text of the Certificate of Incorporation as amended or supplemented heretofore, is further amended and restated hereby to read in its entirety as follows:

FIRST: The name of the Corporation is THE GRAND UNION COMPANY (hereinafter called the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a Corporation may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

FOURTH: (A) The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 40,000,000, of which 10,000,000 shares shall be Preferred Stock of the par value of $1.00 per share and 30,000,000 shares shall be Common Stock of the par value of $1.00 per share.

(B) The Board of Directors is expressly authorized, by resolution or resolutions, to provide for the issue of all or any shares of the Preferred Stock, in one or more series, and to fix for each such series such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereon, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such series (a "Preferred Stock Designation") and as may be permitted by the DGCL and as are consistent with paragraph (C) of this Article FOURTH. The number of authorized shares of Preferred Stock may be increased or decreased (but

not below the number of shares thereof then outstanding) by the affirmative vote of a majority of the holders of the voting power of all the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock") voting together as a single class, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

(C) The Corporation is subject to the requirements of Section 1123(a)(6) of the United States Bankruptcy Code (11 U.S.C. 1123(a)(6)) ("Section 1123(a)(6)") and shall be prohibited from issuing any nonvoting equity securities, and shall, at all times, provide, as to the several classes of securities from time-to-time possessing voting power, an appropriate distribution of power among such classes. A Preferred Stock Designation shall not authorize the issuance of such nonvoting equity securities, and shall include in its provisions, if the class designated by such Preferred Stock Designation has a preference in respect of dividends, adequate provisions for the election of directors representing such preferred class in the event of default in the payment of such dividends consistent with the requirements of Section 1123(a)(6).

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation:

(1) Election of directors of the Corporation need not be by written ballot unless the By-Laws so provide.

(2) All the powers of this Corporation, insofar as the same may be lawfully

vested by this Restated Certificate of Incorporation in the Board of Directors, are hereby conferred upon the Board of Directors of this Corporation. In furtherance and not in limitation of that power the Board of Directors is authorized to make, adopt, alter, amend and repeal from time to time the By-Laws of the Corporation, by vote of a majority of the directors present at any regular meeting of the Board, or at any special meeting of the Board, provided that notice of such proposed alternation, amendment, repeal or adoption of new By-Laws is given in the notice of such special meeting, or by written consent without a meeting signed by all directors. The power of the Board of Directors to adopt, amend or repeal By-Laws is subject to the right of stockholders entitled to vote with respect thereto to alter and repeal By-Laws made by the Board of Directors.

(3) The Corporation shall, to the maximum extent permitted from time to time under the DGCL, indemnify and upon request shall advance expenses to any person who is or was a party or is threatened to be made a party to any threatened, pending, or completed action, suit, proceeding or claim, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was or has agreed to be a director or officer of the Corporation or while a director or officer is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of any corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorney's fees and expenses), judgment, fines, penalties and amounts paid in settlement incurred in connection with the investigation, preparation to defend or defense of such action, suit proceeding or claim; provided, however, that the foregoing shall not require the Corporation to indemnify or advance expenses to any person in connection with any action, suit, proceeding, claim or counterclaim initiated by or on behalf of such person. Such indemnification shall not be exclusive of other indemnification rights arising under any by-law, agreement, vote of directors or stockholders or otherwise and shall inure to the benefit of the heirs and legal representatives of such person. Any person seeking indemnification under this paragraph (3) of ARTICLE FIFTH shall be deemed to have met the standard of conduct required for such indemnification unless the contrary shall be established. Any repeal or modification of the foregoing provisions of this paragraph (3) of ARTICLE FIFTH shall not adversely affect any right or protection of a director or officer of the Corporation with respect to any acts or omissions of such director or officer occurring prior to such repeal or modification.

(4) A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that exculpation from

liability is not permitted under the DGCL at the time such liability is determined. No amendment or repeal of this paragraph (4) of ARTICLE FIFTH shall apply to or have any effect on the liability or alleged liability to any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

SIXTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights preferences and privileges of whatever nature conferred upon stockholders, directors or any other persons whomsoever, by and pursuant to this Restated Certificate of Incorporation in its present form or as amended are granted subject to this reservation.

SEVENTH: If at any time the Corporation shall have a class of stock registered pursuant to the provisions of the Securities Exchange Act of 1934, for so long as such class is so registered, any action by the stockholders of such class must be taken at an annual or special meeting and may not be taken by written consent.

IN WITNESS WHEREOF, The Grand Union Company has caused this Certificate of Amendment of Certificate of Incorporation to be signed on its behalf by , its Chairman of the Board, and its corporate seal to be hereunto affixed by , its Secretary, this day of , 1995.

THE GRAND UNION COMPANY

By:

Chairman of the Board

By:

Secretary

Exhibit E

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WARRANT AGREEMENT

between

THE GRAND UNION COMPANY

and

( )

as Warrant Agent

300,000 Series 1 Warrants

600,000 Series 2 Warrants

Dated as of May , 1995

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WARRANT AGREEMENT

THIS WARRANT AGREEMENT, is made and entered into as of May , 1995 (the "Agreement"), by and between THE GRAND UNION COMPANY, a Delaware corporation (the "Company"), and [ ] as Warrant Agent (the "Warrant Agent").

WITNESSETH:

WHEREAS, in connection with the financial restructuring of the Company pursuant to its plan of reorganization (the "Plan"), and in settlement of certain litigation in the Bankruptcy Case and in the Capital Case (each as defined herein) (the "Settlement"), the Company proposes, inter alia, to issue two series of warrants which, in aggregate, are exercisable to purchase up to 900,000 shares of Common Stock (as defined herein), subject to adjustment as

provided herein (the "Warrants"), to the holders of the Zero Coupon Notes (as defined herein) in exchange for such Zero Coupon Notes and any and all claims such holders may have against the Company and in exchange for the release by such holders of any and all claims against or interests in the Released Persons; and

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to act, in connection with the issuance, transfer, exchange, replacement and exercise of the Warrant Certificates and other matters as provided herein; and

WHEREAS, the Company desires to enter into this Agreement to set forth the terms and conditions of the Warrants and the rights of the holders thereof;

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual agreements set forth herein, the Company and the Warrant Agent hereby agree as follows:

ARTICLE 1

Definitions

As used herein, the following terms have the following respective meanings:

"Affiliate" means with respect to any Person, any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For purposes of this definition, (a) "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting Common Stock (or equivalent equity interests), by contract or otherwise, and the terms "controlling" or "controlled" have meanings correlative to the foregoing, and (b) a subsidiary of a Person is an Affiliate of such Person and of each other subsidiary of that Person.

"Agreement" means this Warrant Agreement, as the same may be amended or modified from time to time hereafter.

"Bankruptcy Code" means title 11, United States Code.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware.

"Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banking institutions in New York City, New York are authorized or required by law to be closed; provided that, in determining the period within which certificates or Warrants are to be issued and delivered at a time when shares of Common Stock (or Other Securities) are listed or admitted to trading on any national securities exchange or in the over-the-counter market and in determining the Fair Value of any securities listed or

admitted to trading on any national securities exchange or in the over-the-counter market, "Business Day" shall mean any day when the principal exchange on which such securities are then listed or admitted to trading is open for trading or, if such securities are traded in the over-the-counter market in the United States, such market is open for trading; and provided further that any reference in this Agreement to "days" (unless Business Days are specified) shall mean calendar days.

"Capital" means Grand Union Capital Corporation, a Delaware corporation, and the corporate parent of the Company prior to the Effective Date.

"Capital Case" means the case under chapter 11 of the Bankruptcy Code concerning Capital which was commenced on February 6, 1995 before the Bankruptcy Court.

"Chapter 11 Case" means the case under Chapter 11 of the Bankruptcy Code concerning the Company which was commenced January 25, 1995 before the Bankruptcy Court.

"Common Stock" means the Company's Common Stock par value $ per share as authorized from and after the Effective Date.

"Commission" means the Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act or the Exchange Act, whichever is the relevant statute for the particular purpose.

"Company" means The Grand Union Company, a Delaware corporation.

"Effective Date" has the meaning specified in the Plan.

"Exchange Act" means the Securities Exchange Act of 1934, or any successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be amended and in effect at the time. Reference to a particular section of the Securities Exchange Act of 1934 shall include a reference to the comparable section, if any, of any such successor Federal statute.

"Exercise Period" has the meaning specified in Article 3.

"Exercise Price" has the meaning specified in Article 4.

"Fair Value" means (i) with respect to Common Stock or any Other Security, in each case if such security is listed on one or more stock exchanges or quoted on the National Market System of NASDAQ (the "National Market System"), the average of the closing sales prices of a share of such Common Stock or, if an Other Security in the minimum denomination in which such security is traded, on the primary national or regional stock exchange on which such security is listed or on the National Market System if quoted thereon or (ii) if the Common Stock or Other Security, as the case may be, is not so listed or quoted but is traded in the over-the-counter market (other than the National Market System), the average of the closing bid and asked prices of a share of such Common Stock or Other Security, in each case for the 30 Business Days (or such lesser number of Business Days as such Common Stock or other security shall have been so listed, quoted or traded) next preceding the date of measurement; provided, however, that if no such sales price or bid and asked prices have been quoted during the preceding 30-day period or there is otherwise no established trading market for such security, then "Fair Value" means the value of such Common Stock or Other Security as determined reasonably and in good faith by the Board of Directors of the Company; and provided, further, however, that in the event the current market price of a share of such Common Stock or of the minimum traded denomination of such Other Security is determined during a period following the announcement by the Company of (i) a dividend or distribution on the Common Stock or Other Security payable in shares of Common Stock or in such Other Security, or (ii) any subdivision, combination or reclassification of the Common Stock or Other Security, and prior to the expiration of 30 Business Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination

or reclassification, then, and in each such case, the "Fair Value" shall be appropriately adjusted to take into account ex-dividend trading. Anything herein to the contrary notwithstanding, in case the Company shall issue any shares of Common Stock, rights, options, or Other Securities in connection with the acquisition by the Company of the stock or assets of any other Person or the merger of any other Person into the Company, the Fair Value of the Common Stock or Other Securities so issued shall be determined as of the date the number of shares of Common Stock, rights, options or Other Securities was determined (as set forth in a written agreement between the Company and the other party to the transaction) rather than on the date of issuance of such shares of Common Stock, rights, options or Other Securities.

"Junior Zero Coupon Notes" means the aggregate $745 million principal amount 16.50% Junior Subordinated Zero Coupon Notes of Capital due January 15, 2007.

"Original Issue Date" has the meaning specified in Section 2.1.

"Other Securities" means any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) that the holders of the Warrants at any time shall be entitled to receive, or shall have received, upon the exercise of the Warrants, in lieu of or in addition to Common Stock, or that at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities.

"Person" means any individual, partnership, association, joint venture, corporation, business, trust, unincorporated organization, government or department, agency or subdivision thereof, or other person or entity.

"Plan" means the plan of reorganization of the Company, as confirmed by order of the Bankruptcy Court entered on May , 1995.

"Public Offering" means any offering of Common Stock (or Other Securities) to the public pursuant to an effective registration statement under the Securities Act.

"Release" means the release to be executed by the holders of the Zero Coupon Notes which hold, (i) in aggregate, $200,000 or more in face amount of the Senior Zero Coupon Notes or (ii) in aggregate, $200,000 or more in face amount of the Junior Zero Coupon Notes, as a condition to their receipt of the Warrants, such release in the form attached hereto as Exhibit B.

"Released Persons" means the beneficiaries of the Release, as set forth therein.

"Securities Act" means the Securities Act of 1933, or any successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be amended and in effect at the time. Reference to a particular section of the Securities Act of 1933 shall include a reference to the comparable section, if any, of any such successor Federal statute.

"Senior Zero Coupon Notes" means the aggregate $343 million principal amount 15.00% Senior Zero Coupon Notes of Capital due July 15, 2004.

"Series 1 Warrants" means the Warrants to purchase, in aggregate, 300,000 shares of Common Stock at the Exercise Price described herein, subject to adjustment as provided herein, issued in exchange for Zero Coupon Notes pursuant to the Plan and the Settlement.

"Series 2 Warrants" means the Warrants to purchase, in aggregate, 600,000 shares of Common Stock at the Exercise Price described herein, subject to adjustment as provided herein, issued in exchange for Zero Coupon Notes pursuant to the Plan and the Settlement.

"Settlement" means the settlement of certain litigation in the Capital Case and the Chapter 11 Case effected pursuant to the Plan pursuant to which the Company has assumed claims arising from and relating to the Zero Coupon Notes.

"Warrant Agent" means .

"Warrant Certificates" has the meaning specified in Section 2.3.

"Warrants" means, collectively, the two series of the Company's Warrants to purchase up to an aggregate of 900,000 shares of Common Stock at the Exercise Price specified for each such series, subject to adjustment as provided herein, issued in exchange for the Zero Coupon Notes pursuant to the Plan and the Settlement.

"Zero Coupon Notes" means, collectively, the Senior Zero Coupon Notes and the Junior Zero Coupon Notes.

ARTICLE 2

Issuance of Warrants

2.1 Initial Issuance. On the date hereof (the "Original Issue Date"), which is also the Effective Date, the Company shall, pursuant to the Plan and the Settlement, deliver to the Company's disbursing agent under the Plan for re-distribution to the holders of the Zero Coupon Notes, global certificates for an aggregate of 900,000 Warrants, consisting of 300,000 Series 1 Warrants and 600,000 Series 2 Warrants. The global certificates shall be issued in the following denominations: (i) for the holders of the Senior Zero Coupon Notes, a global certificate for 240,000 Series 1 Warrants and a global certificate for 480,000 Series 2 Warrants; and (b) for the holders of the Junior Zero Coupon Notes, a global certificate for 60,000 Series 1 Warrants and a global certificate for 120,000 Series 2 Warrants. Subject, solely with respect to any holder of Zero Coupon Notes which holds, (i) in aggregate, $200,000 or more in face amount of the Senior Zero Coupon Notes or (ii) in aggregate, $200,000 or more in face amount of the Junior Zero Coupon Notes, to the delivery by such holder to the Company of an executed Release in the form attached hereto as Exhibit B by each holder of a Zero Coupon Note which is to receive a Warrant as a condition to such receipt, and upon the direction of the Company, the Warrant Agent shall issue and deliver such additional Warrant Certificates, as increments of, and in reduction of, the global certificates described above, as are required from time to time in order to effect the distributions with respect to the Zero Coupon Notes provided under the Plan and Settlement.

2.2 Initial Share Amount. The number of shares of Common Stock purchasable upon exercise of the Warrants shall be one (1) Warrant to one (1) share of Common Stock, subject to adjustments from and after the Original Issue Date as provided in Article 6 of this Agreement.

2.3 Form of Warrant Certificates. The Series 1 Warrants and Series 2 Warrants shall be evidenced, respectively, by certificates substantially in the forms attached hereto as Exhibit A-1 and A-2 (collectively, the "Warrant Certificates"). Each Warrant Certificate shall be dated as of the date on which it is countersigned by the Warrant Agent, which shall be on the Original Issue Date or, in the event of a division, exchange, substitution or transfer of any of the Warrants, on the date of such event. The Warrant Certificate may have such further legends and endorsements stamped, printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation pursuant thereto or with any rule or regulation of any securities exchange on which the Warrants may be listed.

2.4 Execution of Warrant Certificates. Warrant Certificates shall be executed on behalf of the Company by its President, any Vice President, its Treasurer or Secretary, either manually or by facsimile signature printed thereon. In case any such officer of the Company whose signature shall have been placed upon any Warrant Certificate shall cease to be such officer of the Company before countersignature by the Warrant Agent or issuance and delivery thereof, such Warrant Certificate nevertheless may be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company.

2.5 Countersignature of Warrant Certificates. Warrant Certificates shall be manually countersigned by an authorized signatory of the Warrant Agent and shall not be valid for any purpose unless so countersigned. Such manual countersignature shall constitute conclusive evidence of such authorization. The Warrant Agent is hereby authorized to countersign, in accordance with the provisions of this Section 2.5, and deliver any new Warrant Certificates, as directed by the Company pursuant to Section 2.1 and as and when required pursuant to the provisions of Articles 14 and 15. Each Warrant Certificate shall, when manually countersigned by an authorized signatory of the Warrant Agent, entitle the registered holder thereof to exercise the rights as the holder of the number of Warrants set forth thereon, subject to the provisions of this Agreement.

ARTICLE 3

Exercise Period

Each Warrant shall entitle the holder thereof to purchase from the Company one (1) share of Common Stock (subject to the adjustments provided herein), at any time during the five (5) year period that commences on the First Business Day that is one (1) day after the Original Issue Date, and that terminates at 5:00 p.m., New York City time on the First Business Day that is five (5) years after the Original Issue Date (the "Exercise Period"); provided, however, that in the event of a reorganization of the Company of the nature described in Article 7.1 hereof, any Warrants that are not exercised prior to consummation of such transaction shall be cancelled upon consummation of such transaction, and the holders of such cancelled Warrants shall not be entitled to receive any property with respect to their cancelled Warrants.

ARTICLE 4

Exercise Prices

4.1 Series 1. The Exercise Price for the Series 1 Warrants shall be $30.00 per share of Common Stock (subject to adjustment pursuant to Article 6 hereof).

4.2 Series 2. The Exercise Price for the Series 2 Warrants shall be $42.00 per share of Common Stock (subject to adjustment pursuant to Article 6 hereof).

ARTICLE 5

Exercise of Warrants

5.1 Manner of Exercise. All or any of the Warrants represented by a Warrant Certificate may be exercised by the registered holder thereof during normal business hours on any Business Day, by surrendering such Warrant Certificate, with the subscription form set forth therein duly executed by such holder, by hand or by mail to the Warrant Agent at its office addressed to [Warrant Agent: Address], or, if such exercise shall be in connection with an underwritten Public Offering, at the location designated by the Company. Such Warrant Certificate shall be accompanied by payment in respect of each Warrant that is exercised, which shall be made by certified or official bank or bank cashier's check payable to the order of the Company, except as otherwise provided herein. Such payment shall be in an amount equal to the product of the number of shares of Common Stock (without giving effect to any adjustment therein) designated in

such subscription form multiplied by the original Exercise Price for the Series of Warrants being exercised (plus such additional consideration as may be provided herein). Upon such surrender and payment, such holder shall thereupon be entitled to receive the number of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock (or Other Securities) determined as provided in Articles 2 and 3, and as and if adjusted pursuant to Article 6.

5.2 When Exercise Effective. Each exercise of any Warrant pursuant to Section 5.1 shall be deemed to have been effected immediately prior to the close of business on the Business Day on which the Warrant Certificate representing such Warrant, duly executed, with accompanying payment shall have been delivered as provided in Section 5.1, and at such time the Person or Persons in whose name or names the certificate or certificates for Common Stock (or Other Securities) shall be issuable upon such exercise as provided in Section 5.3 shall be deemed to have become the holder or holders of record thereof.

5.3 Delivery of Certificates, etc. (a) As promptly as practicable after the exercise of any Warrant, and in any event within five (5) Business Days thereafter (or, if such exercise is in connection with an underwritten Public Offering, concurrently with such exercise), the Company at its expense (other than as to payment of transfer taxes which will be paid by the holder) will cause to be issued and delivered to such holder, or as such holder may otherwise direct in writing (subject to Article 14),

(i) a certificate or certificates for the number of shares of Common Stock (or Other Securities) to which such holder is entitled, and

(ii) if less than all the Warrants represented by a Warrant Certificate are exercised, a new Warrant Certificate or Certificates of the same tenor and for the aggregate number of Warrants that were not exercised, executed and countersigned in accordance with Sections 2.4 and 2.5.

(b) The Warrant Agent shall countersign any new Warrant Certificate, register it in such name or names as may be directed in writing by such holder, and shall deliver it to the person entitled to receive the same in accordance with this Section 5.3. The Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrant Certificates executed on behalf of the Company for such purpose.

5.4 Fractional Shares. No fractional shares of Common Stock (or Other Securities) shall be issued upon any exercise of Warrants. If more than one Warrant Certificate shall be delivered for exercise at one time by the same holder, the number of full shares or securities that shall be issuable upon exercise shall be computed on the basis of the aggregate number of Warrants exercised. As to any fraction of a share of Common Stock (or Other Securities), the Company shall pay a cash adjustment in respect thereto in an amount equal to the product of the Fair Value per share of Common Stock (or Other Securities) as of the Business Day next preceding the date of such exercise multiplied by such fraction of a share.

ARTICLE 6

Adjustment of the Amount of Common Stock Issuable and the Exercise Prices upon Exercise

6.1 Stock Dividends, Split-ups and Combinations of Shares. If after the date hereof the number of outstanding shares of Common Stock is increased by a dividend or share distribution in each case payable in shares of Common Stock or by a split-up or other reclassification of shares of Common Stock, then, in the case of such events, the amount of Common Stock issuable for each Warrant and the Exercise Price will be adjusted as follows: on the day following the date fixed for the determination of holders of shares of Common Stock entitled to receive such dividend or share distribution, and in the cases of split-ups, combinations and other reclassifications, on the day following the effective date thereof: (a) the Exercise Price in effect immediately prior to such action shall be adjusted to a new Exercise Price that bears the same relationship to the Exercise Price in effect immediately prior to such event as the total number of shares of Common Stock outstanding immediately prior to such action bears to the total number of shares of Common Stock outstanding immediately after such event, and (b) the number of shares of Common Stock purchasable upon the exercise of any Warrant after such event shall be the number of Shares of Common Stock obtained by multiplying the number of shares of Common Stock purchasable immediately prior to such adjustment upon the exercise of such Warrant by the Exercise Price in effect immediately prior to such adjustment and dividing the product so obtained by the Exercise Price in effect after such adjustment.

6.2 Distributions. If after the date hereof the Company shall distribute to all holders of its shares of Common Stock evidences of its indebtedness or assets (excluding cash distributions made as a dividend payable out of earnings or out of surplus legally available for dividends under the laws of the jurisdiction of incorporation of the Company) or rights to subscribe to shares of Common Stock expiring more than 45 days after the issuance thereof, then in each such case the Exercise Price in effect immediately prior to such distribution shall be decreased to an amount determined by multiplying such Exercise Price by a fraction, the numerator of which is the Fair Value of a share of the Common Stock at the date of such distribution less the Fair Value per share of Common Stock outstanding at such date of the assets or evidences of indebtedness so distributed or of such subscription rights (as determined by the Board of Directors of the Company, whose determination shall be conclusive, and described in a statement filed with the Warrant Agent) and the denominator of which is the Fair Value of a share of Common Stock at such date. Such adjustment shall be made whenever any such distribution is made, and shall become effective retroactively on the date immediately after the record date for the determination of stockholders entitled to receive such distribution.

6.3 Common Stock (or Other Securities) Issued for less than Fair Value. (a) If at any time or from time to time after the Original Issue Date shares of Common Stock (or Other Securities) shall be issued, distributed or sold to holders of Common Stock for a consideration less than Fair Value (or, with respect to distributions of Other Securities, for no consideration), then the equivalent number of shares of Common Stock (or such Other Securities) shall also be issuable upon exercise of the Warrants, and the Exercise Price shall be adjusted to include the Fair Value of the consideration paid by holders of Common Stock for such shares of Common Stock (or Other Securities), if any; provided, however, that only such shares of Common Stock (or Other Securities) issued for consideration less than Fair Value (or, with respect to Other Securities, without consideration) shall be taken into account for purposes of this adjustment; and provided further, that any consideration paid, in whatever form, by the holders of Common Stock for such Common Stock (or Other Securities) shall be taken into account for purposes of determining the adjustment required to be made hereunder, such that an adjustment shall be made solely if and to the extent that the Fair Value of such Common Stock (or Other Securities) exceeds the Fair Value of any consideration paid.

(b) For purposes of this Section 6.3, Common Stock (or Other Securities) shall be deemed to have been issued for Fair Value if issued to the Company's employees or directors under bona fide employee benefit or stock option plans, or issued by the Company pursuant to an employment agreement or consulting agreement, which plan or agreement has been adopted or approved by the board of directors of the Company and, when required by law, approved by the holders of Common Stock.

(c) All options or convertible securities issued or delivered in payment of any dividend or other distribution on any class of stock of the Company, shall be deemed to have been issued without consideration.

(d) For purposes of this Section 6.3, and except as otherwise provided herein, options or convertible securities shall be deemed to have been issued for a consideration per share determined by dividing

(i) the total amount, if any, received and receivable by the Company as consideration for the issuance, sale, grant or assumption of the relevant options or convertible securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision thereof for subsequent adjustment of such consideration) payable to the Company upon the exercise in full of such options or the conversion or exchange of such convertible securities (and in the case of options for convertible securities, the exercise of such options and the conversion or exchange of such convertible securities),

by

(ii) the maximum number of shares of Common Stock issuable (as set forth in the instruments relating thereto, without regard to any provision thereof for subsequent adjustment of such number) upon the exercise of such options or the conversion or exchange of such convertible securities (and in

the case of options for convertible securities, the exercise of such options and the conversion or exchange of such convertible securities).

6.4 Adjustments for Mergers and Consolidations. In case the Company, after the date hereof, shall merge or consolidate with another Person, other than in a Non-Surviving Merger (upon which, pursuant to Section 7.1, the Warrants shall be cancelled), then, in the case of any such transaction, proper provision shall be made so that, upon the basis and terms and in the manner provided in this Warrant Agreement, the holders of the Warrants, upon the exercise thereof at any time after the consummation of such transaction (subject to the Exercise Period), shall be entitled to receive (at the aggregate Exercise Price in effect at the time of the transaction for all Common Stock or Other Securities issuable upon such exercise immediately prior to such consummation), in lieu of the Common Stock or Other Securities issuable upon such exercise prior to such consummation, the greatest amount of securities, cash or other property to which such holder would have been entitled as a holder of Common Stock (or Other Securities) upon such consummation if such holder had exercised the rights represented by the Warrants held by such holder immediately prior thereto, subject to adjustments (subsequent to such consummation) as nearly equivalent as possible to the adjustments provided for in Sections 6.1, 6.2 and 6.3 hereof.

6.5 Calculation to Nearest Cent and One-hundredth of Share. All calculations under this Article 6 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

6.6 Notice of Adjustment in Exercise Price. Whenever the Exercise Price and securities issuable shall be adjusted as provided in this Article 6, the Company shall forthwith file with the Warrant Agent a statement, signed by the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, the President or any Vice President of the Company and by its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary, stating in detail the facts requiring such adjustment, the Exercise Price that will be effective after such adjustment and the impact of such adjustment on the number and kind of securities issuable upon exercise of the Warrants. The Company shall also cause a notice setting forth any such adjustments to be sent by mail, first class, postage prepaid, to each registered holder of Warrants at his address appearing on the Warrant register. The Warrant Agent shall have no duty with respect to any statement filed with it except to keep the same on file and available for inspection by registered holders of Warrants during reasonable business hours. The Warrant Agent shall not at any time be under any duty or responsibility to any holder of a Warrant to determine whether any facts exist which may require any adjustment to the Exercise Price or securities issuable, or with respect to the nature or extent of any adjustment of the Exercise Price or securities issuable when made or with respect to the method employed in making such adjustment.

6.7 Other Notices. In case the Company after the date hereof shall propose to take any action of the type described in sections 6.1, 6.2, 6.3 or 6.4 of this Article 6, the Company shall give notice to the Warrant Agent and to each registered holder of a Warrant in the manner set forth in subsection 6.6 of this Article 6, which notice shall specify, in the case of action of the type specified in subsection 6.2, 6.3 or 6.4, the date on which a record shall be taken with respect to any such action. Such notice shall be given, in the case of any action of the type specified in subsection 6.2, 6.3 or 6.4, at least ten days prior to the record date with respect thereto. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action. Where appropriate, such notice may be given in advance and may be included as part of a notice required to be mailed under the provisions of subsection 6.6 of this Article 6.

6.8 No Change in Warrant Terms on Adjustment. Irrespective of any adjustments in the Exercise Price or the number of shares of Common Stock (or any inclusion of Other Securities) issuable upon exercise, Warrants theretofore or thereafter issued may continue to express the same prices and number of shares as are stated in the similar Warrants issuable initially, or at some subsequent time, pursuant to this Agreement, and the Exercise Price and such number of shares issuable upon exercise specified thereon shall be deemed to have been so adjusted.

6.9 Treasury Shares. Shares of Common Stock at any time owned by the Company shall not be deemed to be outstanding for the purposes of any computation under this Article 6.

ARTICLE 7

Consolidation, Merger, Etc.

7.1 Cancellation of Warrants upon Non-Surviving Merger. In the event of a merger or consolidation of the Company with another Person in which (i) the Company is not the continuing or surviving corporation of such consolidation or merger and (ii) immediately prior to the transaction either (x) such continuing

or surviving corporation was not an Affiliate of the Company or (y) such continuing or surviving corporation was an Affiliate of the Company but the board of directors of the Company has determined in good faith that the merger or consolidation is an arms length transaction, i.e., on terms comparable to those on which the Company would enter into a transaction with a non-Affiliate, then any Warrants which are not exercised prior to consummation of such merger or consolidation (a "Non-Surviving Merger") shall be cancelled upon consummation of the transaction, and the holders of such cancelled Warrants shall not be entitled to receive any property with respect to their cancelled Warrants.

7.2 Assumption of Obligations. Notwithstanding anything contained herein to the contrary, the Company will not effect a merger or consolidation other than a Non-Surviving Merger unless, prior to the consummation of such transaction, each Person (other than the Company) which may be required to deliver any Common Stock, Other Securities, securities, cash or property upon the exercise of this Warrant as provided herein shall assume, by written instrument delivered to the Warrant Agent, with a copy delivered to each holder of a Warrant hereunder, the obligations of the Company under this Warrant Agreement and under each of the Warrants, including, without limitation, the obligation to deliver such shares of Common Stock, Other Securities, cash or property as may be required pursuant to Article 6 hereof.

ARTICLE 8

Listing Rights

If the Common Stock is listed on one or more stock exchanges or quoted on the National Market System, then the Company shall use its best efforts to have the Warrants listed on such stock exchange(s) or quoted on the National Market System, as applicable.

ARTICLE 9

No Dilution or Impariment

The Company will not, by amendment of its certificate of incorporation or through any consolidation, merger, reorganization, transfer of assets, dissolution, issuance or sale of securities or any other voluntary action or omission, avoid or seek to avoid the observance or performance of any of the terms of this Agreement or any of the Warrants issued hereunder, but will at all times in good faith observe and perform all such terms and take all such action as may be necessary or appropriate in order to protect the rights of each holder of a Warrant against dilution or other impairment of the kind specified herein provided, however, that, subject to compliance with the applicable provisions of this Agreement, the Company shall not be prohibited by this Article 9 or by any provision of this Agreement from making decisions providing for, inter alia, the merger or consolidation of the Company or the sale of its assets which transactions, in the judgment of the Company's board of directors, are in the best interests of the Company and the shareholders. Without limiting the generality of the foregoing, the Company (a) will not permit the par value of any shares of stock receivable upon the exercise of any Warrant to exceed the amount payable therefor upon such exercise, (b) will take all such action as may be necessary or appropriate in order that the Company may validly and

legally issue fully paid and nonassessable shares of stock upon the exercise of all of the Warrants from time to time outstanding, (c) will not take any action that results in any adjustment of the shares issuable upon exercise of the Warrants (or which entitles the holders of the Warrants to receive Other Securities upon such exercise) if the total number of shares of Common Stock (or Other Securities) issuable after the action upon the exercise of all of the Warrants would exceed the total number of shares of Common Stock (or Other Securities) then authorized by the Company's certificate of incorporation and available for the purpose of issuance upon such exercise and (d) will not issue any capital stock of any class that is preferred as to dividends or as to the distribution of assets upon voluntary or involuntary dissolution, liquidation or winding-up, unless such stock is sold for a cash consideration at least equal to the amount of such preference upon voluntary or involuntary dissolution, liquidation or winding-up.

ARTICLE 10

Reports

In each case of any adjustment or readjustment in the shares of Common Stock (or Other Securities) issuable upon the exercise of the Warrants, the Company at its expense will promptly compute such adjustment or readjustment after giving effect to such, in accordance with the terms of this Agreement and shall prepare a report setting forth such adjustment or readjustment and showing in

reasonable detail the method of calculation thereof and the facts upon which such adjustment or readjustment is based. The Company will forthwith mail a copy of each such report to the Warrant Agent, which shall promptly mail a copy to each holder of a Warrant. The Warrant Agent will cause the same to be available for inspection at its principal office during normal business hours by any holder of a Warrant or any prospective purchaser of a Warrant designated by the holder thereof.

ARTICLE 11

Notification of Certain Events

11.1 Corporate Action. In the event of:

(a) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a regular periodic dividend payable in cash out of earned surplus) or other distribution of any kind, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right or interest of any kind; or

(b) (i) any capital reorganization of the Company, (ii) any reclassification of the capital shares of the Company (other than a change in par value or from par value to no par value or from no par value to par value or as a result of a split-up or combination), (iii) the consolidation or merger of the Company with or into any other corporation (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any change in the shares of Common Stock) including a consolidation or merger which would result in the cancellation of any outstanding Warrants pursuant to Section 7.1 hereof, (iv) the sale of the properties and assets of the Company as, or substantially as, an entirety to another Person, or (v) an exchange offer for Common Stock (or Other Securities); or

(c) the voluntary or involuntary dissolution, liquidation, or winding up of the Company,

the Company shall cause to be filed with the Warrant Agent and mailed to each holder of a Warrant a notice specifying (x) the date or expected date on which any such record is to be taken for the purpose of such dividend, distribution, rights, event, transaction or amendment (or vote thereon) and the amount and character of any such dividend, distribution, exchange, rights, or vote, or, if a record is not to be taken, the

date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, exchange or rights are to be determined, and the amount and character of such dividend, distribution or rights, or (y) the date or expected date on which any such reorganization, reclassification, recapitalization, consolidation, merger, sale, transfer, exchange offer, dissolution, liquidation or winding up is expected to become effective, and the time, if any such time is to be fixed, as of which holders of record of Common Stock (or Other Securities) shall be entitled to exchange their shares of Common Stock (or Other Securities) for the securities or other property deliverable upon such reorganization, reclassification, recapitalization, consolidation, merger, sale, transfer, exchange offer, dissolution, liquidation or winding up and in the case of a transaction which would cause the cancellation of any outstanding Warrants, the effect of such transaction, if known. Such notice shall be delivered not less than 20 days prior to such date therein specified, in the case of any such date referred to in clause (x) of the preceding sentence, and not less than 30 days prior to such date therein specified, in the case of any such date referred to in clause (y) of the preceding sentence. Failure to give such notice within the time provided or any defect therein shall not affect the legality or validity of any such action.

11.2 Available Information. The Company shall promptly file with the Warrant Agent copies of its annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. If the Company is not required to make such filings, the Company shall promptly deliver to the Warrant Agent copies of any annual, quarterly or other reports and financial statements that are provided to any holders of equity or debt securities of the Company (other than bank debt) in their capacity as holders of such securities.

ARTICLE 12

Reservation of Stock

12.1 Reservation; Due Authorization, etc. The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock (or out of authorized Other Securities), solely for issuance and delivery upon exercise of Warrants, the full number of shares of Common Stock (and Other Securities) from time to time issuable upon the exercise of all Warrants and any other outstanding warrants, options or similar rights, from time to time outstanding. All shares of Common Stock (and Other Securities) shall be duly authorized and, when issued upon such exercise, shall be duly and validly issued, and (in the case of shares) fully paid and nonassessable, and free from all taxes, liens, charges, security interests, encumbrances and other restrictions created by or through the Company.

12.2 Compliance with Law. The Company will use its best efforts, at its expense and on a continual basis, to assure that all shares of Common Stock (and Other Securities) that may be issued upon exercise of Warrants may be so issued and delivered without violation of any Federal or state securities law or regulation, or any other law or regulation applicable to the Company or any of its subsidiaries, provided that with respect to any such exercise involving a sale or transfer of Warrants or any such securities issuable upon such exercise, the Company shall have no obligation to register such Warrants or securities under any such securities law except as provided in Article 8 hereof or in a registration rights agreement entered into by the parties.

ARTICLE 13

Payment of Taxes

The Company will pay any and all documentary stamp or similar issue taxes payable to the United States of America or any State, or any political subdivision or taxing authority thereof or therein, in respect of the issuance or delivery of shares of Common Stock (or Other Securities) on exercise of Warrants, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer of a Warrant

or any transfer involved in the issuance and delivery of Common Stock (or Other Securities) in a name other than that of the registered holder of the Warrants to be exercised, and no such issuance or delivery shall be made unless and until the person requesting such issuance has paid to the Company the amount of any such tax or has established, to the reasonable satisfaction of the Company, that such tax has been paid.

ARTICLE 14

Loss or Mutilation

Upon receipt by the Company and the Warrant Agent of evidence reasonably satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Warrant Certificate and of an indemnity bond reasonably satisfactory to them in form or amount, and (in the case of mutilation) upon surrender and cancellation thereof, then, in the absence of notice to the Company or the Warrant Agent that the Warrants represented thereby have been acquired by a bona fide purchaser, the Company shall execute and deliver to the Warrant Agent and, upon the Company's request, an authorized signatory of the Warrant Agent shall manually countersign and deliver, to the registered holder of the lost, stolen, destroyed or mutilated Warrant Certificate, in exchange for or in lieu thereof, a new Warrant Certificate of the same tenor and for a like aggregate number of Warrants. Upon the issuance of any new Warrant Certificate under this Article 14, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Warrant Agent) in connection therewith. Every new Warrant Certificate executed and delivered pursuant to this Article 14 in lieu of any lost, stolen or destroyed Warrant Certificate shall be entitled to the same benefits of this Agreement equally and proportionately with any and all other Warrant Certificates, whether or not the allegedly lost, stolen or destroyed Warrant Certificate shall be at any time enforceable by anyone. The provisions of this Article 14 are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of mutilated, lost, stolen or destroyed Warrant Certificates.

ARTICLE 15

Warrant Registration

15.1 Registration. The Warrant Certificates shall be issued in registered form only and shall be registered in the names of the record holders of the Warrant Certificates to whom they are to be delivered. The Company shall maintain or cause to be maintained a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the

registration of Warrants and of transfers or exchanges of Warrant Certificates as provided in this Agreement. Such register shall be maintained at the office of the Company or the Warrant Agent located at the respective address therefor as provided in Section 17.1. Such register shall be open for inspection upon notice at all reasonable times by the Warrant Agent and each holder of a Warrant.

15.2 Transfer or Exchange. Subject to Section 2.1 hereof, at the option of the holder, Warrant Certificates may be exchanged or transferred for other Warrant Certificates for a like aggregate number of Warrants, upon surrender of the Warrant Certificates to be exchanged at the office of the Company or the Warrant Agent maintained for such purpose at the respective address therefor as provided in Section 17.1, and upon payment of the charges herein provided. Whenever any Warrant Certificates are so surrendered for exchange or transfer, the Company shall execute, and an authorized signatory of the Warrant Agent shall manually countersign and deliver, the Warrant Certificates that the holder making the exchange is entitled to receive.

15.3 Valid and Enforceable. All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

15.4 Endorsement. Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by an instrument of transfer in form reasonably satisfactory to the Company and the Warrant Agent and duly executed by the registered holder thereof or such holder's officer or representative duly authorized in writing.

15.5 No Service Charge. No service charge shall be made for any registration of transfer or exchange of Warrant Certificates.

15.6 Cancellation. Any Warrant Certificate surrendered for registration of transfer, exchange or the exercise of the Warrants represented thereby shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall be promptly cancelled by the Warrant Agent. Any such Warrant Certificate shall not be reissued by the Company and, except as provided in this Article 15 in case of an exchange or transfer, in Article 14 in case of a mutilated Warrant Certificate and in Article 3 in case of the exercise of less than all the Warrants represented thereby, no Warrant Certificate shall be issued hereunder in lieu thereof. The Warrant Agent shall deliver to the Company from time to time or otherwise dispose of such cancelled Warrant Certificates in a manner reasonably satisfactory to the Company.

ARTICLE 16

Warrant Agent

16.1 Obligations Binding. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the terms and conditions set forth in this Article 16. The Company, and the holders of Warrants by their acceptance thereof, shall be bound by all of such terms and conditions.

16.2 No Liability. The Warrant Agent shall not by countersigning Warrant Certificates or by any other act hereunder be accountable with respect to or be deemed to make any representations as to the validity or authorization of the Warrants or the Warrant Certificates (except as to its countersignature thereon), as to the validity, authorization or value (or kind or amount) of any Common Stock or of any Other Securities or other property delivered or deliverable upon exercise of any Warrant, or as to the purchase price of such Common Stock, securities or other property. The Warrant Agent shall not (i) be liable for any recital or statement of fact contained herein or in the Warrant Certificates or for any action taken, suffered or omitted by the Warrant Agent in good faith in the belief that any Warrant Certificate or any other document or any signature is genuine or properly authorized, (ii) be responsible for determining whether any facts exist that may require any adjustment of the purchase price and the number of shares of Common Stock purchasable upon exercise of Warrants, or with respect to the nature or extent of any such adjustments when made, or with respect to the method of adjustment employed, (iii) be responsible for any failure on the part of the Company to issue, transfer or deliver any Common Stock or Other Securities or property upon the surrender of any Warrant for the purpose of exercise or to comply with any other of the Company's covenants and obligations contained in this Agreement or in the Warrant Certificates or (iv) be liable for any act or omission in connection with this Agreement except for its own bad faith, negligence or willful misconduct.

16.3 Instructions. The Warrant Agent is hereby authorized to accept instructions with respect to the performance of its duties hereunder from the President, any Vice President, the Treasurer or any Assistant Treasurer of the Company and to apply to any such officer for advice or instructions. The Warrant Agent shall not be liable for any action taken, suffered or omitted by it in good faith in accordance with the instructions of any such officer.

16.4 Agents. The Warrant Agent may execute and exercise any of the rights and powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees, provided reasonable care has been exercised in the selection and in the continued employment of any such attorney, agent or employee. The Warrant Agent shall not be under any obligation or duty to institute, appear in, or

defend any action, suit or legal proceeding in respect hereof, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper. The Warrant Agent shall promptly notify the Company in writing of any claim made or action, suit or proceeding instituted against the Warrant Agent arising out of or in connection with this Agreement.

16.5 Cooperation. The Company will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further acts, instruments and assurances as may reasonably be required by the Warrant Agent in order to enable the Warrant Agent to carry out or perform its duties under this Agreement.

16.6 Agent Only. The Warrant Agent shall act solely as agent. The Warrant Agent shall not be liable except for the performance of such duties as are specifically set forth herein, and no implied covenants or obligations shall be read into this Agreement against the Warrant Agent, whose duties and obligations shall be determined solely by the express provisions hereof.

16.7 Right to Counsel. The Warrant Agent may at any time consult with legal counsel satisfactory to it (who may be legal counsel for the Company) and the Warrant Agent shall incur no liability or responsibility to the Company or to any Warrant holder for any action taken, suffered or omitted by the Warrant Agent in good faith in accordance with the opinion or advice of such counsel.

16.8 Compensation. The Company agrees to pay the Warrant Agent reasonable compensation for its services hereunder and to reimburse the Warrant Agent for its reasonable expenses hereunder; and further agrees to indemnify the Warrant Agent and hold it harmless against any and all liabilities, including, but not limited to, judgments, costs and counsel fees, for anything done, suffered or omitted by the Warrant Agent in the execution of its duties and powers hereunder, except for any such liabilities that arise as a result of the Warrant Agent's bad faith, negligence or willful misconduct.

16.9 Accounting. The Warrant Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay to the Company all moneys received by the Warrant Agent on behalf of the Company on the purchase of shares of Common Stock (or Other Securities) through the exercise of Warrants.

16.10 No Conflict. The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

16.11 Resignation; Termination. The Warrant Agent may resign its duties and be discharged from all further duties and liabilities hereunder (except liabilities arising as a result of the Warrant Agent's negligence or willful misconduct), after giving 30 days' prior written notice to the Company. The Company may remove the Warrant Agent upon 30 days written notice, and the Warrant Agent shall thereupon in like manner be discharged from all further duties and liabilities hereunder, except as to liabilities arising as a result of the Warrant Agent's bad faith, negligence or willful misconduct. The Company shall cause to be mailed (by first class mail, postage prepaid) to each registered holder of a Warrant at such, holder's last address as shown on the register of the Company, at the Company's expense, a copy of such notice of resignation or notice of removal, as the case may be. Upon such resignation or removal the Company shall promptly appoint in writing a new warrant agent. If the Company shall fail to make such appointment within a period of 30 days after it has been notified in writing of such resignation by the resigning

Warrant Agent or after such removal, then the holder of any Warrant may apply to any court of competent jurisdiction for the appointment of a new warrant agent. Pending appointment of a successor to the Warrant Agent, either by the Company or by such a court, the duties of the Warrant Agent shall be carried out by the Company. Any successor warrant agent, whether appointed by the Company or by such a court, shall be a corporation, incorporated under the

laws of the United States or of any State thereof and authorized under such laws to exercise corporate trust powers, be subject to supervision and examination by Federal or State authority, and have a combined capital and surplus of not less than $100,000,000 as set forth in its most recent published annual report of condition. After acceptance in writing of such appointment by the new warrant agent it shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the Warrant Agent, without any further assurance, conveyance, act or deed; but if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the resigning or removed Warrant Agent. Not later than the effective date of any such appointment the Company shall file notice thereof with the resigning or removed Warrant Agent and shall forthwith cause at copy of such notice to be mailed (by first class mail, postage prepaid) to each registered holder of a Warrant at such holder's last address as shown on the register of the Company. Failure to give any notice provided for in this Section 16.11, or any defect in any such notice, shall not affect the legality or validity of the resignation of the Warrant Agent or the appointment of a new warrant agent, as the case may be.

16.12 Change of Warrant Agent. If at any time the name of the Warrant Agent shall be changed and at such time any of the Warrant Certificates shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignature under its prior name and deliver Warrant Certificates so countersigned; and if at that time any of the Warrant Certificates shall not have been countersigned, the Warrant Agent may countersign such Warrant Certificates either in its prior name or in its changed name; and in all such cases such Warrant Certificates shall have the full force and effect provided in the Warrant Certificates and this Agreement.

16.13 Successor Warrant Agent. Any corporation into which the Warrant Agent or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Warrant Agent or any new warrant agent shall be a party or any corporation succeeding to all or substantially all the agency business of the Warrant Agent or any new warrant agent shall be a successor Warrant Agent under this Agreement without any further act, provided that such corporation would be eligible for appointment as a new warrant agent under the provisions of Section 16.11 of this Article 16. The Company shall promptly cause notice of the succession as Warrant Agent of any such successor Warrant Agent to be mailed (by first class mail, postage prepaid) to each registered holder of a Warrant at his last address as shown on the register of the Company.

ARTICLE 17

Remedies, Etc.

17.1 Remedies. The Company stipulates that the remedies at law of each holder of a Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant Agreement are not and will not be adequate and that, to the fullest extent permitted by law, such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

17.2 Warrant Holder Not Deemed a Stockholder. Prior to the exercise of the Warrants represented thereby no holder of a Warrant Certificate, as such, shall be entitled to any rights of a stockholder of the Company, including, but not limited to, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or, except as otherwise provided herein, to receive any notice of meetings of stockholders, and no such holder shall be entitled to receive notice of any proceedings of the Company except as provided in this Agreement. Nothing contained in this Agreement shall be construed as imposing any liabilities on such holder to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

17.3 Right of Action. All rights of action in respect of this Agreement are vested in the registered holders of the Warrants. Any registered holder of any Warrant, without the consent of the Warrant Agent or the registered holder of any other Warrant, may in such holder's own behalf and for such holder's own benefit enforce, and may institute and maintain any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, such holder's right to exercise such holder's Warrants in the manner provided in the Warrant Certificate representing such Warrants and the Company's obligations under this Agreement and the Warrants.

ARTICLE 18

Miscellaneous

18.1 Notices. Any notice, demand or delivery authorized by this Agreement shall be sufficiently given or made if sent by first class mail, postage prepaid, addressed to any registered holder of a Warrant at such holder's last known address appearing on the register of the Company, and to the Company or the Warrant Agent as follows:

If to the Company:

The Grand Union Company
201 Willowbrook Boulevard
Wayne, New Jersey 07470
Attn: Mr. Kenneth Baum
Telephone: (201) 890-6000
Facsimile: (201) 890-6012

If to the Warrant Agent:

[Warrant Agent]

or such other address as shall have been furnished in writing, in accordance with this Section 18.1, to the party giving or making such notice, demand or delivery.

18.2 Governing Law and Consent to Forum. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. THE COMPANY AND THE PARTIES EACH HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK OR ANY FEDERAL COURT SITTING IN THE CITY OF NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, AND EACH IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PERSON TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION.

18.3 Benefits of this Agreement. This Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent and their respective successors and assigns, and the registered and beneficial holders from time to time of the Warrants and of holders of the Common Stock, where applicable. Nothing in this Agreement is intended or shall be construed to confer upon any other person, any right, remedy or claim under or by reason of this Agreement or any part hereof.

18.4 Agreement of Holders of Warrant Certificates. Every holder of a Warrant Certificate, by accepting the same, covenants and agrees with the Company, the Warrant Agent and with every other holder of a Warrant Certificate that the Warrant Certificates are transferable on the registry books of the Warrant Agent only upon the terms and conditions set forth in this Agreement, and the Company and the Warrant Agent may deem and treat the person in whose name the Warrant Certificate is registered as the absolute owner for all purposes whatsoever and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

18.5 Counterparts. This Agreement may be executed in any number of counterparts and each such counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

18.6 Amendments. The Warrant Agent may, without the consent or concurrence of the holders of the Warrants, by supplemental agreement or other writing, join with the Company in making any amendments or modifications of this Agreement that they shall have been advised by counsel (a) are required to cure any ambiguity or to correct any defective or inconsistent provision or clerical omission or mistake or manifest error herein contained and which do not

accurately reflect the understanding of the parties hereto, (b) add to the covenants and agreements of the Company in this Agreement further covenants and agreements of the Company thereafter to be observed, or surrender any rights or power reserved to or conferred upon the Company in this Agreement or (c) do not and will not adversely affect, alter or change the rights, privileges or immunities of the registered holders of Warrants or of any person entitled to the benefits of this Agreement who has not assented to such change, in writing. Any other amendment to this Agreement may be effected only with the consent of all of the parties entitled to benefit hereunder who would be affected by such change.

18.7 Consent to Jurisdiction. The parties hereby expressly acknowledge and agree that, to the extent permitted by applicable law, the Bankruptcy Court shall have exclusive jurisdiction to hear and determine any and all disputes concerning the distribution of Warrants hereunder to holders of Zero Coupon Notes pursuant to the Plan. The Warrant Agent hereby assents to the jurisdiction of the Bankruptcy Court with respect to any such disputes and waives any argument of lack of such jurisdiction.

18.8 Headings. The table of contents hereto and the descriptive headings of the several sections hereof are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, as of the day and year first above written.

THE GRAND UNION COMPANY

By:

Name:
Title:

[Warrant Agent]

By:

Name:
Title:

EXHIBIT A

FORMS OF WARRANT CERTIFICATE

EXHIBIT A-1

FORM OF SERIES 1 WARRANT CERTIFICATE

[FORM OF FACE OF SERIES 1 WARRANT CERTIFICATE]

Series 1 Warrant No. Number of Series 1 Warrant(s):

Exercisable During the Period Commencing May , 1995
and Terminating at 5:00 p.m. May , 2000
except as provided below

SERIES 1 WARRANT TO PURCHASE
COMMON STOCK

OF

THE GRAND UNION COMPANY

This Certifies that or registered assigns, is the owner of the number of SERIES 1 WARRANTS set forth above, each of which represents the right, at any time after May , 1995 and on or before 5:00 p.m., New York City time, on May , 2000, subject to acceleration as provided below, to purchase from The Grand Union Company, a Delaware corporation (the "Company"), at the price of $30.00 (the "Exercise Price"), one share of Common Stock, $[ ] par value, of the Company as such stock was constituted as of May , 1995, subject to adjustment as provided in the Warrant Agreement hereinafter referred to, upon surrender hereof, with the subscription form on the reverse hereof duly executed, by hand or by mail to [Warrant Agent, address], Attention: Corporate Trust Operations, or to any successor thereto, as the

warrant agent under the Warrant Agreement, at the office of such successor maintained for such purpose (any such warrant agent being herein called the "Warrant Agent") (or, if such exercise shall be in connection with an underwritten Public Offering of shares of such Common Stock (or Other Securities) (as such term and other capitalized terms used herein are defined in the Warrant Agreement) subject to the Warrant Agreement, at the location at which the Company shall have agreed to deliver such securities), and simultaneous payment in full (by certified or official bank or bank cashier's check payable to the order of the Company) of the Exercise Price in respect of each Warrant represented by this Warrant Certificate that is so exercised, all subject to the terms and conditions hereof and of the Warrant Agreement.

Upon any partial exercise of the Warrants represented by this Warrant Certificate, there shall be issued to the holder hereof a new Warrant Certificate representing the Warrants that were not exercised.

No fractional shares may be issued upon the exercise of rights to purchase hereunder, and as to any fraction of a share otherwise issuable, the Company will make a cash adjustment in lieu of such issuance, as provided in the Warrant Agreement.

This Warrant Certificate is issued under and in accordance with a Warrant Agreement, dated as of May , 1995 (the "Warrant Agreement"), between the Company and [Warrant Agent], as Warrant Agent, and is subject to the terms and provisions contained therein, all of which terms and provisions the holder of this Warrant Certificate consents to by acceptance hereof. Copies of the Warrant Agreement are on file at the above-mentioned office of the Warrant Agent and may be obtained by writing to the Warrant Agent.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS WARRANT SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Dated:

THE GRAND UNION COMPANY

By:

Title:

Countersigned:

[Warrant Agent], as Warrant Agent

By:

Authorized Signatory

[FORM OF REVERSE OF WARRANT CERTIFICATE]

THE GRAND UNION COMPANY

The transfer of this Warrant Certificate and all rights hereunder is registrable by the registered holder hereof, in whole or in part, on the register of the Company upon surrender of this Warrant Certificate at the office or agency of the Company or the office of the Warrant Agent maintained for such purpose at [Warrant Agent, address], Attention: Corporate Trust Operations, duly endorsed or accompanied by a written instrument of transfer duly executed and in form satisfactory to the Company and the Warrant Agent, by the registered holder hereof or his attorney duly authorized in writing and upon payment of any necessary transfer tax or other governmental charge imposed upon such transfer or registration thereof. Upon any partial transfer the Company will cause to be delivered to such holder a new Warrant Certificate or Certificates with respect to any portion not so transferred.

This Warrant Certificate may be exchanged at the office or agency of the Company or the office of the Warrant Agent maintained for such purpose at [Warrant Agent, address], Attention: Corporate Trust Operations, for Warrant Certificates representing the same aggregate number of Warrants, each new Warrant Certificate to represent such number of Warrants as the holder hereof shall designate at the time of such exchange.

Prior to the exercise of the Warrants represented hereby, the holder of this Warrant Certificate, as such, shall not be entitled to any rights of a stockholder of the Company, including, but not limited to, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or, except as provided in the Warrant Agreement, to receive any notice of meetings of stockholders, and shall not be entitled to receive notice of any proceedings of the Company except as provided in the Warrant Agreement. Nothing contained herein shall be construed as imposing any liabilities upon the holder of this Warrant Certificate to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by

creditors or stockholders of the Company or otherwise.

This Warrant Certificate shall be void and all rights represented hereby shall cease unless exercised on or before the close of business on May , 2000.

PRIOR TO THE EXPIRATION OF THE EXERCISE PERIOD, THE COMPANY MAY ENGAGE IN A CONSOLIDATION OR MERGER AS TO WHICH IT IS NOT THE SURVIVING COMPANY AND IN CERTAIN SUCH EVENTS ANY WARRANTS WHICH ARE NOT EXERCISED PRIOR TO THE CONSUMMATION OF SUCH TRANSACTION WILL BE CANCELED. WARRANTHOLDERS WILL RECEIVE PRIOR NOTICE OF ANY SUCH TRANSACTION, AND WILL HAVE THE OPPORTUNITY TO EXERCISE THEIR WARRANTS AND, UPON SUCH EXERCISE, EXERCISE THEIR RIGHTS AS HOLDERS OF COMMON STOCK, PRIOR TO ITS CONSUMMATION.

This Warrant Certificate shall not be valid for any purpose until it shall have been manually countersigned by an authorized signatory of the Warrant Agent.

Witness the facsimile seal of the Company and the signature of its duly authorized officer.

SUBSCRIPTION FORM
(To be executed only upon exercise of warrant)

TO THE GRAND UNION COMPANY
[Warrant Agent], as Warrant Agent
Attention: Corporate Trust Operations

The undersigned (i) irrevocably exercises the Warrants represented by the within Warrant Certificate, (ii) purchases one share of Common Stock of The Grand Union Company (before giving effect to the adjustments provided in the Warrant Agreement referred to in the within Warrant Certificate) for each Warrant so exercised and herewith makes payment in full of the purchase price of $30.00 in respect of each Warrant so exercised as provided in the Warrant Agreement (such payment being by certified or official bank or bank cashier's check payable to the order of The Grand Union Company, all on the terms and conditions specified in the within Warrant Certificate and the Warrant Agreement, (iii) surrenders this Warrant Certificate and all right, title and interest therein to The Grand Union Company and (iv) directs that the securities or other property deliverable upon the exercise of such Warrants be registered or placed in the name and at the address specified below and delivered thereto.

Dated: , 19

(Owner)*

(Signature of Authorized Representative)

(Street Address)

(City) (State) (Zip Code)

Securities or property to be issued and delivered to:

- ---
Signature Guaranteed**

Please insert social security or other identifying number

Name

Street Address

City, State and Zip Code

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered holder of the within Warrant Certificate hereby sells, assigns and transfers unto the Assignee named below all of the rights of the undersigned under the within Warrant Certificate, with respect to the number of warrants set forth below:

Name of Assignee	Address	No. of Warrants

Please insert social security or other identifying number of Assignee

and does hereby irrevocably constitute and appoint attorney to make such transfer on the books of The Grand Union Company maintained for the purpose, with full power of substitution in the premises.

Dated: , 19

Name *

Signature of Authorized Representative

Signature Guaranteed **

* The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever.

** The signature must be guaranteed by a securities transfer agents medallion program ("stamp") participant or an institution receiving prior approval from the Warrant Agent.

EXHIBIT A-2

FORM OF SERIES 2 WARRANT CERTIFICATE

[FORM OF FACE OF SERIES 2 WARRANT CERTIFICATE]

Series 2 Warrant No.

Number of Series 2 Warrant(s):

Exercisable During the Period Commencing May , 1995
and Terminating at 5:00 p.m. May , 2000
except as provided below

SERIES 2 WARRANT TO PURCHASE
Common Stock
OF
THE GRAND UNION COMPANY

This Certifies that or registered assigns, is the owner of the number of SERIES 2 WARRANTS set forth above, each of which represents the right, at any time after May , 1995 and on or before 5:00 p.m., New York City time, on May , 2000 subject to acceleration as provided below, to purchase from The Grand Union Company, a Delaware Corporation (the "Company"), at the price of $42.00 (the "Exercise Price"), one share of Common Stock, [ ] par value, of the Company as such stock was constituted as of May , 1995, subject to adjustment as provided in the Warrant Agreement hereinafter referred to, upon surrender hereof, with the subscription form on the reverse hereof duly executed, by hand or by mail to [Warrant Agent] as Warrant Agent under the

Warrant Agreement, at [Warrant agent address], Attention: Corporate Trust Operations, or to any successor thereto, as the warrant agent under the Warrant Agreement, at the office of such successor maintained for such purpose (any such warrant agent being herein called the "Warrant Agent") (or, if such exercise shall be in connection with an underwritten Public Offering of shares of such Common Stock (or Other Securities) (as such term and other capitalized terms used herein are defined in the Warrant Agreement) subject to the Warrant Agreement, at the location at which the Company shall have agreed to deliver such securities), and simultaneous payment in full (by certified or official bank or bank cashier's check payable to the order of the Company) of the Exercise Price in respect of each Warrant represented by this Warrant Certificate that is so exercised, all subject to the terms and conditions hereof and of the Warrant Agreement.

Upon any partial exercise of the Warrants represented by this Warrant Certificate, there shall be issued to the holder hereof a new Warrant Certificate representing the Warrants that were not exercised.

No fractional shares may be issued upon the exercise of rights to purchase hereunder, and as to any fraction of a share otherwise issuable, the Company will make a cash adjustment in lieu of such issuance, as provided in the Warrant Agreement.

This Warrant Certificate is issued under and in accordance with a Warrant Agreement, dated as of May , 1995 (the "Warrant Agreement"), between the Company and [ ], as Warrant Agent, and is subject to the terms and provisions contained therein, all of which terms and provisions the holder of this Warrant Certificate consents to by acceptance hereof. Copies of the Warrant Agreement are on file at the above-mentioned office of the Warrant Agent and may be obtained by writing to the Warrant Agent.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS WARRANT SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Dated:

THE GRAND UNION COMPANY

By:

Title:

Countersigned:

[Warrant Agent], as Warrant Agent

By:

Authorized Signatory

[FORM OF REVERSE OF WARRANT CERTIFICATE]

THE GRAND UNION COMPANY

The transfer of this Warrant Certificate and all rights hereunder is registrable by the registered holder hereof, in whole or in part, on the register of the Company upon surrender of this Warrant Certificate at the office or agency of the Company or the office of the Warrant Agent maintained for such purpose at [Warrant Agent, address], Attention: Corporate Trust Operations, duly endorsed or accompanied by a written instrument of transfer duly executed and in form satisfactory to the Company and the Warrant Agent, by the registered holder hereof or his attorney duly authorized in writing and upon payment of any necessary transfer tax or other governmental charge imposed upon such transfer or registration thereof. Upon any partial transfer the Company will cause to be delivered to such holder a new Warrant Certificate or Certificates with respect to any portion not so transferred.

This Warrant Certificate may be exchanged at the office or agency of the Company or the office of the Warrant Agent maintained for such purpose at [Warrant Agent, address], Attention: Corporate Trust Operations, for Warrant Certificates representing the same aggregate number of Warrants, each new Warrant Certificate to represent such number of Warrants as the holder hereof shall designate at the time of such exchange.

Prior to the exercise of the Warrants represented hereby, the holder of this Warrant Certificate, as such, shall not be entitled to any rights of a stockholder of the Company, including, but not limited to, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or, except as provided in the Warrant Agreement, to receive any notice of meetings of stockholders, and shall not be entitled to receive notice of any proceedings of the Company except as provided in the Warrant Agreement. Nothing

contained herein shall be construed as imposing any liabilities upon the holder of this Warrant Certificate to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

This Warrant Certificate shall be void and all rights represented hereby shall cease unless exercised on or before the close of business on May , 2000.

PRIOR TO THE EXPIRATION OF THE EXERCISE PERIOD, THE COMPANY MAY ENGAGE IN A CONSOLIDATION OR MERGER AS TO WHICH IT IS NOT THE SURVIVING COMPANY AND IN CERTAIN SUCH EVENTS ANY WARRANTS WHICH ARE NOT EXERCISED PRIOR TO THE CONSUMMATION OF SUCH TRANSACTION WILL BE CANCELED. WARRANT HOLDERS WILL RECEIVE PRIOR NOTICE OF ANY SUCH TRANSACTION, AND WILL HAVE THE OPPORTUNITY TO EXERCISE THEIR WARRANTS AND, UPON SUCH EXERCISE, EXERCISE THEIR RIGHTS AS HOLDERS OF COMMON STOCK, PRIOR TO ITS CONSUMMATION.

This Warrant Certificate shall not be valid for any purpose until it shall have been manually countersigned by an authorized signatory of the Warrant Agent.

Witness the facsimile seal of the Company and the signature of its duly authorized officer.

SUBSCRIPTION FORM
(To be executed only upon exercise of warrant)

TO THE GRAND UNION COMPANY
[Warrant Agent], as Warrant Agent
Attention: Corporate Trust Operations

The undersigned (i) irrevocably exercises the Warrants represented by the within Warrant Certificate, (ii) purchases one share of Common Stock of The Grand Union Company (before giving effect to the adjustments provided in the Warrant Agreement referred to in the within Warrant Certificate) for each Warrant so exercised and herewith makes payment in full of the purchase price of $42.00 in respect of each Warrant so exercised as provided in the Warrant Agreement (such payment being by certified or official bank or bank cashier's check payable to the order of The Grand Union Company), all on the terms and conditions specified in the within Warrant Certificate and the Warrant Agreement, (iii) surrenders this Warrant Certificate and all right, title and interest therein to The Grand Union Company and (iv) directs that the securities or other property deliverable upon the exercise of such Warrants be registered or placed in the name and at the address specified below and delivered thereto.

Dated: , 19

(Owner)*

(Signature of Authorized Representative)

(Street Address)

(City) (State) (Zip Code)

Securities or property to be issued and delivered to:

- ---
Signature Guaranteed**

Please insert social security or other identifying number

Name

Street Address

City, State and Zip Code

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered holder of the within Warrant Certificate hereby sells, assigns and transfers unto the Assignee named below all of the rights of the undersigned under the within Warrant Certificate, with respect to the number of warrants set forth below:

Name of Assignee	Address	No. of Warrants

Please insert social security or other identifying number of Assignee

---

and does hereby irrevocably constitute and appoint attorney to make such transfer on the books of The Grand Union Company maintained for the purpose, with full power of substitution in the premises.

Dated: , 19

Name *

Signature of Authorized Representative

Signature Guaranteed **

---

* The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever.

** The signature must be guaranteed by a securities transfer agents medallion program ("stamp") participant or an institution receiving prior approval from the Warrant Agent.

EXHIBIT B

RELEASE

Release

For good and valuable consideration, the receipt of which is hereby acknowledged, including, without limitation, the issuance of warrants to purchase common stock of Reorganized Grand Union pursuant to the Plan, the undersigned hereby unconditionally and irrevocably releases the following persons, subject to the Warrants having been released for distribution: the Company, Capital, and Holdings, the respective affiliates of the Company, Capital, and Holdings, present and former stockholders, directors, and officers of the Company, Capital, and Holdings, including Miller Tabak Hirsch & Co. ("MTH") and its present and former partners, directors, officers, employees, advisors, attorneys, consultants, agents, and representatives including, without limitation, Mssrs. Martin A. Fox, Glenn L. Goldberg, Claude Incaudo and James A. Lash, and any person or entity that directly or indirectly controls MTH, including Gary Hirsch, Jeffrey Miller and Jeffrey Tabak, the members of each of the Official Committee and the Informal Committees, each of the Post-Confirmation Banks, BT Securities Corporation, Goldman, Sachs & Co., and each of the foregoing entity's and/or person's respective attorneys, advisors, financial advisors, investment bankers, employees, successors, agents, and assigns, and any other person and/or entity against whom the undersigned may have a Released Claim, as defined below (collectively, the "Released Persons"), from any and all claims, demands, actions, causes of action, suits, costs, dues, sums of money, accounts, bills, bonds, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, expenses, and liability whatsoever, known or unknown, at law or in equity, irrespective of whether such claims arise out of contract, tort, violation of laws or other regulations or otherwise, which the undersigned ever had or now

has against the Released Persons or any of them, for, or by reason of, any matter, cause or thing whatsoever from the beginning of the world to and including the date hereof arising out of or in connection with, or related in any manner to, the issuance, ownership, purchase, and/or sale of the Zero Coupon Notes including, without limitation, any claim for substantive consolidation of the Company's Bankruptcy Case and Capital's Bankruptcy Case, any claims arising under any state or federal securities law and/or any claims arising under Sections 544, 548 and 550 of the Bankruptcy Code or under similar state laws, including fraudulent conveyance claims (the "Released Claims"); provided, however, that the undersigned is not hereby releasing the right to receive Warrants pursuant to the Plan or any Allowed Claim in Classes 1, 2, 3, 4 or 8 of the Plan held by the undersigned.

/s/

Exhibit F

Zero Claims Release

For good and valuable consideration, the receipt of which is hereby acknowledged, including, without limitation, the issuance of warrants to purchase common stock of Reorganized Grand Union pursuant to the Plan, the undersigned hereby unconditionally and irrevocably releases the following persons, subject to the Warrants having been released for distribution: the Company, Capital, and Holdings, the respective affiliates of the Company, Capital, and Holdings, present and former stockholders, directors, and officers of the Company, Capital, and Holdings, including Miller Tabak Hirsch & Co. ("MTH") and its present and former partners, directors, officers, employees, advisors, attorneys, consultants, agents, and representatives including, without limitation, Mssrs. Martin A. Fox, Glenn L. Goldberg, Claude Incaudo and James A. Lash, and any person or entity that directly or indirectly controls MTH, including Gary Hirsch, Jeffrey Miller and Jeffrey Tabak, the members of each of the Official Committee and the Informal Committees, each of the Post-Confirmation Banks, BT Securities Corporation, Goldman, Sachs & Co., and each of the foregoing entity's and/or person's respective attorneys, advisors, financial advisors, investment bankers, employees, successors, agents, and assigns, and any other person and/or entity against whom the undersigned may have a Released Claim, as defined below (collectively, the "Released Persons"), from any and all claims, demands, actions, causes of action, suits, costs, dues, sums of money, accounts, bills, bonds, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, expenses, and liability whatsoever, known or unknown, at law or in equity, irrespective of whether such claims arise out of contract, tort, violation of laws or other regulations or otherwise, which the undersigned ever had or now has against the Released Persons or any of them, for, or by reason of, any matter, cause or thing whatsoever from the beginning of the world to and including the date hereof arising out of or in connection with, or related in any manner to, the issuance, ownership, purchase, and/or sale of the Zero Coupon Notes including, without limitation, any claim for substantive consolidation of the Company's Bankruptcy Case and Capital's Bankruptcy Case, any claims arising under any state or federal securities law and/or any claims arising under Sections 544, 548 and 550 of the Bankruptcy Code or under similar state laws, including fraudulent conveyance claims (the "Released Claims"); provided, however, that the undersigned is not hereby releasing the right to receive Warrants pursuant to the Plan or any Allowed Claim in Classes 1, 2, 3, 4 or 8 of the Plan held by the undersigned.

/s/

Exhibit G

AGREEMENT

This Agreement (the "Agreement"), dated as of April , 1995, is made among The Grand Union Company (the "Company"), Grand Union Capital Corporation ("Capital"), Grand Union Holdings Corporation ("Holdings"), the Official Committee of Unsecured Creditors of Grand Union Capital Corporation (the "Capital Committee"), certain holders, that are signatories to this Agreement, of the 15% Senior Zero Coupon Notes Due 2004, Series A and B (the "Senior Zero Coupon Notes") and the 16.5% Senior Subordinated Zero Coupon Notes Due 2007, Series A and B (the "Senior Subordinated Zero Coupon Notes" and, together with

the Senior Zero Coupon Notes, the "Zero Coupon Notes") issued by Capital and guaranteed by Holdings (each such holder of Zero Coupon Notes, in its capacity as such, a "Noteholder" and collectively with the Company, Capital, Holdings, and the Capital Committee, the "Parties"). All terms not otherwise defined herein shall have the meanings ascribed to such terms in the Second Amended Chapter 11 Plan of the Company dated April 19, 1995, as amended as provided in Section 1(d) hereof (the "Plan") annexed hereto as Exhibit A. This Agreement is made in consideration of, and in reference to, the following:

RECITALS

WHEREAS, on January 25, 1995, the Company filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, 11 U.S.C. (S)(S) 101 et seq. (the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), commencing Case No. 95-84 (PJW) (the "Company Bankruptcy Case"); and

WHEREAS, on February 6, 1995, certain members of a then unofficial committee of holders of Zero Coupon Notes (the "Unofficial Capital Committee") commenced an involuntary chapter 11 bankruptcy case against Capital, Case No. 95-130 (PJW), in the Bankruptcy Court, in response to which Capital consented to an entry of an order for relief on February 16, 1995 (the "Capital Bankruptcy Case"); and

WHEREAS, on February 16, 1995, Holdings filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court, commencing Case No. 95-172 (PJW) (the "Holdings Bankruptcy Case," together with the Company Bankruptcy Case and the Capital Bankruptcy Case, the "Bankruptcy Cases"); and

WHEREAS, the Company, Capital and Holdings remain in possession of their respective assets and continue to manage their affairs as debtors and debtors-in-possession in their respective Bankruptcy Cases; and

WHEREAS, the Company is a wholly-owned subsidiary of Capital which, in turn, is a wholly-owned subsidiary of Holdings; and

WHEREAS, both prior to and after the commencement of the Bankruptcy Cases, the Unofficial Capital Committee made certain allegations including that (i) Capital had breached certain fiduciary obligations that it purportedly owed to the Noteholders, and (ii) certain purported transfers by Capital to Holdings of proceeds received from the sale of Zero Coupon Notes were avoidable; and

WHEREAS, on February 23, 1995, the Unofficial Capital Committee filed a motion in the Bankruptcy Court to substantively consolidate the Company Bankruptcy Case and the Capital Bankruptcy Case (the "Motion"); and

WHEREAS, on March 3, 1995, the United States Trustee appointed the Capital Committee; and

WHEREAS, the Capital Committee adopted and continues to prosecute the Motion and, additionally, either has filed or continues to prosecute various other motions, applications, and objections in the Bankruptcy Cases including, without limitation, the following:

1. Objection of the Unofficial Committee of Bondholders of Grand Union Capital Corporation to Debtor's Motion for an Order Authorizing Interim and Final DIP Financing filed in the Company Bankruptcy Case on February 7, 1995;

2. Response of the Unofficial Committee of Zero Coupon Noteholders of Grand Union Capital Corporation to Debtor's Motion to Strike Objections filed in the Company Bankruptcy Case on February 15, 1995;

3. Objection of the Committee of Zero Coupon Noteholders to Debtor's Disclosure Statement for the Plan of Reorganization of Grand Union Company filed in the Company Bankruptcy Case on March 2, 1995;

4. Motion Pursuant to Rule 60(b) Vacating the Orders Approving Post-Petition Financing Agreement of the Debtor With Bankers Trust Company and Exit Financing Commitment Fee and Reopening Hearing on the Motions filed in the Company Bankruptcy Case on March 16, 1995;

5. Motion of the Capital Committee to Disqualify Goldman Sachs and BT Securities filed in the Company Bankruptcy Case on March 17, 1995;

6. Objection of the Capital Committee to Debtor's First Amended Disclosure Statement for the First Amended Plan of Reorganization of Grand Union Company filed in the Company Bankruptcy Case on April 3, 1995; and

7. Application for Order Pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure for Joint Administration of Grand Union Capital Corporation and Grand Union Holdings Corporation filed in both the Capital and Holdings Bankruptcy Cases on March 15, 1995.

(Hereinafter, the claims, allegations and/or contentions that are the subject of or are asserted by either the Unofficial Capital Committee or the Capital Committee in any of the matters described in these recitals (including, without limitation, the Motion), and any appeals related thereto, are collectively referred to as the "Capital Claims"); and

WHEREAS, the Company, Capital, and Holdings dispute any liability to the Noteholders, the Unofficial Capital Committee or the Capital Committee with respect to the Capital Claims; and

WHEREAS, due to the complexities of the various issues raised by the Capital Claims, and in order to avoid the inherent uncertainty and expense involved therein, the parties hereto believe that it is in their respective best interests to compromise and settle all of the controversies which exist among them upon the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the foregoing, the Parties hereby memorialize their agreement as follows:

Section 1. Support of the Plan. Each of the Noteholders and the Capital Committee agree that, so long as (x) with respect to each Noteholder, such Noteholder is the beneficial owner of, or has investment authority or discretion as to, any Zero Coupon Notes and (y) no Material Change, as defined below, or a Disabling Contingency, as defined in Section 12(a) of this Agreement, shall have occurred:

(a) Each Noteholder and the Capital Committee will (i) support and assist in the filing of the Plan, (ii) support and assist in the filing of the Disclosure Statement for the Plan, (iii) support and use its reasonable efforts to obtain acceptance of the Plan, (iv) take, or cause to be taken, any and all such other actions as are necessary to cause such Zero Coupon Notes beneficially owned, or as to which such Noteholder has investment authority or discretion, to be voted on the Plan, and (v) not agree to, consent to, or vote for any plan, other than the Plan as it may be amended, that does not contain the terms set forth in the Plan.

(b) Each Noteholder and the Capital Committee will not object to or otherwise commence any proceeding to oppose or alter either the Plan or the Disclosure Statement for the Plan, will withdraw any pending objection to the Disclosure Statement for the Plan, and will not take any action that is inconsistent with, or that would delay approval of the Disclosure Statement for the Plan or acceptance, confirmation, effectiveness or substantial consummation of the Plan.

(c) While the Noteholders and the Capital Committee have agreed to support and use their reasonable efforts to obtain acceptance of the Plan as set forth in (a) above, it is understood that the Noteholders can have no legally binding obligation to vote to accept the Plan. Nothing contained herein shall be construed as a solicitation of an acceptance or rejection of, or require any party to accept or reject, the Plan.

(d) The Noteholders and the Capital Committee acknowledge that the Plan may be modified or amended, and any such modification or amendment which does not constitute a Material Change shall not affect the Parties' obligations set forth in this Section 1. For purposes hereof, a "Material Change" means any modification or amendment of the Plan proposed or supported for approval by the Company such that the Plan contains terms that are different from those set forth in the Plan and which materially and adversely affect a Noteholder's treatment (either absolutely or relatively as compared to the treatment of other claims), unless the affected Noteholder agrees to such terms.

Section 2. Transfer of Claims, Interests and Securities. No Noteholder shall, directly or indirectly, sell, assign, hypothecate or otherwise dispose of (collectively, "transfer") (x) any Zero Coupon Notes beneficially owned by it or as to which such Noteholder has investment authority or discretion, (including Zero Coupon Notes acquired after the date hereof), (y) any claim (as that term is defined in Section 101(5) of the Bankruptcy Code) arising from, based on or related to, Zero Coupon Notes or (z) any option, warrant, interest in, or right to acquire, any Zero Coupon Notes or claims referred to in clauses (x) or (y) above, provided that a party shall be permitted to transfer Zero Coupon Notes, claims or interests therein to (i) another Noteholder that is a party to this Agreement, (ii) an Affiliate (as that term is defined in Rule 12b-2 of the General Rules and Regulations promulgated under the Securities Act of 1934, as amended) of a Noteholder, which agrees in writing to be bound by the terms of this Agreement or (iii) any person or entity that is not a Noteholder and a party to this Agreement, or an Affiliate of a Noteholder, that agrees in writing to be bound by the terms of this Agreement. Such an Affiliate, person or entity which enters into the agreements required by clauses (ii) or (iii) of the preceding sentence shall be deemed to be a party to this Agreement for all purposes. Nothing contained in this Agreement is intended to or shall restrict the transfer of the warrants referred to in Section 4 of this Agreement subsequent to their issuance.

Section 3. Ownership of Zero Coupon Notes. Each Noteholder represents and warrants that (i) Exhibit B sets forth the total principal amount of Zero Coupon Notes beneficially owned, or as to which such Noteholder, or its Affiliates have investment authority or discretion, and such Zero Coupon Notes constitute all of such securities so owned or controlled by such Noteholder and its Affiliates.

Section 4. Plan Treatment. The Plan shall contain provisions providing for the issuance to Noteholders of warrants for the purchase of Reorganized Grand Union's common stock.

Section 5. Other Representations and Warranties. (a) By their execution of this Agreement, each Noteholder and the Capital Committee represent and warrant that they (i) have read and understand the Plan, (ii) have had the opportunity to discuss and negotiate the terms of the Plan with the assistance of legal, financial and other advisors of their choosing ("Advisors"), and have had the opportunity to consult with their Advisors with respect to their decision to execute this Agreement, (iii) have read and understand the Disclosure Statement for the Plan, and (iv) have had adequate access, directly or through such Advisors, to such financial, business or other information relating to the Company, Capital, and Holdings that they deemed necessary or advisable to enter into this Agreement.

(b) The Parties further represent and warrant to one another as follows: (i) Each party is the sole and lawful owner of all right, title and interest in and to every claim and other matter which the party releases herein, and that the party has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity, any such claim or other matters herein released; and (ii) except as expressly stated in this Agreement, no party has made any statement or representation to any other party regarding any facts relied upon by said party in entering into this Agreement, and each party specifically does not rely upon any statement, representation or promise of any other party in executing this Agreement or in making the settlement provided for herein, except as expressly stated in this Agreement.

(c) Capital and Holdings each represents and warrants to the Capital Committee that, after giving effect to the releases contained in or contemplated by this Agreement and the Plan, it has no material assets except as disclosed in its schedules and statements filed, as amended, in the Bankruptcy Cases.

Section 6. Authorization. Each Noteholder, the Capital Committee, the Company, Capital, and Holdings each represents and warrants, subject to Bankruptcy Court approval with respect to the Company, Capital, and Holdings, that it has the power, and is authorized, to enter into this Agreement.

Section 7. Withdrawal and/or Dismissal of Capital Claims. Each of the Parties and those entities that have indicated their lack of objection to this Agreement on page 16 hereof agrees to forbear and stand still on all litigation, including pre-trial discovery, relating to the Capital Claims. Upon the Effective Date of the Plan, the Noteholders and the Capital Committee will withdraw and/or dismiss the Capital Claims with prejudice. The Company agrees to forbear and stand still on any appeal from the order of the United States District Court for the District of Delaware granting the Unofficial Capital Committee standing to appear in the Company's Bankruptcy Case (the "Standing Order") until a Material Change or a Disabling Contingency, as defined in Section 12 of this Agreement, occurs. This standstill shall not, however, preclude the Company from filing a notice of appeal from the Standing Order or the Capital Committee from responding to such appeal if it is not stayed.

Section 8. Noteholder and Capital Committee Releases. For good and valuable consideration, the receipt of which is hereby acknowledged, including, without limitation, the issuance of warrants to purchase common stock of Reorganized Grand Union pursuant to the Plan, each of the Noteholders and the Capital Committee, and their affiliates, agents, and assigns (the "Releasors") hereby unconditionally and irrevocably release the following persons: the Company, Capital, and Holdings, the respective affiliates of the Company, Capital, and Holdings, present and former stockholders, directors, and officers of the Company, Capital, and Holdings, including Miller Tabak Hirsch & Co. ("MTH") and its present and former partners, directors, officers, employees, advisors, attorneys, consultants, agents, and representatives including, without limitation, Messrs. Martin A. Fox, Glenn L. Goldberg, Claude Incaudo and James A. Lash, and any person or entity that directly or indirectly controls MTH, including Gary Hirsch, Jeffrey Miller and Jeffrey Tabak, the members of each of the Official Committee and the Informal Committees, each of the Post-Confirmation Banks, BT Securities Corporation, Goldman, Sachs & Co., and each of the foregoing entity's and/or person's respective attorneys, advisors, financial advisors, investment bankers, employees, successors, agents, and assigns, and any other person and/or entity against whom any of the Releasors may have a Released Claim, as defined below in this section (collectively, the "Released Persons"), from any and all claims, demands, actions, causes of action, suits, costs, dues, sums of money, accounts, bills, bonds, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages,

judgments, expenses, and liability whatsoever, known or unknown, at law or in equity, irrespective of whether such claims arise out of contract, tort, violation of laws or other regulations or otherwise, which the Releasors ever had or now have against the Released Persons or any of them, for, or by reason of, any matter, cause or thing whatsoever from the beginning of the world to and including the date hereof arising out of or in connection with, or related in any manner to, the issuance, ownership, purchase, and/or sale of the Zero Coupon Notes including, without limitation, any claim for substantive consolidation of the Company's Bankruptcy Case and Capital's Bankruptcy Case, any claims arising under any state or federal securities law and/or any claims arising under Sections 544, 548 and 550 of the Bankruptcy Code or under similar state laws, including fraudulent

conveyance claims (the "Released Claims"); provided, however, that a Releasor is not releasing hereby such Releasor's right to receive warrants pursuant to the Plan or any Allowed Claim in Classes 1, 2, 3, 4 or 8 of the Plan held by such Releasor.

Section 9. Capital Release. For good and valuable consideration, the receipt of which is hereby acknowledged, including, without limitation, the issuance of warrants to purchase common stock of Reorganized Grand Union pursuant to the Plan and the Releases contained in this Agreement, Capital and its affiliates (other than the Company), agents, and assigns (the "Releasors") hereby unconditionally and irrevocably release the following persons: the Company, Holdings, the Noteholders, and the Capital Committee, the respective affiliates of the Company, Holdings, the Noteholders, and the Capital Committee, present and former stockholders, directors, and officers of the Company and Holdings, including Miller Tabak Hirsch & Co. ("MTH") and its present and former partners, directors, officers, employees, advisors, attorneys, consultants, agents, and representatives including, without limitation, Mssrs. Martin A. Fox, Glenn L. Goldberg, Claude Incaudo and James A. Lash, and any person or entity that directly or indirectly controls MTH, including Gary Hirsch, Jeffrey Miller and Jeffrey Tabak, the members of each of the Official Committee and the Informal Committees, each of the Post-Confirmation Banks, BT Securities Corporation, Goldman, Sachs & Co., each of the foregoing entity's and/or person's respective attorneys, advisors, financial advisors, investment bankers, employees, successors, agents, and assigns, each holder of a Zero Coupon Note that executes and delivers a Zero Claims Release pursuant to the Plan, and any other person and/or entity against whom any of the Releasors may have a Released Claim, as defined below in this section (collectively, the "Released Persons"), from any and all claims, demands, actions, causes of action, suits, costs, dues, sums of money, accounts, bills, bonds, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, expenses, and liability whatsoever, known or unknown, at law or in equity, irrespective of whether such claims arise out of contract, tort, violation of laws or other regulations or otherwise, which the Releasors ever had or now have against the Released Persons or any of them, for, or by reason of, any matter, cause or thing whatsoever from the beginning of the world to and including the date hereof arising out of or in connection with, or related in any manner to, the issuance, ownership, purchase, and/or sale of the Zero Coupon Notes including without limitation, any claims arising under any state or federal securities law and/or any claims arising under Sections 544, 548 and 550 of the Bankruptcy Code or under similar state laws, including fraudulent conveyance claims (the "Released Claims").

Section 10. Holdings Release. For good and valuable consideration, the receipt of which is hereby acknowledged, including, without limitation, the issuance of warrants to purchase common stock of Reorganized Grand Union pursuant to the Plan and the Releases contained in this Agreement, Holdings and its affiliates (other than the Company), agents, and assigns (the "Releasors") hereby unconditionally and irrevocably release the following persons: the Company, Capital, the Noteholders, and the Capital Committee, the respective affiliates of the Company, Capital, the Noteholders, and the Capital Committee, present and former stockholders, directors, and officers of the Company or Capital, including Miller Tabak Hirsch & Co. ("MTH") and its present and former partners, directors, officers, employees, advisors, attorneys, consultants, agents, and representatives including, without limitation, Mssrs. Martin A. Fox, Glenn L. Goldberg, Claude Incaudo and James A. Lash, and any person or entity that directly or indirectly controls MTH, including Gary Hirsch, Jeffrey Miller and Jeffrey Tabak, the members of each of the Official Committee and the Informal Committees, each of the Post-Confirmation Banks, BT Securities Corporation, Goldman, Sachs & Co., each of the foregoing entity's and/or person's respective attorneys, advisors, financial advisors, investment bankers, employees, successors, agents, and assigns, each holder of a Zero Coupon Note that executes and delivers a Zero Claims Release pursuant to the Plan and any other person and/or entity against whom any of the Releasors may have a Released Claim, as defined below in this section (collectively, the "Released Persons"), from any and all claims, demands, actions, causes of action, suits, costs, dues, sums of money, accounts, bills, bonds, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, expenses, and liability whatsoever, known or unknown, at law or in equity, irrespective of whether such claims arise out of contract, tort, violation of laws or other regulations or otherwise, which the Releasors ever had or now have against the Released Persons

or any of them, for, or by

reason of, any matter, cause or thing whatsoever from the beginning of the world to and including the date hereof arising out of or in connection with, or related in any manner to, the issuance, ownership, purchase, and/or sale of the Zero Coupon Notes including without limitation, any claims arising under any state or federal securities law and/or any claims arising under Sections 544, 548 and 550 of the Bankruptcy Code or under similar state laws, including fraudulent conveyance claims (the "Released Claims").

Section 11. Company Release. For good and valuable consideration, the receipt of which is hereby acknowledged, including, without limitation, the Releases contained in this Agreement, the Company and its affiliates, agents, and assigns (the "Releasors") hereby unconditionally and irrevocably release the following persons: Capital, Holdings, the Noteholders, and the Capital Committee, the respective affiliates of the Noteholders and the Capital Committee, and the respective officers, directors, employees, advisors, attorneys and consultants, in such capacities, of the Noteholders and the Capital Committee (collectively, the "Released Persons"), from any and all claims, demands, actions, causes of action, suits, costs, dues, sums of money, accounts, bills, bonds, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, expenses, and liability whatsoever, known or unknown, at law or in equity, irrespective of whether such claims arise out of contract, tort, violation of laws or other regulations or otherwise, which the Releasors ever had or now have against the Released Persons or any of them, for, or by reason of, any matter, cause or thing whatsoever from the beginning of the world to and including the date hereof arising out of or in connection with, or related in any manner to, the issuance, ownership, purchase, and/or sale of the Zero Coupon Notes including without limitation, any claims arising under any state or federal securities law and/or any claims arising under Sections 544, 548 and 550 of the Bankruptcy Code or under similar state laws, including fraudulent conveyance claims.

Section 12. Occurrence of Certain Events. (a) The Noteholders and the Capital Committee shall be released of their obligations under this Agreement in the event of either a Material Change, as defined in Section 1 of this Agreement, or: (i) the Company withdraws or otherwise fails to prosecute the Plan; (ii) the Bankruptcy Court enters an order that becomes a Final Order denying the Joint Motion to Compromise Controversies, as defined in Section 14 of this Agreement, in the Company's Bankruptcy Case; (iii) the Bankruptcy Court enters an order that becomes a Final Order denying confirmation of the Plan; or (iv) the Bankruptcy Court does not enter an order confirming the Plan on or before August 15, 1995 (a "Disabling Contingency").

(b) In the event of a Material Change in the Plan, or a Disabling Contingency, the Company shall not schedule a hearing on any of the Capital Claims, or on a new plan of reorganization, such that any such hearing occurs prior to 20 days after the occurrence of the Material Change, or the Disabling Contingency, as applicable.

Section 13. Covenant Not to Sue. Each Noteholder and the Capital Committee hereby covenant not to commence any action against any Released Person, as defined in Section 8 of this Agreement, asserting a Released Claim, as defined in that section.

Section 14. Bankruptcy Court Motion for Approval. In order to effectuate a timely resolution of these matters, certain of the parties hereto shall jointly file a motion in the Bankruptcy Cases requesting Bankruptcy Court approval of this Settlement Agreement pursuant to Bankruptcy Rule 9019 (the "Joint Motion to Compromise Controversies"). The Parties to this Agreement will cooperate fully with one another and will use their respective best efforts to secure the entry of a Final Order approving the Joint Motion to Compromise Controversies as promptly as possible.

Section 15. Effective Date. This Agreement shall be effective upon its execution by each of the Parties, subject to Bankruptcy Court approval of the Joint Motion to Compromise Controversies; provided, however, that notwithstanding such Bankruptcy Court approval, with respect to the provisions of this Agreement relating to the releases contained in Sections 8, 9, 10 and 11, above, this Agreement shall be deemed effective, subject to delivery of the global certificates provided for in Section 2.1 of the Warrant Agreement, upon the

occurrence of the Effective Date of the Plan (assuming the order approving the Joint Motion to Compromise Controversies is a Final Order) and provided further that the releases by the Noteholders set forth in Section 8 and the Company's release of the Noteholders in Section 11, above, shall not be effective if prior

to the commencement of the distribution of the Warrants by the Warrant Agent (as defined in the Warrant Agreement), in whole or in part, such distribution is enjoined by an Entity other than a holder (present, former or future) of a Zero Note; and provided further that the immediately preceding proviso shall be of no force and effect if such injunction is dissolved. To the extent a particular term or provision of this Agreement is not approved by the Bankruptcy Court, this Agreement may nonetheless become effective if the party that is the intended beneficiary of such term or provision agrees in writing to the deletion of such term from this Agreement. In addition, if orders approving this Agreement have been entered in the Capital Bankruptcy Case and the Holdings Bankruptcy Case, the Company may waive the requirement that any such order be a Final Order with the consent of the Official Committee, which consent shall not be unreasonably withheld. If the Company waives such requirement, this Agreement shall not be binding upon Capital or Holdings if a Final Order approving it has not been entered in its Bankruptcy Case.

Section 16. Specific Performance. It is understood and agreed by the Noteholders and the Capital Committee that money damages would not be a sufficient remedy for any breach of this Agreement by any Noteholder or the Capital Committee and that the Company shall be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach, and each Noteholder and the Capital Committee agree to waive any requirement for the securing or posting of a bond in connection with such remedy.

Section 17. No Admission of Liability. The settlement set forth herein is in the best interest of all of the Parties, and the estates of the Company, Capital, and Holdings, because of, among other reasons, the substantial risks inherent in and the significant expenses arising from continuing litigation with respect of the Capital Claims. This Agreement is in compromise of disputed claims and nothing contained herein shall be construed or offered as an admission of liability, or of the amount of any claim, on behalf of, or with respect to, any claims asserted by or against the Parties. The Company, Capital, and Holdings expressly deny such alleged liability to the Noteholders and the Capital Committee.

Section 18. Joint Negotiation. This Agreement is a product of negotiation among the Parties and represents jointly conceived, bargained for, and agreed upon, language that has been mutually determined by the Parties to express their intentions in entering into this Agreement. Any ambiguity or uncertainty in this Agreement shall be deemed to be caused by or attributable to all Parties hereto collectively.

Section 19. Final Agreement. Except as set forth in the Plan, this Agreement is the complete, final and exclusive statement of all of the agreements, conditions, promises and covenants among the Parties with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements, negotiations, representations, statements, understandings and discussions among the Parties and/or their respective counsel with respect to the subject matter covered. Except as set forth in the Plan, there exist no prior or contemporaneous negotiations, statements, promises or agreements that survive the execution of this Agreement.

Section 20. Disclosure. The Parties contemplate that this Agreement will be disclosed in the Disclosure Statement for the Plan and/or a press release issued by the Company, Capital, and/or Holdings, and consent to such disclosure.

Section 21. Amendments or Modifications. To be legally binding, any amendment or modification to this Agreement must be in writing, must refer specifically to this Agreement and must be signed by duly-authorized representatives of all Parties hereto.

Section 22. Binding Effect. This Agreement shall be binding on the Parties and any and all of their successors and assigns including, without limitation, any trustee that may be appointed in any of the Bankruptcy Cases.

Section 23. No Waiver of Breach. The failure of any party to require the performance of any of the terms or provisions of this Agreement or the waiver by any party of any breach under this Agreement shall neither prevent a subsequent enforcement of such term or provision nor be deemed a waiver of any such subsequent breach.

Section 24. Headings. The descriptive headings of the several sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement.

Section 25. Governing Law. In all respects, including all matters of construction, validity and performance, this Agreement and the obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to contracts made and performed in such state, without regard to the principles thereof regarding conflicts of law, and any applicable laws of the United States of America.

Section 26. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall, collectively and separately, constitute one agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement the day of April, 1995.

THE GRAND UNION COMPANY

By: _____

GRAND UNION CAPITAL CORPORATION

By: _____

GRAND UNION HOLDINGS CORPORATION

By: _____

OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF GRAND UNION CAPITAL CORPORATION

By: _____

DEAN WITTER HIGH YIELD SECURITIES

By: _____

VARIABLE HIGH YIELD

By: _____

DEAN WITTER DIVERSIFIED INCOME TRUST

By: _____

HIGH INCOME ADVANTAGE TRUST

By: _____

HIGH INCOME ADVANTAGE TRUST II

By: _____

HIGH INCOME ADVANTAGE TRUST III

By: _____

DEAN WITTER HIGH INCOME SECURITIES

By: _____

LUTHERAN BROTHERHOOD HIGH YIELD FUND

By: _____

LB SERIES FUND, INC. HIGH YIELD PORTFOLIO

By: _____

FRANKLIN AGE HIGH INCOME FUND

By: _____

FRANKLIN INCOME FUND

By: _____

FRANKLIN VALUEMARK FUND-INCOME

By: _____

BARRE & COMPANY INC.

By: _____

LOCAL 68 IUOE ANNUITY FUND

By: _____

LOCAL 68 IUOE PENSION FUND

By: _____

The Official Committee of Unsecured Creditors of The Grand Union Company and The Informal Committee of Senior Secured Noteholders, which entities are not parties to this Agreement, have reviewed it, have no objection to it, and consent to Section 7 of it.

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF THE GRAND UNION COMPANY

By: _____

INFORMAL COMMITTEE OF SENIOR
SECURED NOTEHOLDERS

By: _____

EXHIBIT A

[See Appendix "A" to the Disclosure Statement, The Second Amended Plan of Reorganization]

EXHIBIT B

<TABLE>
<CAPTION>

Member	15% Zero Coupon Notes	16.5% Zero Coupon Notes
<S>	<C>	<C>
Dean Witter High Yield Securities Two World Trade Center New York, NY 10048	$58,415,000	$123,220,000
Variable High Yield Two World Trade Center New York, NY 10048	19,558,000	26,950,000
Dean Witter Diversified Income Trust Two World Trade Center New York, NY 10048	18,000,000	45,750,000
High Income Advantage Trust Two World Trade Center New York, NY 10048	19,000,000	34,000,000
High Income Advantage Trust II Two World Trade Center New York, NY 10048	21,500,000	55,500,000
High Income Advantage Trust III Two World Trade Center		

New York, NY 10048	10,000,000	20,000,000
Dean Witter High Income Securities Two World Trade Center New York, NY 10048	6,000,000	2,000,000
LB Series Fund, Inc. High Yield Portfolio 625 Fourth Avenue South Minneapolis, MN 55415	23,200,000	23,500,000
Lutheran Brotherhood High Yield Fund 625 Fourth Avenue South Minneapolis, MN 55415	19,000,000	20,000,000
Frankline AGE High Income Fund 777 Mariners Island Blvd. 7th Floor San Mateo, CA 94404	12,500,000	99,850,400
Franklin Income Fund 777 Mariners Island Blvd. 7th Floor San Mateo, CA 94404	25,000,000	47,700,000
Franklin Valuemark Fund-Income 777 Mariners Island Blvd. 7th Floor San Mateo, CA 94404	1,648,000	3,933,000
Barre & Company Incorporated 717 N. Harwood, Suite 560 Dallas, TX 75201	3,400,000	-0-

Member	15% Zero Coupon Notes	16.5% Zero Coupon Notes
<S>	<C>	<C>
Marine Midland Bank, as Indenture Trustee for the 16.5% Zero Coupon Notes 140 Broadway-12th Floor New York, NY 10005	N/A	N/A
First Trust National Assn., as Indenture Trustee for the 15% Zero Coupon Notes 180 East 5th Street St. Paul, MN 55101	N/A	N/A
Local 68 IUOE Pension Fund & Annuity Fund 14 Fairfield Place West Caldwell, NJ 07006	-0-	3,000,000

Appendix B

PRO FORMA CAPITALIZATION AND FINANCIAL PROJECTIONS

I. PRO FORMA CAPITALIZATION

The following table summarizes (i) the consolidated capitalization of the Debtor as of April 29, 1995 before giving effect to the transactions contemplated by the Plan and (ii) the capitalization of Reorganized Grand Union as of April 29, 1995 as adjusted to give effect to the transactions contemplated by the Plan.

THE GRAND UNION COMPANY
PRO FORMA CAPITALIZATION

<TABLE>
<CAPTION>

	Pre-Confirmation April 29, 1995	Post-Confirmation April 29,1995
	(in thousands)	
<S>	<C>	<C>
Current maturities of long-term debt and capital lease obligations	$8,444	$8,444
Long-term debt and capital lease obligations:		
Grand Union:		
Prepetition Revolving Credit Facility	54,000	--
Debtor-in-Possession Revolving Credit Facility	--	--
New Revolving Credit Facility	--	12,781
Term Loan	39,144	57,144
New Senior Notes	--	572,151
11 1/4% Senior Notes	350,000	--
11 3/8% Senior Notes	175,000	--
Mortgage Notes	1,938	1,938
12 1/4% Senior Subordinated Notes	500,000	--
12 1/4% Senior Subordinated Notes, Series A	50,000	--
13% Senior Subordinated Notes	16,150	--
Capital lease obligations	142,038	122,364
Capital: (1)		
Senior Zero Coupon Notes	170,239	--
Senior Subordinated Zero Coupon Notes	100,965	--
Holdings: (1)		
Junior Notes	7,862	--
Total long-term debt and capital lease obligations	1,607,336	766,378
Redeemable stock of Holdings (1)	174,199	--
Stockholder's deficit:		
Common stock	1	170,000
Accumulated deficit	(846,582)	
Total Stockholder's deficit	(846,581)	170,000
Total capitalization	$943,398	$944,822

<FN>
- --------------------
(1) Obligations of Capital and Holdings included herein result from the application of push down accounting to the accounts of the Debtor.
</TABLE>

II. FINANCIAL PROJECTIONS

A. PROJECTED FINANCIAL INFORMATION

As a condition of the confirmation of a plan of reorganization, the Bankruptcy Code requires, among other things, that the Bankruptcy Court determine that confirmation of the plan is not likely to be followed by the liquidation or need for further financial reorganization of the debtor. In connection with the development of the Plan, and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtor has analyzed the ability of Reorganized Grand Union to meet its obligations under the Plan with sufficient liquidity and capital resources to conduct it business. The Debtor has prepared certain unaudited projections of Reorganized Grand Union's operating profit, cash flow, and related balance sheets for the five (5) fiscal years ending on March 30, 1996 through April 1, 2000 (the "Projections"). Such projections, and the major assumptions which underlie them, are set forth below.

As a matter of course, the Debtor does not make public projections or forecasts of its anticipated financial position or results of operations. The Debtor does not intend to, and disclaims any obligation to, furnish updated business plans or projections to shareholders or creditors after the Effective Date or to make any such information public, whether or not the Projections, in light of events or occurrences after the date hereof, cease to have a reasonable basis.

The Projections should be read in conjunction with the assumptions and explanations included herein, the historical financial statements of Grand Union, and the other information contained in this disclosure statement, including the information set forth in the section entitled "RISK FACTORS."

The independent auditors of Grand Union have not examined or compiled the Projections presented herein, and, accordingly, assume no responsibility for them.

B. PRINCIPAL ASSUMPTIONS

The Projections are based on and assume the successful implementation of the Debtor's business plans, and reflect numerous assumptions, including assumptions with respect to the future performance of the Debtor, the performance of the industry, general business and economic conditions, and other matters, most of which are beyond the control of the Debtor. Therefore, while the projections are necessarily presented with numerical specificity, the actual results achieved during the projection period will vary from the projected results, and may

vary substantially. No representation can be or is being made with respect to the accuracy of the Projections or the ability of the Debtor to achieve the projected results. While the Debtor believes that the assumptions which underlie the Projections are reasonable in light of current circumstances and in light of the information available to the Debtor, in deciding whether to vote to accept the Plan, holders of claims must make their own determinations as to the reasonableness of the assumptions and the reliability of the projections.

Additional information concerning the assumptions underlying the projections is as follows:

1. PLAN TERMS AND EFFECTIVE DATE. The Projections assume that the Plan will be confirmed in accordance with its terms, that all transactions contemplated by the Plan will be consummated by the Effective Date, which, for purposes of these Projections only, is assumed to be April 29, 1995. Results of operations for the 52 weeks ended April 1, 1995 have been significantly affected by reduced amounts of promotional allowances and other vendor support which had formerly been, but is not currently, available to the Debtor. Any significant delay of the Effective Date of the Plan could have a significant negative impact on projected EBITDA for the 52 weeks ended March 30, 1996, and could result in additional reorganization expenses.

2. GENERAL ECONOMIC CONDITIONS. The Projections were prepared assuming that economic conditions in the markets served by the Debtor do not differ markedly over the next five (5) years from current economic conditions. Inflation in revenues and costs are assumed to remain relatively low.

3. SALES. Sales reflect the assumed effect of store openings and closings as well as enlargements. Additionally, sales reflect the assumed impact of competitive store openings. These assumptions, in conjunction with an assumed inflation rate of 1.5%, yield a 1.5% decrease in sales for FYE 1996 versus FYE 1995, and an overall compound increase in sales over the entire five (5) year projection period of 2.1% per annum. The Projections assume certain negative sales trends can be mitigated or reversed during 1996 and subsequent years. In addition, the Projections assume that there will be no significant lingering effect of the bankruptcy process on the Company. See the section entitled "RISK FACTORS."

4. GROSS PROFIT. The Projections assume that margins will increase as a result of a fully resumed forward buy program, product mix improvements and more effective marketing and decrease by a moderation in pricing in certain markets.

5. OPERATING AND ADMINISTRATIVE EXPENSES. Operating and administrative expenses are assumed to be impacted by the changing sales volume (including the effect of the fixed or semi-fixed nature of certain expenses as sales levels

change), the Debtor's capital expenditure program and by moderate inflationary pressures.

6. INCOME TAXES. The Projections assume that Reorganized Grand Union will not succeed to any net operating loss carryforwards for income tax purposes, and that the combined federal, state and local income tax rate is 41%. See "CERTAIN FEDERAL INCOME TAX CONSEQUENCES."

7. CAPITAL EXPENDITURES. Capital expenditures consist of investments in new and replacement stores, store enlargements, store upgrades, technological improvements, and expenditures necessary to maintain store and warehouse facilities. The Debtor believes that the level of operating profit which the Company can achieve is highly dependent on the level of capital Reorganized Grand Union is able to invest. The Projections assume a level of capital expenditures which, under the assumptions in the Projections, can be supported by the capital structure and operating results of Reorganized Grand Union.

As more fully discussed in the section entitled "RISK FACTORS," the projected operating results are highly dependant on the successful implementation of the capital expenditure program assumed. In addition, there can be no assurances that Reorganized Grand Union can achieve the assumed results of such capital expenditure program or that Reorganized Grand Union will be able to fund the capital expenditure program assumed.

8. EBITDA. EBITDA is defined for purposes of this disclosure statement as earnings before lifo provision, depreciation and amortization, provision for storee closings, provision for pension settlement, interest expense, reorganization items, income tax benefit (provision) and extraordinary item.

9. "FRESH START" ACCOUNTING. The projections have been prepared under the principles of "fresh start" accounting for periods beginning and after April 30, 1995. These principles are contained in the American Institute of Certified Public Accountants Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." Under fresh start accounting principles, the Company will determine the reorganization value of the reorganized company. This value will be allocated, based on estimated fair market values, to specific tangible or identifiable intangible assets, and the Company will record an intangible asset equal to the reorganization value in excess of amounts allocable to identifiable assets. The Projections assume that the reorganization value in excess of

amounts allocable to identifiable assets will be amortized over twenty (20) years.

10. REORGANIZATION VALUE. For purposes of this Disclosure Statement and in order to prepare the financial projections required under the Bankruptcy Code, the Debtor has estimated the reorganization value of Reorganized Grand Union as of April 29, 1995 at approximately $950 million. The total reorganization value includes a value attributed to common stock, based on the current trading value of the Senior Subordinated Notes, of $170 million, and the long term indebtedness contemplated by the Plan. The common stock amount in the fresh start balance sheet at April 29, 1995 is not an estimate of the trading value of Reorganized Grand Union's common stock after confirmation of this Plan, which value is subject to many uncertainties and cannot be reasonably estimated at this time. Neither the Debtor nor its financial advisors make any representation as to the trading value of the shares to be issued under this Plan.

11. WORKING CAPITAL. Projected inventory levels in FYE 1996 through 2000 reflect a full investment in forward buy inventories. Elements of working capital are projected on the basis of historic patterns applied to projected levels of operation.

C. PROJECTED BALANCE SHEETS

The following tables summarize (i) (a) the projected balance sheets of the Debtor as of April 1, 1995 and April 29, 1995, respectively, before giving effect to the transactions contemplated by the Plan, (b) the pro forma adjustments to the Debtor's balance sheet that would result from the transactions contemplated by the Plan and (c) the projected balance sheet of Reorganized Grand Union as of April 29, 1995 as adjusted to give effect to the transactions contemplated by the Plan and (ii) projected balance sheets of Reorganized Grand Union as of March 30, 1996, March 29, 1997, March 28, 1998, April 3, 1999 and April 1, 2000.

THE GRAND UNION COMPANY
PROJECTED BALANCE SHEETS
APRIL 1, 1995 AND APRIL 29, 1995
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	April 1, 1995	April 29, 1995	Debt Discharge	Fresh Start Adjustments	Fresh Start April 29, 1995
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Current assets:					
Cash and temporary cash investments	89,505	67,828	(23,219)		44,609
Receivables	18,592	21,119			21,119
Inventories	186,508	185,659		9,642	195,301
Other current assets	16,800	14,934			14,934
Total current assets	311,405	289,540	(23,219)	9,642	275,963
Property, net	428,243	426,305		(1,184)	425,121
Goodwill, net	545,451	544,234		(544,234)	
Reorganization value in excess of amounts allocable to identifiable assets				520,200	520,200
Beneficial leases, net	27,218	26,768			26,768
Deferred financing fees, net	44,069	43,673		(43,673)	
Other assets	36,813	39,980		98	40,078
	1,393,199	1,370,500	(23,219)	(59,151)	1,288,130
LIABILITIES AND STOCKHOLDERS' DEFICIT					
Current liabilities:					
Obligations under revolving credit facility			12,781		12,781
Current maturities of long-term debt			1,011		1,011
Current portion of obligations under capital leases	8,383	7,433			7,433
Accounts payable and accrued liabilities	120,067	113,342	15,400	124,673	253,415
Total current liabilities	128,450	120,775	29,192	124,673	274,640
Long-term debt			631,233		631,233
Obligations under capital leases				122,364	122,364
Other noncurrent liabilities				89,893	89,893
Liabilities subject to compromise	1,918,324	1,922,107	(1,585,177)	(336,930)	
Redeemable stock subject to compromise	174,199	174,199	(174,199)		
Common stock	1	1	169,999		170,000
Accumulated deficit	(827,775)	(846,582)	905,733	(59,151)	
	1,393,199	1,370,500	(23,219)	(59,151)	1,288,130

</TABLE>

<TABLE>
<CAPTION>

	April 1, 1995	April 29, 1995	Debt Discharge	Fresh Start Adjustments
<S>	<C>	<C>	<C>	<C>
LIABILITIES SUBJECT TO COMPROMISE				
Revolver	54,000	54,000	(54,000)	
Accounts payable and accrued liabilities	120,000	120,000		(120,000)
Current portion of long-term debt	1,011	1,011	(1,011)	
Interest payable	81,066	86,280	(81,607)	(4,673)
Long-term debt	1,411,346	1,411,298	(1,411,298)	
Obligations under capital leases	141,466	142,038	(19,674)	(122,364)
Unfunded pension liability	3,816	3,741		(3,741)
Other noncurrent liabilities	105,619	103,739	(17,587)	(86,152)
TOTAL LIABILITIES SUBJECT TO COMPROMISE	1,918,324	1,922,107	(1,585,177)	(336,930)

</TABLE>

THE GRAND UNION COMPANY
PROJECTED BALANCE SHEETS
AS OF FISCAL YEARS ENDING 1996 THROUGH 2000
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	March 30, 1996	March 29, 1997	March 28, 1998	April 3, 1999	April 1, 2000
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Current assets:					
Cash and temporary cash investments	44,609	45,857	47,143	48,467	49,831
Inventories	202,096	210,158	216,897	221,880	230,756
Other current assets	29,908	38,697	35,030	38,235	41,370
Total current assets	276,613	294,712	299,070	308,582	321,957
Property, net	418,467	404,975	401,427	393,063	384,866
Reorganization value in excess of amounts allocable to identifiable assets	496,191	470,181	444,171	418,161	392,151
Beneficial leases, net	21,368	15,518	9,668	3,818	
Other assets	43,408	49,846	55,170	59,865	63,752
	1,256,047	1,235,232	1,209,506	1,183,489	1,162,726
LIABILITIES AND STOCKHOLDERS' DEFICIT					
Current liabilities:					
Obligations under revolving credit facility	53,245	54,231	50,096	38,341	31,918
Current maturities of long-term debt	1,011	1,011	1,011	891	
Current portion of obligations under capital leases	8,033	8,533	9,033	10,533	12,033
Accounts payable and accrued liabilities	194,762	203,945	209,431	213,486	214,387
Total current liabilities	257,051	267,720	269,571	263,251	258,338
Long-term debt	653,985	653,465	652,945	652,623	652,623
Obligations under capital leases	118,231	114,358	110,548	106,303	102,247
Other noncurrent liabilities	86,246	85,227	82,962	80,320	80,063
Common stock	170,000	170,000	170,000	170,000	170,000
Accumulated deficit	(29,466)	(55,538)	(76,520)	(89,008)	(100,545)
	1,256,047	1,235,232	1,209,506	1,183,489	1,162,726

</TABLE>

D. PROJECTED STATEMENTS OF OPERATIONS

The following table sets forth projected statements of operations for (i)(a) the Debtor for the fiscal year ended April 1, 1995, (b) the Debtor for the period from April 2, 1995 through April 29, 1995 and (c) Reorganized Grand Union after giving effect to the transactions contemplated by the Plan for the period from April 30, 1995 through March 30, 1996, and (ii) Reorganized Grand Union for the fiscal years ended March 30, 1996, March 29, 1997, March 28, 1998, April 3, 1999 and April 1, 2000.

THE GRAND UNION COMPANY
PROJECTED STATEMENTS OF OPERATIONS
FISCAL YEARS ENDED APRIL 1, 1995 AND MARCH 30, 1996
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

52 Weeks Ending April 1, 1995	4 Weeks Ending April 29, 1995	48 Weeks Ending March 30, 1996	52 Weeks Ending March 30, 1996

<S>	<C>	<C>	<C>	<C>
Sales	2,391,694	176,572	2,209,101	2,385,673
Cost of sales	(1,706,165)	(123,060)	(1,545,169)	(1,668,229)
Gross profit	685,529	53,512	663,932	717,444
Operating and administrative expense	(550,915)	(43,428)	(515,503)	(558,931)
Depreciation and amortization	(87,097)	(6,287)	(86,084)	(92,371)
Provision for store closings	(14,250)			
Provision for pension settlement	(3,213)			
Interest expense, net	(181,841)	(7,082)	(93,814)	(100,896)
Loss before reorganization items and taxes	(151,787)	(3,285)	(31,469)	(34,754)
Reorganization items				
Professional fees	(11,477)	(15,523)		(15,523)
Fresh start adjustment		(59,151)		(59,151)
Income tax benefit (provision)			2,003	2,003
Loss before extraordinary item	(163,264)	(77,959)	(29,466)	(107,425)
Extraordinary item		905,733		905,733
Net income (loss)	(163,264)	827,774	(29,466)	798,308
Accrued preferred stock dividends	(19,479)			
Net income applicable to common stock	(182,743)	827,774	(29,466)	798,308
EBITDA (a)	135,590	10,185	151,729	161,914

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(a) Earnings before LIFO provision, depreciation and amortization, provision for store closings, provision for pension settlement, interest expense, reorganization items, income tax benefit (provision) and extraordinary item.

</TABLE>

THE GRAND UNION COMPANY
PROJECTED STATEMENTS OF OPERATIONS
FISCAL YEARS ENDED 1996 THROUGH 2000
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	Pro Forma (*) 52 Weeks Ending March 30, 1996	52 Weeks Ending March 29, 1997	52 Weeks Ending March 28, 1998	53 Weeks Ending April 3, 1999	52 Weeks Ending April 1, 2000
<S>	<C>	<C>	<C>	<C>	<C>
Sales	2,385,673	2,482,365	2,568,570	2,658,869	2,678,110
Cost of sales	(1,668,229)	(1,726,256)	(1,777,089)	(1,829,207)	(1,833,579)
Gross profit	717,444	756,109	791,481	829,662	844,531
Operating and administrative expense	(558,931)	(585,315)	(613,359)	(636,849)	(653,385)
Depreciation and amortization	(92,371)	(94,558)	(94,305)	(94,534)	(94,268)
Interest expense	(100,896)	(102,350)	(101,305)	(101,370)	(98,357)
Income (loss) before taxes	(34,754)	(26,114)	(17,488)	(3,091)	(1,479)
Income tax benefit (provision)	2,003	43	(3,494)	(9,397)	(10,058)
Net loss	(32,751)	(26,071)	(20,982)	(12,488)	(11,537)
EBITDA (a)	161,914	173,994	181,522	196,413	194,946

<FN>

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(*) Pro Forma without the effects of the bankruptcy proceeding.

(a) Earnings before LIFO provision, depreciation and

amortization, interest expense, reorganization items, income tax benefit (provision) and extraordinary item.
</TABLE>

E. PROJECTED STATEMENTS OF CASH FLOWS

The following table sets forth projected cash flow data for (i)(a) the Debtor for the fiscal year ended April 1, 1995, (b) the Debtor for the period from April 2, 1995 through April 29, 1995 and (c) Reorganized Grand Union after giving effect to the transactions contemplated by the Plan for the period from April 30, 1995 through March 30, 1996, and (ii) Reorganized Grand Union for the fiscal years ended March 30, 1996, March 29, 1997, March 28, 1998, April 3, 1999 and April 1, 2000.

THE GRAND UNION COMPANY
PROJECTED STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED APRIL 1, 1995 AND MARCH 30, 1996
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	52 Weeks Ending April 1, 1995	4 Weeks Ending April 29, 1995	48 Weeks Ending March 30, 1996	52 Weeks Ending March 30, 1996
<S>	<C>	<C>	<C>	<C>
OPERATING ACTIVITIES:				
Net loss from operations	(151,787)	(3,285)	(29,465)	(32,750)
Adjustments to reconcile net loss from operations to net cash provided by (used for) operating activities:				
Depreciation and amortization	92,200	6,682	86,360	93,042
Noncash interest	33,318		23,328	23,328
Receivables	18,480	(2,527)	6,348	3,821
Inventories	19,555	849	(6,795)	(5,946)
Other current assets	82	1,866	(6,958)	(5,092)
Accounts payable and accrued liabilities	76,542	(40,391)	(48,794)	(89,185)
Other	754	(3,310)	1,493	(1,817)
Net cash provided by (used for) operating activities before reorganization items	89,144	(40,116)	25,517	(14,599)
Operating cash flows from reorganization items:				
Professional fees paid for services rendered in connection with the Chapter 11 proceeding	(9,800)	(2,000)	(15,200)	(17,200)
Net cash provided by (used for) operating activities	79,344	(42,116)	10,317	(31,799)
INVESTMENT ACTIVITIES:				
Capital expenditures	(63,493)	(2,250)	(44,825)	(47,075)
Disposals of property	10,399			
Net cash provided by used for investment activities	(53,094)	(2,250)	(44,825)	(47,075)
FINANCING ACTIVITIES:				
Retirement of long-term debt	(962)		(576)	(576)
Net change in financing under the revolving credit facility	29,000		40,464	40,464
Obligations under capital leases discharged	(9,077)	(530)	(5,380)	(5,910)
Net cash provided by (used for) financing activities	18,961	(530)	34,508	33,978
Increase (decrease) in cash and temporary cash investments	45,211	(44,896)		(44,896)
Cash and temporary cash investments at beginning of period	44,294	89,505	44,609	89,505
Cash and temporary cash investments at end of period	89,505	44,609	44,609	44,609

</TABLE>

THE GRAND UNION COMPANY
PROJECTED STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED 1996 THROUGH 2000
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	Pro Forma (*) 52 Weeks Ending March 30, 1996	52 Weeks Ending March 29, 1997	52 Weeks Ending March 28, 1998	53 Weeks Ending April 3, 1999	52 Weeks Ending April 1, 2000
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING ACTIVITIES:					
Net loss	(32,751)	(26,071)	(20,982)	(12,488)	(11,537)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation and amortization	93,042	94,558	94,305	94,534	94,268
Receivables	3,821	(7,434)	3,649	931	(2,388)
Inventories	(5,946)	(8,061)	(6,740)	(4,983)	(8,876)
Other current assets	(5,092)	(1,355)	18	(4,136)	(747)
Accounts payable and accrued liabilities	(30,956)	5,144	760	(1,551)	(1,899)
Other	(1,817)	(7,026)	(6,459)	(5,343)	(5,186)
Net cash provided by operating activities	20,301	49,755	64,551	66,964	63,635
INVESTMENT ACTIVITIES:					
Capital expenditures	(47,075)	(43,600)	(53,300)	(48,700)	(50,400)
Net cash used for investment activities	(47,075)	(43,600)	(53,300)	(48,700)	(50,400)
FINANCING ACTIVITIES:					
Retirement of long-term debt	(576)	(520)	(520)	(442)	(891)
Net cash flow from the issuance/repayment of debt	40,464	986	(4,135)	(11,754)	(6,424)
Obligations under capital leases discharged	(5,910)	(5,373)	(5,310)	(4,744)	(4,556)
Net cash provided by (used for) financing activities	33,978	(4,907)	(9,965)	(16,940)	(11,871)
Increase in cash and temporary cash investments	7,204	1,248	1,286	1,324	1,364
Cash and temporary cash investments at beginning of period	37,405	44,609	45,857	47,143	48,467
Cash and temporary cash investments at end of period	44,609	45,857	47,143	48,467	49,831

<FN>
(*) Pro Forma without the effects of the bankruptcy proceeding.
</TABLE>

Appendix C

TERM SHEET OF NEW SENIOR NOTES

General

The Senior Notes will be issued under an indenture dated as of , 1995 (the "Indenture") between the Company and IBJ Schroder Bank & Trust Company, as Trustee (the "Trustee").

The terms of the Senior Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect on the date of the Indenture (the "Trust Indenture Act"). The statements under this caption relating to the Senior Notes and the Indenture are summaries and do not purport to be complete, although they do include all material terms of the Senior Notes and the Indenture.

The Senior Notes are limited to $595,475,922 aggregate original principal amount and will mature September 1, 2004. The Senior Notes shall bear interest at a rate of 12% per annum, commencing September 1, 1995, notwithstanding that the original date of issuance (the "Issue Date") may be prior to that date. Interest on the Senior Notes will be payable semi-annually on each March and September, commencing March 1, 1996, to the holders of record of Senior Notes as of the close of business on the February 15th and August 15th immediately preceding such interest payment date. Interest on the Senior Notes will commence to accrue from September 1, 1995 and, after the initial interest payment, will accrue from the most recent date to which interest has been paid. Interest will be computed on the basis of a year comprised of twelve 30-day months. The Senior Notes will be issued in fully registered form only, in denominations of $1,000 and integral multiples thereof.

Certain Definitions

Set forth is a summary of certain of the defined terms used in the Indenture.

"Additional Assets" means any Property or assets substantially related to the Company's primary business.

"Affiliate" means, with respect to any referenced Person, a Person (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under direct or indirect common control with, such referenced Person, (ii) which directly or indirectly through one or more intermediaries beneficially owns or holds 5% or more of the combined voting power of the total Voting Stock of such referenced Person or (iii) of which 5% or more of the combined voting power of the total Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) directly or indirectly through one or more intermediaries is beneficially owned or held by such referenced Person, or a Subsidiary of such referenced Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided, however, that beneficial ownership of 5% or more of the voting securities of another Person, shall be deemed to be control. When used herein without reference to any Person, Affiliate means an Affiliate of the Company.

"Asset Sale" means the sale or other disposition, in a transaction which is not a Sale and Leaseback Transaction permitted under the terms of the Indenture, by the Company or any of its Subsidiaries to any Person other than the Company or another of its Subsidiaries of (i) any of the Capital Stock of any of the Subsidiaries of the Company or (ii) any other assets of the Company or any other assets of its Subsidiaries outside the ordinary course of business of the Company or such Subsidiary.

"Average Life" means, as of the date of determination, with respect to any debt security, the quotient obtained by dividing (i) the sum of the products of (x) the numbers of years from the date of determination

to the dates of each successive scheduled principal payment of such debt security multiplied by (y) the amount of such principal payment by (ii) the sum of all such principal payments.

"Bank Credit Agreement" means either the (i) Amended and Restated Credit Agreement dated as of , 1995 among the Company, Bankers Trust Company, for itself and as Agent, and the other financial institutions party thereto, (ii) the Alternative Credit Documents, if the Company has made the election provided for in Section 6.01(a)(ii) of the Plan, or (iii) any successor agreement, together with documents related thereto, including, without limitation, any security agreements, pledge agreements, mortgages or guarantees in each case as such agreements may be amended, restated, supplemented or otherwise modified from time to time and includes any agreement renewing, extending the maturity of, refinancing (including by way of placement or issuance of notes) or restructuring (including the inclusion of additional borrowers, guarantors or lenders) all or any portion of the Indebtedness under such agreements.

"Bankruptcy Code" means Title 11 of the United States Code, as from time to time in effect.

"Borrowing Subsidiary" means any direct or indirect wholly-owned Subsidiary of the Company which is permitted to incur Indebtedness under the terms of the Indenture pursuant to the "Limitations on Indebtedness and Preferred Stock of Subsidiaries (other than Non-Borrowing Subsidiaries)" and which is primarily engaged in any business in which a supermarket chain is at the time engaged or any related business or in any business in which the Company is engaged on the issue date of the Senior Notes.

"Capital Stock" means, with respect to any Person, any and all shares,

interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, including, without limitation, preferred or preference stock, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock.

"Capitalized Lease Obligations" means, at the time any determination thereof is made, as to any Person, the obligation of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real or personal Property which obligation is required to be classified and accounted for as a capital lease obligation on a balance sheet of such Person under GAAP and, for purposes of the Indenture, the amount of such obligation at any date shall be the outstanding amount thereof at such date, determined in accordance with GAAP.

"Change of Control" means the occurrence of any of the following events: (a) any Person or Persons acting together which would constitute a "group" (a "Group") for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto, together with any Affiliates thereof (other than a Permitted Holder or Permitted Holders), is or becomes the beneficial owner of more than 50% of the total Voting Stock of the Company; (b) the Company consolidates with, or merges into, another Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person in one transaction or a series of related transactions, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities (other than Voting Stock) or other property with the effect that any Person or Group (other than a Permitted Holder or Permitted Holders) becomes the beneficial owner of more than 50% of the total Voting Stock of the Company or any successor corporation or securities representing more than 50% of the total Voting Stock of the Company or any successor corporation; (c) during any consecutive two-year period, commencing as of the date of the Indenture, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board or whose nomination for election by the stockholders of the Company was approved by a vote of 662/3% of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason (other than death or disability) to constitute a majority of the Board of Directors of the Company then in office; (d) any order, judgment or decree shall be entered against the Company decreeing the dissolution or split-up of the Company and such order shall remain undischarged or unstayed for a period in excess of 60 days;

provided, however, that none of the events described in the foregoing clauses (a) through (d) shall constitute a "Change of Control" unless Standard & Poor's Corporation or Moody's Investors Service, Inc. shall within 180 days after the occurrence of such event (such 180-day period to be extended by that number of days, not exceeding 45 days, during which the Securities shall have been placed after the date of such event on credit watch with negative implications status) have downgraded the rating assigned by such agency to the Senior Notes on the date of such event.

"Consolidated Interest Coverage Ratio" means, with respect to the Company for any period, the ratio of (i) the aggregate amount of Consolidated Operating Income of the Company for the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date to (ii) the aggregate amount of Consolidated Interest Expense of the Company for the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date; provided, however, that, for purposes of calculating the Consolidated Interest Coverage Ratio of the Company, (a) Consolidated Operating Income shall be calculated on the basis of the first-in, first-out method of inventory valuation, as determined in accordance with GAAP, (b) the Consolidated Operating Income and Consolidated Interest Expense of the Company shall include the Consolidated Operating Income and Consolidated Interest Expense of any Person to be acquired by the Company or any of its Subsidiaries in connection with the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio, on a pro forma basis for the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date and shall also include the Consolidated Operating Income and Consolidated Interest Expense of any other Person which has been acquired during such four consecutive fiscal quarters, on a pro forma basis from the beginning of such four consecutive fiscal quarters through the date first included in the Company's Consolidated Operating Income and Consolidated Interest Expenses, such pro forma Consolidated Operating Income and Consolidated Interest Expense to be

determined on the same basis as used in determining such items for the Company, and (c) Consolidated Interest Expense and Redeemable Dividends shall be calculated as if (i) any Indebtedness incurred or proposed to be incurred or issued since the beginning of the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to the Transaction Date, or to be incurred or issued at or prior to the time of the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio is effected (the "Transaction Time"), had been incurred or issued as of the beginning of such four quarter period, and (ii) any Indebtedness repaid since the beginning of such four quarter period or to be repaid with the proceeds of such Indebtedness or equity incurred or issued or to be incurred or issued at or prior to the Transaction Time, had been repaid as of the beginning of such four quarter period. For purposes of determining the Consolidated Interest Coverage Ratio of the Company for any period, (i) any Indebtedness incurred or proposed to be incurred or Redeemable Stock issued or proposed to be issued which for purposes of clause (c) above is deemed to have been incurred or issued as of the beginning of the four quarter period described in clause (c) which bears interest at a fluctuating rate will be deemed to have borne interest during such four quarter period at the rate in effect on the Transaction Date and (ii) "Subsidiary" shall mean any Subsidiary of the Company other than any Subsidiary (and Subsidiaries of such Subsidiary) of which the Company does not own or control, directly or indirectly, a sufficient amount of Voting Stock in order to cause a merger of such Subsidiary into the Company or another Subsidiary without the approval of any other holder of Voting Stock of such Subsidiary.

"Consolidated Interest Expense" means, for any period, without duplication (A) the sum of (i) the aggregate amount of interest recognized by the Company and its Subsidiaries during such period in respect of Indebtedness of the Company and its Subsidiaries (including, without limitation, all interest capitalized by the Company or any of its Subsidiaries during such period and all commissions, discounts and other fees and charges owed by the Company and its Subsidiaries with respect to letters of credit and bankers' acceptance financing and the net costs associated with Interest Swap Obligations of the Company and its Subsidiaries), (ii) to the extent any Indebtedness of any Person is guaranteed by the Company or any of its Subsidiaries, the aggregate amount of interest paid or accrued by such Person during such period attributable to any such Indebtedness, and (iii) any cash Redeemable Stock dividend accrued and payable, and less (B) amortization

or write-off of deferred financing costs of the Company and its Subsidiaries during such period and, to the extent included in (A) above, any charge related to any premium or penalty paid in connection with redeeming or retiring any Indebtedness prior to its stated maturity and in the case of both (A) and (B) above, elimination of intercompany accounts among the Company and its Subsidiaries and as determined in accordance with GAAP.

"Consolidated Net Income" means, for any period, the aggregate net income of the Company and its Subsidiaries for such period on a consolidated basis, determined in accordance with GAAP but excluding for such purpose the impact of any Fresh Start Accounting adjustment; provided, however, that there shall be excluded therefrom, after giving effect to any related tax effect, (i) gains and losses from Asset Sales or reserves relating thereto, (ii) items classified as extraordinary or nonrecurring, including without limitation income relating to the cancellation of indebtedness resulting from the Restructuring, (iii) the income (or loss) of any Joint Venture, except to the extent of the amount of cash dividends or other distributions in respect of its capital stock or interest in the Joint Venture actually paid to, and received by, the Company or any of its Subsidiaries during such period by such Joint Venture out of funds legally available therefor, (iv) except to the extent includable pursuant to clause (iii), the income (or loss) of any Person accrued or attributable to any period prior to the date it becomes a Subsidiary of the Company or is merged into or consolidated with the Company or any of its Subsidiaries or that Person's assets (or a portion thereof) are acquired by the Company or any of its Subsidiaries and (v) the cumulative effect of changes in accounting principles in the year of adoption of such change.

"Consolidated Operating Income" means, with respect to the Company for any period, the Consolidated Net Income of the Company and its Subsidiaries for such period (A) increased by the sum of (i) Consolidated Interest Expense of the Company for such period, (ii) income tax expense of the Company and its Subsidiaries, on a consolidated basis, for such period (after giving effect to any income tax expense adjustments made in arriving at Consolidated Net Income), (iii) depreciation expense of the Company and its Subsidiaries, on a consolidated basis, for such period, (iv) amortization expense of the Company and its Subsidiaries, on a consolidated basis, for such period, (v) amortization or write-off of deferred financing costs of the Company and its Subsidiaries, on a consolidated basis, for such period and (vi) other non cash

items, but only to the extent the items referred to in subclauses (i) through (vi) of this clause (A) reduced such Consolidated Net Income and (B) decreased by the sum of (i) non cash items increasing such Consolidated Net Income and (ii) any revenues received or accrued by the Company or any of its Subsidiaries from any Person (other than the Company or any of its Subsidiaries) in respect of any Investment for such period (other than revenue from any Qualified Investment), but only to the extent that subclauses (i) and (ii) of this clause (B) increased such Consolidated Net Income, all as determined in accordance with GAAP.

"Default" means an event or condition that is, or, with the lapse of time or the giving of notice or both, would become, an Event of Default as set forth in "Events of Default."

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, with respect to any Asset Sale or any non-cash consideration received by or transferred to any Person, the sale value that would be obtained in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer, as determined in good faith by the Board of Directors of the Company.

"Fresh Start Accounting" means Fresh Start Accounting as described in Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (Am. Inst. of Certified Public Accountants 1990), as then in effect, or such comparable statement then in effect.

"GAAP" means, at any particular time, generally accepted accounting principles as in effect in the United States of America at such time.

"Guarantee" means any direct or indirect obligation, contingent or otherwise, of a Person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person in any manner.

"Indebtedness," as applied to any Person, means, without duplication, (i) any obligation, contingent or otherwise, for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (ii) any obligation owed for all or any part of the purchase price of Property or other assets or for the cost of Property or other assets constructed or of improvements thereto (including any obligation under or in connection with any letter of credit related thereto), other than accounts payable included in current liabilities incurred in respect of Property and services purchased in the ordinary course of business which are not overdue by more than 90 days, according to the terms of sale, unless being contested or negotiated in good faith, (iii) any obligation of a Person under or in connection with any letter of credit issued for the account of such Person, and all drafts drawn, or demands for payment honored, thereunder, (iv) any obligation, contingent or otherwise, as set forth in subclauses (i) and (ii) of this definition, secured by any Lien in respect of Property even though the Person owning the Property has not assumed or become liable for payment of such obligation, (v) any Capitalized Lease Obligation, (vi) any note payable, bond, debenture, draft accepted or similar instrument representing an extension of credit (other than extensions of credit for Property and services purchased in the ordinary course of business which are not overdue by more than 90 days, according to the terms of sale, unless being contested or negotiated in good faith), whether or not representing an obligation for borrowed money, (vii) the maximum fixed repurchase price of any Redeemable Stock, (viii) any obligations of such Person in respect of Interest Swap Obligations and (ix) any Guarantees and any obligation which is in economic effect a Guarantee, regardless of its characterization, with respect to Indebtedness (of a kind otherwise described in this definition) of another Person. For purposes of the preceding sentence, the maximum fixed repurchase price of any Redeemable Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Stock as if such Redeemable Stock were repurchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability of any such contingent obligations at such date.

"Interest Swap Obligations" means the obligations of any Person pursuant to any interest rate swap agreement, interest rate cap, collar or floor agreement or other similar agreement or arrangement.

"Investment" means, with respect to any Person (such Person being referred to in this definition as the "Investor"), (i) any amount paid by the Investor, directly or indirectly, or any transfer of Property by the Investor, directly or indirectly (such amount to be the Fair Market Value of such Property at the

time of transfer by the Investor), to any other Person for Capital Stock of, or as a capital contribution to, any other Person; (ii) any direct or indirect loan or advance to any other Person (other than accounts receivable of such Investor arising in the ordinary course of business); and (iii) Guarantees of the Indebtedness of another Person.

"Joint Venture" means any Person (other than a Subsidiary of the Company) in which any Person other than the Company or any of its Subsidiaries has a joint or shared equity interest with the Company or any of its Subsidiaries.

"Lien" means any mortgage, lien (statutory or other), charge, pledge, hypothecation, conditional sales agreement, adverse claim, title retention agreement or other security interest, encumbrance or title defect in or on, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale, trust receipt or other title retention agreement with respect to, any Property or asset of such Person.

"Material Acquisition" means any merger, consolidation, acquisition or lease of assets, acquisition of securities or other business combination or acquisition, or any two or more such transactions if part of a common plan to acquire a business or group of businesses, if the assets thus acquired in the aggregate would

have constituted a Material Subsidiary if they had been acquired as a Subsidiary, based upon the consolidated financial statements of the Company and its Subsidiaries for the most recent fiscal year for which financial statements are available.

"Material Subsidiary" means, with respect to the Company, at any time, each existing Subsidiary and each Subsidiary hereafter acquired or formed which (i) for the most recent fiscal year of the Company for which financial statements are available accounted for more than 10% of the consolidated revenues of the Company and its Subsidiaries or (ii) as at the end of such fiscal year, was the owner (beneficial or otherwise) of more than 10% of the consolidated assets of the Company and its Subsidiaries, all as shown on the consolidated financial statements of the Company and its Subsidiaries for such fiscal year.

"Net Proceeds" means, with respect to an Asset Sale by the Company or any of its Subsidiaries, (i) the gross proceeds received by the Company or its Subsidiary in connection with such Asset Sale (the amount of any non-cash consideration received as proceeds to be the Fair Market Value of such consideration, provided that liabilities assumed by the buyer shall not be deemed proceeds received by the Company or its Subsidiary), minus (ii) the sum of (a) reasonable fees and expenses incurred by the Company or such Subsidiary in connection with such Asset Sale, including any tax on income resulting from the gain realized from such Asset Sale, (b) payments made with respect to liabilities associated with the assets which are the subject of the Asset Sale, including without limitation, trade payables and other accrued liabilities, and payments made to retire Indebtedness where the assets disposed of in such Asset Sale constituted security for or had been pledged to secure such Indebtedness and payment of such Indebtedness is required in connection with such Asset Sale and (c) appropriate amounts to be provided by the Company or any Subsidiary thereof, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such assets and retained by the Company or any Subsidiary thereof, as the case may be, after such Asset Sale, including, without limitation, liabilities under any indemnification obligations and severance and other employee termination costs associated with such Asset Sale.

"Non-Borrowing Subsidiary" means any direct or indirect wholly-owned Subsidiary of the Company which (i) is not permitted to incur Indebtedness and does not at any time, in the present or the future, have outstanding Indebtedness and (ii) is not permitted to issue preferred or preference stock, pursuant to its certificate of incorporation or otherwise, and does not at any time, in the present or the future, have outstanding preferred or preference stock.

"Permitted Holders" means any Person which directly or indirectly through one or more intermediaries beneficially owns or holds or is entitled to receive on the Issue Date 20% or more of the combined voting power of the Voting Stock of the Company, or any Affiliate of any such Person.

"Person" means any individual, corporation, limited or general partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Plan" means the plan of reorganization of the Company, as confirmed by the United States Bankruptcy Court for the District of Delaware on , 1995.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Qualified Investment" means the following kinds of instruments if, on the date of purchase or other acquisition of any such instrument by the Company or any Subsidiary the remaining term to maturity thereof is not more than one year: (i) obligations issued or unconditionally guaranteed as to principal and interest by the United States of America or by any agency or authority controlled or supervised by and acting as an instrumentality of the United States of America; (ii) obligations (including, but not limited to, demand or time deposits, bankers' acceptances and certificates of deposit) issued by (a) a depository institution or trust

company incorporated under the laws of the United States of America, any state thereof or the District of Columbia, or (b) a United States branch office or agency of any foreign depository institution guaranteed by such U.S. bank or depository, provided that such U.S. bank trust company or United States branch office or agency has, at the time of the Company's or any Subsidiary's investment therein or contractual commitment providing for such investment, capital, surplus and undivided profits (as of the date of such institution's most recently published financial statements) in excess of $100 million and the long-term unsecured debt obligations (other than such obligations rated on the basis of the credit of a person or entity other than such institution) of such institution, at the time of the Company's or any Subsidiary's investment therein or contractual commitment providing for such investment, is rated at least A-1 by Standard & Poor's Corporation or A3 by Moody's Investors Service, Inc.; and (iii) debt obligations (including, but not limited to, commercial paper and medium-term notes) issued or unconditionally guaranteed as to principal and interest by any corporation, state or municipal government or agency or instrumentality thereof, or foreign sovereignty if the commercial paper of such corporation, state or municipal government or foreign sovereignty has, at the time of the Company's or any Subsidiary's investment therein or contractual commitment providing for such investment, credit ratings of A-1 by Standard & Poor's Corporation, or P-1 by Moody's Investors Service, Inc., or the debt obligations of such corporation, state or municipal government or foreign sovereignty, at the time of the Company's or any Subsidiary's investment therein or contractual commitment providing for such investment, have credit ratings of at least A-1 by Standard & Poor's Corporation or A3 by Moody's Investors Service, Inc.

"Redeemable Dividend" means, for any dividend payable with regard to Redeemable Stock, the quotient of the dividend divided by the difference between one and the maximum statutory federal income tax rate (expressed as a decimal number between 1 and 0) then applicable to the issuer of such Redeemable Stock.

"Redeemable Stock" means, with respect to any Person, any equity security that by its terms or otherwise is required to be redeemed or is redeemable at the option of the holder thereof at any time prior to the maturity of the Senior Notes.

"Restricted Payment" means (i) a dividend or other distribution declared and paid on the Capital Stock of the Company to its stockholders (in their capacity as such), other than dividends or distributions consisting of shares of the Company's Capital Stock (or rights or warrants to subscribe for or purchase shares of such Capital Stock), (ii) a payment made by the Company or any Subsidiary to purchase, redeem, acquire or retire any Capital Stock of the Company (or rights or warrants to subscribe for or purchase shares of such Capital Stock), (iii) a payment made by the Company or any Subsidiary to acquire, retire or redeem any debt of or equity interest in any Affiliate of the Company or any of its Subsidiaries, (iv) any other Investment in any Affiliate of the Company or any of its Subsidiaries (other than in any Non-Borrowing Subsidiary) or (v) a payment made in purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt.

"Restructuring" means the restructuring of the Company's debt and equity capitalization pursuant to the Plan.

"Revolving Credit Facility" means (i) the revolving credit facility (or any similar facility) available under the Bankers Trust Bank Credit Agreement, including any related letters of credit, or (ii) any other credit facility secured by accounts receivable, inventory and proceeds thereof.

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which such Person is a party, providing for the leasing to the Company or a Subsidiary of any Property, whether owned at the date of the Indenture or thereafter acquired, which has been or is to be sold or

transferred by the Company or such Subsidiary to such Person, or to any other Person to whom funds have been or are to be advanced by such Person, on the security of such Property.

"Senior Indebtedness" means, at any date, (i) Indebtedness under the Bank Credit Agreement and the Senior Notes including, in each case, interest thereon accruing at the contract rate, whether or not an allowed claim in a case under the Bankruptcy Code, and all other obligations and indemnities owing thereunder; (ii) any renewals, extensions, modifications, amendments or refundings of Indebtedness under the Senior Notes; (iii) Indebtedness arising as a result of Interest Swap Obligations of the Company or any Subsidiary; and (iv) any other Indebtedness of the Company for money borrowed or under letters of credit, in either case entered into in compliance with the Indenture, unless the instrument under which such Indebtedness is created, incurred, assumed or guaranteed expressly provides that such Indebtedness is subordinated in right of payment to any Indebtedness.

"Subordinated Debt" means, at any date, any Indebtedness of the Company that is expressly subordinated in any respect in right of payment to the Senior Notes, Indebtedness under the Bank Credit Agreement or to any other Senior Indebtedness, including, without limitation, principal, premium, interest, fees, indemnities and amounts in respect of claims and rights of rescission.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which securities representing more than 50% of the combined voting power of the total Voting Stock (or in the case of an association or other business entity which is not a corporation, more than 50% of the equity interest) is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof. When used herein without reference to any Person, Subsidiary means a Subsidiary of the Company.

"Transaction Date" means the date of the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio, provided that if such transaction is related to or in connection with any acquisition of any Person, the Transaction Date shall be the earlier of (i) the date on which the Company or any of its Subsidiaries enters into an agreement with such Person to effect such acquisition, (ii) the date on which the Company or any of its Subsidiaries first makes a public announcement of any offer or proposal to effect such acquisition, (iii) the date on which the Company or any of its Subsidiaries first makes a filing with the Securities and Exchange Commission or the Federal Trade Commission in connection with any proposed acquisition, and (iv) the date such acquisition is consummated, provided, however, that if subsequent to the occurrence of an event described in clause (i), (ii) or (iii) above or clause (A), (B) or (C) below the Company or any of its Subsidiaries shall amend the terms of such acquisition with respect to the consideration payable by the Company or any of its Subsidiaries in connection with such acquisition, the Transaction Date shall be the earlier of (A) the date on which the Company or any of its Subsidiaries enters into a binding written agreement with such Person to effect such acquisition on such amended terms, (B) the date on which the Company or any of its Subsidiaries makes a public announcement of any offer or proposal to effect such acquisition on such amended terms and (C) the date on which the Company or any of its Subsidiaries first makes a filing disclosing such amended terms with the Commission or the Federal Trade Commission in connection with any proposed acquisition.

"Voting Stock" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to vote for the election of directors, managers or trustees of any Person (irrespective of whether or not at the time stock of any class or classes will have or might have voting power by the reason of the happening of any contingency).

Redemption

The Senior Notes are not redeemable at the option of the Company prior to September 1, 2000, except as set forth below. On or after such date, the Senior Notes are redeemable at the option of the Company, in whole or any time or in part, from time to time, on not less than 30 nor more than 60 days' prior notice, mailed by first-class mail to the holders' last addresses as they shall appear upon the register for the Senior Notes, at the following prices (expressed in percentages of the principal amount), if redeemed during the respective twelve month periods indicated below, in each case together with interest accrued to the redemption date:

<TABLE>
<CAPTION>

Year	Percentage
<S>	<C>
September 1, 2000-August 31, 2001	104%
September 1, 2001-August 31, 2002	102%

</TABLE>

and thereafter at the principal amount thereof, together with interest accrued to the redemption date.

Notwithstanding the foregoing, the Senior Notes may be redeemed prior to September 1, 1998 with the proceeds of one or more issuances of equity securities, so long as such redemption, when aggregated with all prior redemptions, shall not result in more than 331/3% of the principal amount of Senior Notes originally issued having been redeemed, at the redemption prices (expressed in percentages of principal amount) set forth below, if redeemed during the respective twelve month periods indicated below, in each case together with interest accrued to the redemption date:

<TABLE>
<CAPTION>

Year	Percentage
<S>	<C>
September 1, 1995-August 31, 1996	103%
September 1, 1996-August 31, 1997	106%
September 1, 1997-August 31, 1998	106%

</TABLE>

If less than all the Senior Notes are to be redeemed, selection of Senior Notes for redemption will be made by the Trustee or the registrar for the Senior Notes pro rata or by lot or by any means acceptable to the Trustee.

Covenants

The Indenture contains covenants including, among others, the following:

Restricted Payments. The Indenture provides that the Company shall not, nor will it permit any of its Subsidiaries to, make any Restricted Payment (other than Investments in (i) Affiliates which are not wholly-owned Subsidiaries in an aggregate amount not to exceed $20 million at any time outstanding and (ii) Borrowing Subsidiaries in an aggregate amount at any time outstanding not to exceed the sum of (x) $30 million less (y) the aggregate amount of outstanding Investments in Affiliates which are not wholly-owned Subsidiaries permitted by clause (i) hereof) if, after giving effect thereto, (A) any Default shall have occurred and be continuing, or (B) the Company could not incur at least $1.00 of additional Indebtedness pursuant to the terms of the Indenture described in the first paragraphs of "Limitation on Indebtedness" below, or (C) the aggregate amount of Restricted Payments made subsequent to the date of the Indenture by the Company and its Subsidiaries (other than (i) Investments in Affiliates which are not wholly-owned Subsidiaries in an amount not to exceed $20 million in the aggregate and (ii) Investments in Borrowing Subsidiaries in an aggregate amount not to exceed the sum of (x) $30 million less (y) the aggregate amount of outstanding Investments in Affiliates which are not wholly-owned Subsidiaries permitted by clause (i) hereof) would exceed the sum of (a) 50% (or minus 100% in the event of a deficit) of aggregate Consolidated Net Income (which is defined to exclude the impact of any Fresh Start Accounting adjustment and any extraordinary income, including income relating to cancellation of indebtedness resulting from the Restructuring) of the Company for the period commencing on April 2, 1995 and ending on the last day of the fiscal quarter immediately preceding the date of such payment, and (b) the aggregate Net Proceeds, including cash and the Fair Market Value of Property other than cash, received by the Company subsequent to the date on which the Senior Notes are issued from capital contributions from any of its stockholders or from the issuance or sale (other than to a Subsidiary) subsequent to the date on which the Senior Notes are issued of shares of its Capital Stock (other than Redeemable Stock) of any class (or rights or warrants to subscribe for or purchase shares of such capital stock) or of any convertible securities or debt obligations which have been converted into, exchanged for or satisfied by the issuance of shares of the Company's Capital Stock (other than Redeemable Stock).

The foregoing limitations do not prevent the Company from paying a dividend on Capital Stock within 60 days after the declaration thereof if, on the date when the dividend was declared, the Company could have paid such dividend in accordance with the provisions of the Indenture. In addition, the foregoing limitations will not prevent the Company from making payments to purchase, redeem, defease or otherwise acquire or retire for value Subordinated Debt to the extent that any such purchase, redemption, defeasance or other acquisition or retirement for value is made out of the proceeds of the issuance of (i) Subordinated Debt having a final maturity no earlier than the final maturity of, and an Average Life equal to or longer than, the Indebtedness being retired or repurchased or (ii) Capital Stock (other than Redeemable Stock) of the Company.

The Indenture does not prevent the Company from repurchasing shares of its Capital Stock (a) solely in exchange for other shares of its Capital Stock (other than Redeemable Stock) or (b) pursuant to a court order.

In addition, the Indenture provides that the covenant limiting Restricted Payments will not apply to redemptions or repurchases of common stock in connection with repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees; provided, that such redemptions or purchases shall not exceed $2,000,000 in any fiscal year or $5,000,000 in the aggregate subsequent to the date of the Indenture.

Limitation on Indebtedness. The Indenture provides that the Company shall not create, incur, assume, guarantee or otherwise become liable with respect to, or become responsible for the payment of, any Indebtedness, unless, after giving effect thereto, the Consolidated Interest Coverage Ratio of the Company on a pro forma basis for the four consecutive fiscal quarters for which financial information in respect thereof is available immediately prior to any Transaction Date that is prior to September, 1997 would be greater than 1.85:1 and for any Transaction Date thereafter would be greater than 2.0:1.

Notwithstanding the foregoing, the Company may incur, create, assume, guarantee or otherwise become liable with respect to, any or all of the following Indebtedness:

(i) Indebtedness evidenced by the Senior Notes, and Indebtedness under the Bank Credit Agreement (including any refinancings thereof permitted by the following clause) in a maximum principal amount at any time outstanding not to exceed the greater of (x) $250 million or (y) the sum of $100 million plus 65% of the total inventory of the Company and its Subsidiaries (calculated on a "first-in" "first-out" basis) plus 85% of the total accounts receivable of the Company and its Subsidiaries, subject to one or more permanent reductions of both (x) and (y) as provided in the "Limitation on Sale and Leaseback Transactions" and in the proviso to the "Limitation on Asset Sales."

(ii) Indebtedness the proceeds of which are used to refinance (x) all or a portion of the Indebtedness evidenced by the Senior Notes or (y) Indebtedness under the Bank Credit Agreement (as limited by the preceding paragraph) or other (z) Indebtedness of the Company and its Subsidiaries, in each case in a principal amount not to exceed the principal amount so refinanced (or, if such Indebtedness provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof, in an amount not greater than such lesser amount) plus any prepayment penalties and premiums, accrued and unpaid interest on the Indebtedness so refinanced, plus customary fees, expenses and costs related to the incurrence of such refinancing Indebtedness, provided that, in the case of this clause (ii), (1) if the Senior Notes are refinanced in part, such new Indebtedness is expressly made pari passu or subordinate in right of payment to the remaining Senior Notes, (2) if the Indebtedness to be refinanced is subordinate in right of payment to the Senior Notes, such new Indebtedness is subordinate in right of payment to the Senior Notes at least to the extent that the Indebtedness to be refinanced is subordinate in right of payment to the Senior Notes, (3) if the Indebtedness to be refinanced is pari passu in right of payment to the Senior Notes, such new Indebtedness is expressly made pari passu or subordinate in right of payment to the Senior Notes, and (4) if the Senior Notes are refinanced in part or if the Indebtedness to be refinanced is pari passu or

subordinate in right of payment to the Senior Notes and scheduled to mature after the maturity date of the Senior Notes, such new Indebtedness as of the date of incurrence does not mature prior to the final scheduled maturity date of the Senior Notes and has an Average Life equal to or greater than the remaining Average Life of the Senior Notes;

(iii) Indebtedness of the Company remaining outstanding immediately after the issuance of the Senior Notes;

(iv) Indebtedness to a Subsidiary of the Company;

(v) Indebtedness incurred in connection with the refurbishment, improvement, construction or acquisition (whether by acquisition of stock, assets or otherwise) of any Property or Properties of the Company or a Subsidiary of the Company that constitute a part of the then present business of the Company or any Subsidiary of the Company (or incurred within twelve months of any such acquisition or the completion of such refurbishment, improvement or construction), provided, that at the time of the incurrence thereof:

(a) (1) such Indebtedness, together with any other then outstanding Indebtedness incurred during the most recently completed four consecutive fiscal quarter period in reliance upon either this clause (v) or clause (vi) under "Limitations on Indebtedness and Preferred Stock of Subsidiaries (other than Non-Borrowing Subsidiaries)" does not exceed, in the aggregate, 3% of consolidated net sales of the Company and its Subsidiaries during the four consecutive fiscal quarter period ended immediately prior to the date of calculation; provided, that for purposes of this clause (a)(1), such Indebtedness shall include, without limitation, an amount equal to (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into during the four consecutive fiscal quarter period ended immediately prior to the date of calculation, less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the Property that is the subject of any such transaction; and

(2) such Indebtedness, together with all then outstanding Indebtedness incurred in reliance upon either this clause (v) or clause (vi) under "Limitations on Indebtedness and Preferred Stock of Subsidiaries (other than Non-Borrowing Subsidiaries)" does not exceed, in the aggregate, 3% of the consolidated net sales of the Company and its Subsidiaries during the most recently completed twelve consecutive fiscal quarter period; provided that, for purposes of this clause (a)(2), such Indebtedness shall include, without limitation, an amount equal to (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transactions to which the Company or any Subsidiary is then a party less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the Property that is the subject of any such transaction; except that, for purposes of calculating the limitation set forth in clause (a)(2) the seven Sale and Leaseback Transactions identified in clause (ii) under "Limitation on Sale and Leaseback Transactions" shall not be included; or

(b) such Indebtedness (including an amount equal to the sum of (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transaction to which the Company or any Subsidiary is then a party less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback

Transaction) does not exceed the amount of proceeds received by the Company or any of its Subsidiaries from insurance maintained by the Company or any Subsidiary in respect of such Property or Properties;

(vi) Indebtedness consisting of Guarantees by the Company of Indebtedness of any Subsidiary, provided that such Indebtedness is otherwise permitted under the Indenture;

(vii) Indebtedness under Interest Swap Obligations, provided that such Interest Rate Swap Obligations are related to payment obligations on Indebtedness otherwise permitted under this covenant;

(viii) commercial letters of credit and standby letters of credit incurred in the ordinary course of business by the Company;

(ix) Indebtedness represented by industrial revenue or development bonds, provided that the aggregate amount of Indebtedness incurred in reliance upon the exception of this clause (ix) or clause (x) under "Limitations on

Indebtedness and Preferred Stock of Subsidiaries (other than Non-Borrowing Subsidiaries)" shall not exceed at any one time an aggregate principal amount outstanding of $25,000,000;

(x) Capitalized Lease Obligations relating to Property used in the business of the Company;

(xi) Indebtedness incurred in respect of performance bonds and performance and completion Guarantees incurred in the ordinary course of business;

(xii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within five business days of its incurrence; and

(xiii) other Indebtedness for borrowed money in an amount not to exceed $75,000,000 in the aggregate.

Limitation on Liens. The Indenture provides that neither the Company nor any Subsidiary shall create, incur, assume or permit to exist any Lien on or with respect to any Property or assets of the Company or any such Subsidiary or any interest therein or any income or profits therefrom other than (i) any Lien existing as of the date of the Indenture, and any Lien securing Indebtedness under the Bank Credit Agreement pursuant to the terms of such Bank Credit Agreement as in effect on the issue date of the Senior Notes; (ii) any Lien arising in the ordinary course of business, other than in connection with Indebtedness for borrowed money; (iii) any Lien on the Company's or a Subsidiary's accounts receivable, inventories, and proceeds thereof securing Indebtedness incurred pursuant to the provisions of the Revolving Credit Facility; (iv) any Lien on Property acquired by the Company or any Subsidiary after the date of the Indenture created solely to secure Indebtedness incurred to finance such acquisition or assumed in connection with such acquisition, whether by acquisition of stock, assets or otherwise (or entered into in connection with Indebtedness that is permitted under the terms of the Indenture described in clause (v) of the second paragraph under "Limitation on Indebtedness" above or clause (vi) under "Limitations on Indebtedness and Preferred Stock of Subsidiaries (other than Non-Borrowing Subsidiaries)"), provided that in each case such acquisition does not constitute a Material Acquisition; (v) any Lien on Property acquired by the Company or any Subsidiary which constitutes a Material Acquisition created solely to secure Indebtedness incurred to finance such Material Acquisition or assumed in connection with such Material Acquisition, provided that after giving effect to such Indebtedness the Consolidated Interest Coverage Ratio would be greater than the then applicable Consolidated Interest Coverage Ratio described in the first paragraph under "Limitation on Indebtedness" above; (vi) any Lien on any asset of the Company or any Subsidiary created solely to secure Indebtedness incurred to finance the refurbishment, improvement, construction or acquisition (whether by acquisition of stock, assets or otherwise) of such assets (or created within twelve months of any such acquisition or the completion of such refurbishment, improvement or construction) or relating to Indebtedness assumed in connection with any such acquisition, provided that such Lien secures Indebtedness permitted under the terms of the Indenture

described in clause (v) of the second paragraph under "Limitation on Indebtedness" above or clause (vi) under "Limitations on Indebtedness and Preferred Stock of Subsidiaries (other than Non-Borrowing Subsidiaries)"; (vii) any Lien created in connection with a Capitalized Lease Obligation that the Company or a Subsidiary is permitted to enter into under the terms of the Indenture; (viii) any Lien relating to judgments or awards that the Company or any Subsidiary is contesting in good faith; (ix) any Lien for taxes that are not yet due or that the Company or any Subsidiary is contesting in good faith and (x) any Lien extending, renewing or replacing any Liens permitted by clauses (i), (iv), (v), (vi) or (vii). In the case of Liens permitted under clauses (i), (iv), (v), (vi), (vii) and (x), such Liens may relate solely to the Property (including any improvements thereon) subject thereto as of the date of the Indenture or the date such Lien was incurred, as the case may be (and, in the case of Indebtedness under the Bank Credit Agreement, any after acquired Property), and may secure the payment only of the Indebtedness so secured as of such date.

Limitation on Sale and Leaseback Transactions. The Indenture provides that the Company shall not, and shall not permit any Subsidiary to, enter into, assume, guarantee or otherwise become liable with respect to any Sale and Leaseback Transaction, provided, that the Company may enter into (i) a Sale and Leaseback Transaction that, had such Sale and Leaseback Transaction been structured as a mortgage rather than as a Sale and Leaseback Transaction, the Company would have been permitted to enter into such transaction pursuant to

the terms of the Indenture described in clause (v) of "Limitation on Indebtedness," in clause (vi) of "Limitations on Liens" and in clause (vi) of "Limitation on Indebtedness and Preferred Stock of Subsidiaries (other than Non-Borrowing Subsidiaries)", provided, however, that such Sale and Leaseback Transaction is entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the Property that is the subject of any such transactions; (ii) a Sale and Leaseback Transaction with respect to the Company's property located in New Fairfield, Connecticut, Dumont, New Jersey, Valatie, New York, Morrisville, Vermont, Corinth, New York, Tannersville, New York and Manchester Center, Vermont; and (iii) a Sale and Leaseback Transaction if within 90 days of entering into such arrangement either (1) the Company applies the Net Proceeds of the sale of the Property leased pursuant to such Sale and Leaseback Transaction to the payment of Senior Indebtedness other than Indebtedness incurred under the Bank Credit Agreement (except that Indebtedness under the Bank Credit Agreement may be repaid from such Net Proceeds to the extent the principal amount of Indebtedness under the Bank Credit Agreement permitted by the second paragraph of "Limitation on Indebtedness" is permanently reduced by an amount equal to the principal amount of the Indebtedness under the Bank Credit Agreement so repaid from Net Proceeds), or (2) (a) if such arrangement is entered into prior to September 1, 2000, the Company makes a pro rata offer to all holders of Senior Notes to repurchase such Senior Notes at 104% of their principal amount, plus accrued and unpaid interest through the date of repurchase, or (b) if such arrangement is entered into on or after September 1, 2000, the Company redeems the Senior Notes (as described under "Redemption"), in either case at par plus the then applicable premium, if any, and in an aggregate amount equal to the greater of the Net Proceeds of the sale of the Property leased pursuant to such Sale and Leaseback Transaction or the Fair Market Value of the Property so leased at the time of entering into such Sale and Leaseback Transaction.

Limitation on Asset Sales. The Indenture provides that the Company shall not consummate, and shall not permit any Subsidiary to consummate, any Asset Sale unless (i) such sale is for Fair Market Value and (ii) at least 75% of the Net Proceeds thereof received by the Company or such Subsidiary is in the form of cash; provided, that for purposes of this covenant securities received by the Company or any Subsidiary from such transferee that are promptly converted by the Company or such Subsidiary into cash shall be deemed to be cash, and provided further, that notwithstanding any other provision in this paragraph, the Company or any Subsidiary may consummate Asset Sales for which it receives, in a single transaction or in a series of related transactions, aggregate Net Proceeds in an amount not to exceed $25,000,000, without regard to the foregoing limitation on receiving a specified percentage of the Net Proceeds in cash. To the extent the Company has not reinvested such Net Proceeds in Additional Assets or used such Net Proceeds to repay Senior Indebtedness (other than Senior Notes) within twelve months following the consummation of the Asset Sale (or in the case of Net Proceeds received in the form of securities, within twelve months after such

securities are converted into cash), the Company shall either apply such Net Proceeds (or any portion thereof) to the repayment of Senior Indebtedness or apply such Net Proceeds (or the remaining portion thereof) in accordance with the following sentence; provided, however, that if Net Proceeds of Asset Sales are applied to reduce the Indebtedness under the Bank Credit Agreement (or any refinancing or renewal thereof), the principal amount of Indebtedness under the Bank Credit Agreement permitted by the second paragraph of "Limitation on Indebtedness" shall be reduced permanently by an amount equal to the principal amount of the Indebtedness under the Bank Credit Agreement so repaid from Net Proceeds. If (1) no Senior Indebtedness other than Senior Notes is outstanding at such time or the Company does not apply any or applies only a portion of such Net Proceeds to the repayment of Senior Indebtedness other than Senior Notes or (2) the application of such Net Proceeds results in the payment of all outstanding Senior Indebtedness other than Senior Notes, then such Net Proceeds or any remaining portion thereof, in each case not so applied to the payment of Senior Indebtedness other than Senior Notes, shall be applied to a pro rata offer to repurchase the Senior Notes at a purchase price in cash equal to 102% of their principal amount plus accrued and unpaid interest through the date of repurchase. Notwithstanding the foregoing, in the event the Net Proceeds resulting from any Asset Sale, after giving effect to any related repayment of Senior Indebtedness other than Senior Notes, are less than $25,000,000, the Company may defer extending such pro rata offer to repurchase the Senior Notes until such time as such Net Proceeds, plus the aggregate amount of Net Proceeds resulting from any subsequent Asset Sale or Asset Sales not otherwise reinvested in Additional Assets or applied to repay Senior Indebtedness other than Senior Notes, are equal to at least $25,000,000, at which time the Company shall apply the aggregate amount of such Net Proceeds to a pro rata offer to repurchase the Senior Notes at a purchase price in cash equal to 102% of their principal amount, plus accrued and unpaid interest through the date of repurchase.

Pending application thereof in accordance with the foregoing paragraph, the Company shall either apply the Net Proceeds of any Asset Sale to repay temporarily any Senior Indebtedness other than Senior Notes or invest such Net Proceeds in Qualified Investments.

Transactions with Affiliates. The Indenture provides that the Company shall not, and shall not permit any Subsidiary to, enter into any transaction after the date of the issuance of the Senior Notes with any Affiliate (other than the Company or a Subsidiary) unless (i) the Board of Directors of the Company determines, in its reasonable good faith judgment, that such transaction is in the best interests of the Company or such Subsidiary, based on full disclosure of all relevant facts and circumstances, (ii) such transaction is on terms no less favorable to the Company or such Subsidiary than those that could be obtained in a comparable arm's length transaction with an entity that is not an Affiliate, and (iii) the transaction is otherwise permissible under the Indenture.

The covenant limiting Transactions with Affiliates does not apply to redemptions or repurchases of common stock in connection with repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees, provided that such redemptions or purchases shall not exceed $2,000,000 in any fiscal year or $5,000,000 in the aggregate subsequent to the date of the Indenture.

In addition, the covenant limiting Transactions with Affiliates will not prevent the Company from (i) paying a dividend on Capital Stock within 60 days after the declaration thereof if, on the date when the dividend was declared, the Company could have paid such dividend in accordance with the provisions of the Indenture, or (ii) repurchasing shares of its Capital Stock (x) solely in exchange for other shares of its Capital Stock (other than Redeemable Stock) or (y) pursuant to a court order.

Limitation on Indebtedness and Preferred Stock of Subsidiaries (other than Non-Borrowing Subsidiaries). The Indenture provides that the Company shall not permit any Subsidiary to create, incur, guarantee, assume or issue any Indebtedness or issue any preferred or preference stock, except for:

(i) Indebtedness or preferred stock outstanding on the date of the Indenture;

(ii) Indebtedness or preferred stock issued to and held by the Company or a wholly-owned Subsidiary (but only so long as held or owned by the Company or a wholly-owned Subsidiary);

(iii) Indebtedness or preferred stock issued by a Person prior to the time (a) such Person becomes a Subsidiary, (b) such Person merges with or into a Subsidiary or (c) a Subsidiary merges with or into such Person, provided that such Indebtedness or preferred stock was not issued or incurred by such Person in anticipation of the type of transaction contemplated by subclauses (a), (b) or (c);

(iv) Indebtedness under the Bank Credit Agreement;

(v) Indebtedness the proceeds of which are used to refinance any other Indebtedness of any Subsidiary, in each case in a principal amount not to exceed the principal amount so refinanced (or, if such Indebtedness provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof, in an amount not greater than such lesser amount), plus any prepayment penalties and premiums, accrued and unpaid interest on the Indebtedness so refinanced, plus customary fees, expenses and costs related to the incurrence of such refinancing Indebtedness;

(vi) Indebtedness incurred in connection with the refurbishment, improvement, construction or acquisition (whether by acquisition of stock, assets or otherwise) of any Property or Properties of a Subsidiary of the Company that constitute a part of the then present business of the Company or any Subsidiary of the Company (or incurred within twelve months of any such acquisition or the completion of such refurbishment, improvement or construction), provided that either:

(a) (1) such Indebtedness, together with any other Indebtedness incurred during the most recently completed four consecutive fiscal quarter period in reliance upon either this clause (vi) or clause (v) under "Limitation on Indebtedness" does not exceed in the aggregate 3% of consolidated net sales of the Company and its Subsidiaries during the four consecutive fiscal quarter period ended immediately prior to the date of calculation; provided that (a) for purposes of this clause (a)(1), such Indebtedness shall include, without limitation, an amount equal to (x) the aggregate outstanding principal amount of any mortgages that the Company or any

Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into during the four consecutive fiscal quarter period ended immediately prior to the date of calculation, less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the Property that is the subject of any such transaction; and

(2) such Indebtedness, together with all then outstanding indebtedness incurred in reliance upon either this clause (vi) or clause (v) under "Limitation on Indebtedness" does not exceed in the aggregate 3% of the consolidated net sales of the Company and its Subsidiaries during the most recently completed twelve consecutive fiscal quarter period; provided that, for purposes of this clause (a)(2), such Indebtedness shall include, without limitation, an amount equal to (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transactions to which the Company or any Subsidiary is then a party less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction that the Company or any Subsidiary has entered into within twelve months of the acquisition, or completion of construction or refurbishment, of the Property that is the subject of any such transaction; except that, for purposes of calculating the limitation set forth in clause (a)(2), the seven Sale and Leaseback Transactions identified in clause (ii) under "Limitation on Sale and Leaseback Transactions" shall not be included; or

(b) such Indebtedness (including an amount equal to the sum of (x) the aggregate outstanding principal amount of any mortgages that the Company or any Subsidiary is deemed to have entered into in connection with any Sale and Leaseback Transaction to which the Company or any Subsidiary is then a party less (y) the aggregate principal amount of any Senior Indebtedness that has been repaid with the Net Proceeds of any Sale and Leaseback Transaction) does not exceed the amount of proceeds received by the Company or any of its Subsidiaries from insurance maintained by the Company or any Subsidiary in respect of such Property or Properties;

(vii) Indebtedness consisting of Guarantees by a Subsidiary of Indebtedness of the Company or any other Subsidiary, provided that such Indebtedness is otherwise permitted under the Indenture;

(viii) Indebtedness under Interest Swap Obligations, provided that such Interest Swap Obligations are related to payment obligations on Indebtedness otherwise permitted under this covenant;

(ix) commercial letters of credit and standby letters of credit incurred in the ordinary course of business by a Subsidiary;

(x) Indebtedness represented by industrial revenue or development bonds, provided that the aggregate amount of Indebtedness incurred in reliance upon this clause (x) or clause (ix) under "Limitation on Indebtedness" shall not exceed at any one time an aggregate principal amount outstanding of $25,000,000;

(xi) Capitalized Lease Obligations relating to Property used in the business of a Subsidiary;

(xii) Indebtedness incurred in respect of performance bonds and performance and completion Guarantees incurred in the ordinary course of business; and

(xiii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within five business days of its incurrence.

Limitation on Indebtedness of Non-Borrowing Subsidiaries. The Indenture provides that the Company shall not permit any Non-Borrowing Subsidiary to create, incur, assume or guarantee any Indebtedness or issue any preferred or preference stock, or to engage in any Sale and Leaseback Transaction.

Limitation on Payment Restrictions Affecting Subsidiaries. The Indenture provides that the Company shall not, and shall not permit any Subsidiary to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction which encumbrance or restriction by its terms expressly restricts the ability of any such Subsidiary to (i) pay dividends or

make any other distributions on such Subsidiary's capital stock or pay any Indebtedness owed to the Company or any Subsidiary, (ii) make any loans or advances to the Company or any Subsidiary or (iii) transfer any of its Property to the Company or any Subsidiary, other than, with respect to clauses (ii) and (iii), encumbrances or restrictions specifically: (a) permitted under the terms of any instrument or agreement relating to any Indebtedness of the Company or any Subsidiary existing on the date of the Indenture, including, without limitation, the Indenture or the Bank Credit Agreement; (b) relating to any Property acquired by the Company or any of its Subsidiaries after the date of the Indenture, provided that such encumbrance or restriction relates only to the Property which is acquired and, in the case of any encumbrance or restriction that constitutes a Lien, the Company or such Subsidiary would be permitted to incur the Lien under the covenant limiting Liens; (c) relating to (x) any industrial revenue or development bonds, (y) any obligation of the Company or any Subsidiary incurred in the ordinary course of business to pay the purchase price of Property acquired by the Company or such Subsidiary, or (z) any lease of Property by the Company or such Subsidiary in the ordinary course of business, provided that such encumbrance or restriction relates only to the Property which is the subject of such industrial revenue or development bond, such Property purchased or such Property leased and any such lease,

as the case may be; (d) relating to any Indebtedness of any Subsidiary at the date of acquisition of such Subsidiary by the Company or any Subsidiary of the Company, provided that such Indebtedness was not incurred in connection with or in anticipation of such acquisition, and provided further that the Company would be permitted to incur any Lien securing such Indebtedness under the covenant limiting Liens; or (e) under any replacement or refinancing agreements or instruments referred to in clauses (a), (b), and (c), provided that the provisions relating to such encumbrance or restriction contained in any such replacement or refinancing agreement or instrument are no more restrictive than the provisions relating to such encumbrance or restriction contained in such original agreement or instrument.

Investment Company Act. The Indenture provides that the Company shall not become an investment company within the meaning of the Investment Company Act of 1940.

Mergers and Consolidations

The Company shall not consolidate with or merge into, or transfer, sell or lease all or substantially all of its Property to, another Person unless (i) the successor corporation is a United States corporation, (ii) the successor corporation is bound by all the terms of the Indenture, (iii) immediately after giving effect to such transaction no Default or Event of Default exists, (iv) the consolidated net worth (determined in accordance with GAAP) of the successor corporation is equal to or greater than the consolidated net worth of the Company immediately prior to such transaction and (v) in the case of any such consolidation, merger, transfer, sale or lease other than into or to a wholly-owned Subsidiary of the Company, immediately after and giving effect to any such consolidation, merger, transfer, sale or lease and any financings or other transactions in connection therewith the Consolidated Interest Coverage Ratio of the surviving corporation would be greater than the then applicable Consolidated Interest Coverage Ratio described under the first paragraph of "Limitation on Indebtedness" above. Certain mergers may constitute a Change of Control that would give each Holder the right to require the Company to repurchase any Senior Note held by such Holder at a purchase price in cash equal to 101% of its principal amount plus accrued interest. See "Change of Control" below.

Change of Control

In the event of a Change of Control, the Company will be obligated to make an offer to purchase all of the then outstanding Senior Notes at a purchase price in cash equal to 101% of its principal amount plus accrued interest, after the occurrence of such Change of Control. The Company shall give holders notice of such right of repurchase not less than 20 nor more than 60 business days prior to the consummation of a merger, consolidation, transfer, sale or lease that would constitute a Change of Control and not more than 45 business days following any other event constituting a Change of Control, mailed by first-class mail to the holders' last addresses as they appear upon the register. Holders will have the right to have their Senior Notes repurchased if such Senior Notes are tendered for repurchase no later than five business days prior to the applicable repurchase.

Events of Default

Each of the following events are defined in the Indenture as "Events of Default": (i) the failure by the Company to pay interest on any Senior Note issued under the Indenture for a period of 30 days after such interest becomes

due and payable; (ii) the failure by the Company to pay the principal of (or premium, if any, on) any Senior Note issued under the Indenture when such principal becomes due and payable, whether at the stated maturity or upon application, redemption or otherwise; (iii) a default in the observance of any other covenant contained in the Indenture that continues for 30 days after the Company has been given notice of the default by the Trustee or the holders of 25% in principal amount of the Senior Notes then outstanding; (iv) a default or defaults on other Indebtedness of the Company or any Subsidiary, which Indebtedness has an outstanding principal amount of more than $15,000,000 individually or in the aggregate if such Indebtedness has attained final maturity or if the holders of such Indebtedness have accelerated payment

thereof under the terms of the instrument under which such Indebtedness is or may be outstanding and, in each case, it remains unpaid; (v) one or more judgments or decrees is entered against the Company or any Subsidiary involving a liability (not paid or fully covered by insurance) of $5,000,000 or more in the case of any one such judgment or decree and $10,000,000 or more in the aggregate for all such judgments and decrees for the Company and all its Subsidiaries and all such judgments or decrees have not been vacated, discharged or stayed or bonded pending appeal within 30 days from the entry thereof; and (vi) events of bankruptcy, insolvency, or reorganization, as specified in the Indenture, affecting the Company or any Material Subsidiary.

The Indenture provides that the Trustee, within 90 days after the occurrence of an Event of Default that is continuing, will give notice thereof to the holders of the Senior Notes issued under the Indenture; provided, however, that, except in the case of a default in payment of principal of or interest on the Senior Notes issued under the Indenture, the Trustee may withhold such notice as long as it in good faith determines that such withholding is in the interest of the holders of the Senior Notes issued under the Indenture.

In case an Event of Default (other than an Event of Default resulting from bankruptcy, insolvency, or reorganization of the Company or a Material Subsidiary) shall have occurred and be continuing, the Trustee or the holders of at least 25% in principal amount of the Senior Notes issued under the Indenture, by notice in writing, may declare to be due and payable the principal amount of the Senior Notes issued under the Indenture, plus accrued interest, and such amounts shall become due and payable upon the earlier of (i) five days from the date of such notice, so long as the Event of Default giving rise to such notice has not been cured or waived and (ii) the acceleration of the Indebtedness under the Bank Credit Agreement (or any renewal or refinancing thereof). In case an Event of Default resulting from bankruptcy, insolvency, or reorganization of the Company or a Material Subsidiary shall occur, such amount shall ipso facto become immediately due and payable without any declaration or any act on the part of the Trustee or the holders of the Senior Notes issued under the Indenture. Such declaration or acceleration by the Trustee or the Holders may be rescinded and past defaults may be waived (except, unless theretofore cured, a default in payment of principal of or interest on the Senior Notes issued under the Indenture) by the holders of a majority in principal amount of the Senior Notes issued under the Indenture upon conditions provided in the Indenture. Except to enforce the right to receive payment of principal or interest when due, no holder of a Senior Note issued under the Indenture may institute any proceeding with respect to the Indenture or for any remedy thereunder unless such holder has previously given to the Trustee written notice of a continuing Event of Default and unless the holders of at least 25% in principal amount of the Senior Notes issued under the Indenture have requested the Trustee to pursue remedies in respect of such Event of Default and have offered the Trustee indemnity satisfactory to the Trustee against loss, liability, or expense to be thereby incurred and the Trustee has failed so to act for 60 days after receipt of the same and no contrary instructions have been received during 20 days. Subject to certain restrictions, the holders of a majority in principal amount of the Senior Notes issued under the Indenture are given the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture, that is unduly prejudicial to the rights of any holder of a Senior Note issued thereunder, or that would subject the Trustee to personal liability.

The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an officers' certificate indicating whether the Company has complied with the terms of the Indenture and whether an Event of Default exists.

Satisfaction and Discharge of the Indenture; Defeasance

The Company may terminate its obligations under the Indenture at any time by delivering all outstanding Senior Notes issued thereunder to the Trustee for

cancellation. The Company, at its option, (i) will be discharged (as defined) from any and all obligations with respect to the Senior Notes issued under the Indenture (except for certain obligations of the Company to register the transfer or exchange of such Senior

Notes, replace stolen, lost, or mutilated Senior Notes, maintain paying agencies, hold moneys for payment in trust) and compensate the Trustee as provided in Section 6.07 of the Indenture or (ii) need not comply with certain restrictive covenants in the Indenture (including those described under "Covenants"), in each case if the Company deposits with the Trustee, in trust, money or U.S. Government Obligations which, through the payment of interest thereon and principal thereof in accordance with their terms, will provide money in an amount sufficient to pay all the principal of and interest on the Senior Notes on the dates such payments are due in accordance with the terms of the Senior Notes. To exercise any such option, the Company is required to deliver to the Trustee (a) an opinion of counsel to the effect that the deposit and related defeasance would not cause the holders of the Senior Notes to recognize income, gain or loss for federal income tax purposes and, in the case of a discharge pursuant to clause (i) above, accompanied by a ruling to such effect received from or published by the United States Internal Revenue Service and (b) an officers' certificate and an opinion of counsel to the effect that all conditions precedent to the defeasance have been complied with.

Reports to Holders of the Senior Notes

So long as the Company is subject to the periodic reporting requirements of the 1934 Act it will continue to furnish the information required thereby to the Securities Exchange Commission and to the holders of the Senior Notes. The Indenture provides that even if the Company is entitled under the 1934 Act not to furnish such information to the Commission or to the holders of the Senior Notes, it will nonetheless continue to furnish such information to the Commission, the Trustee and the holders of the Senior Notes as if it were subject to such period reporting requirements.

In addition, the Company has agreed that, for as long as any Senior Notes remain outstanding, it will furnish to holders and to beneficial owners of Securities and to prospective purchasers of Senior Notes that are designated by holders, upon their request, the information required to be delivered pursuant to Rule 144(A)(d)(4) under the Securities Act of 1933, as amended.

No Personal Liability of Shareholders, Officers, Directors, and Employees

No shareholder, officer, director, or employee, as such, past, present, or future of the Company or any successor corporation shall have any personal liability in respect of the Company's obligations under the Indenture or the Senior Notes by reason of his or its status as such shareholder, officer, director, or employee.

Appendix D

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 2, 1994

Commission File Number 33-48282

THE GRAND UNION COMPANY

(Exact name of registrant as specified in its charter)

Delaware	22-1518276

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

201 Willowbrook Boulevard, Wayne, New Jersey (Address of principal executive offices)	07470 (Zip Code)

Registrant's telephone number, including area code 201-890-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Not Applicable	Not Applicable

Securities registered pursuant to Section 12(g) of the Act:

Not Applicable
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of July 1, 1994, there were issued and outstanding 801.5 shares of the Registrant's common stock. The common stock is not traded in a public market.

Documents incorporated by reference: None

THE GRAND UNION COMPANY

PART I

ITEM 1. BUSINESS

GENERAL

Grand Union Holdings Corporation ("Holdings"), a Delaware corporation, and Grand Union Capital Corporation ("Capital"), a Delaware corporation which is a wholly owned subsidiary of Holdings, have no operations independent of those of The Grand Union Company ("Grand Union" or the "Company"), a Delaware corporation and a wholly owned subsidiary of Capital. Grand Union currently operates 254 supermarkets and food stores under the "Grand Union" name in seven states.

STORE FORMATS

Grand Union's store sizes and formats vary depending upon the demographics and competitive conditions in each location, as well as the availability of real estate. Grand Union supermarkets offer a wide selection of national brand and private label products as well as high-quality produce, meat and general merchandise. The majority of the Company's sales are generated from stores which also contain a number of high margin specialty and service areas for such goods as imported and domestic produce, salads, hot and cold prepared foods, seafood and fresh-baked goods. Select stores feature in-store kitchens and pharmacies. Liquor and wine departments are included where permitted by local law. Grand Union's supermarkets range in size from 14,000 to 64,000 square feet and newly constructed stores are typically in excess of 40,000 square feet.

MERCHANDISING STRATEGY

Grand Union's current merchandising strategy is premised upon the following:

VALUE. The Company's strategy is to provide value to the customer by offering competitive prices, offering a wide variety of advertised and unadvertised specials, sponsoring special promotions and offering a wide selection of private label products.

MERCHANDISE ASSORTMENT. Management believes that many consumers prefer food stores that not only offer the wide variety of food and non-food items

carried by conventional supermarkets, but also sell an expanded assortment of high-quality food items and produce. Accordingly, Grand Union continues to upgrade existing departments with new selections and, where appropriate, has added specialty departments, including full service butcher and seafood shops, floral departments, delicatessens and bakeries. This merchandising strategy provides consumers with a wider selection of better and more convenient foods, while shifting the Company's sales mix toward higher margin products.

EFFICIENCIES OF DISTRIBUTION. Grand Union's distribution system has contributed to its ability to efficiently pursue its strategy of offering the consumer a wide assortment of quality products at competitive prices. Strategically located distribution centers make it possible for Grand Union to minimize in-store stockroom space, thereby increasing store selling space.

SELECTED DATA

The table below sets forth certain statistical information with respect to Grand Union retail stores, excluding the stores formerly operated in the Southern Region, for the periods indicated.

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
<S>	<C>	<C>	<C>
Number of stores (at end of period)	251	250	254
Total selling square feet (in thousands)	4,213	4,276	4,532
Average gross square feet per store	23,439	23,922	24,966
Average sales per selling square foot per week	$11.69	$11.23	$10.76

</TABLE>

SUMMARY OF OPERATIONS

NORTHERN REGION

Grand Union currently operates 142 stores in its Northern Region including 40 stores in Vermont, 96 stores in upstate New York, five stores in New Hampshire and a single store in Massachusetts. The Northern Region had sales of approximately $1.1 billion for the 52 weeks ended April 2, 1994. The Company believes it generally operates in excellent locations, having operated in 85% of the markets it currently serves in the Northern Region for more than 25 years, and in many communities for over 50 years.

In Vermont, Grand Union operates 40 stores throughout the state in virtually every significant community. Grand Union has the preeminent market share in the state, having more sales than all other chain-store operators combined. The Company's strong position in Vermont allows it to achieve significant economies in purchasing, distribution, advertising and field supervision. Zoning and environmental regulations in the state have long restricted commercial development (including supermarkets). Accordingly, the competitive environment in Vermont evolves very slowly. Grand Union's long-standing presence in Vermont was enhanced through the acquisition in 1990 of certain stores operated by P&C Foods, a division of The Penn Traffic Company ("Penn Traffic"). Grand Union has focused its capital expenditures in Vermont on improving existing locations and replacing stores where possible. The largest competitors to Grand Union in Vermont are Golub Corporation ("Price Chopper") (11 stores), Hannaford Brothers, Inc. ("Hannaford") (six stores) and The Great Atlantic & Pacific Tea Company, Inc. ("A&P") (three stores).

In upstate New York, Grand Union generally operates in small cities and rural communities, where the Company estimates it typically has the leading market share, and in the Albany, New York metropolitan area (the "Capital District") where, according to Company estimates, it has the second largest market share with 40 stores. Although generally not as restrictive as Vermont, commercial development in the upstate New York market place has been and continues to be constrained by zoning and environmental restrictions, particularly in areas regulated by the Adirondack Park Commission. In the more urban Capital District, where Price Chopper has the larger market share and Hannaford operates nine stores, Grand Union's competitors have opened several stores in the last two years. Victory Markets, Inc. (Great American) competes against the Company in a number of communities in the Hudson and Mohawk River Valleys.

In the Mid-Hudson Valley area of New York (16 stores), the Company estimates that it has the leading market share. Principal competitors are Big V Supermarkets Inc. (operating under the ShopRite name), Price Chopper and A&P.

A number of stores in the Northern Region (particularly in the Adirondack

area and Vermont) are in resort areas and generally experience significant increases in sales in the summer months and in some cases during the winter ski season.

NEW YORK REGION

Grand Union currently operates 112 stores in its New York Region. The New York Region generated approximately $1.4 billion of sales for the 52 weeks ended April 2, 1994. Grand Union's primary New York Region marketing area comprises the more affluent suburban communities of central and northern New Jersey (45 stores), Westchester, Orange, Rockland, Dutchess and Putnam Counties in New York (the "Lower Hudson Valley") (29 stores), Long Island (17 stores) and Fairfield County, Connecticut (15 stores). The Company also has a limited presence in New York City (four stores) and Pennsylvania (two stores).

Within its primary New York Region marketing areas, the Company generally operates stores in mature, densely populated markets where it believes its below-market long-term leases generally provide it with a significant cost advantage over new supermarkets. These stores serve communities with demographics particularly well-suited for store formats emphasizing specialty departments. Accordingly, the sales mix in this region includes a larger percentage of higher margin perishable department items than in the Northern Region. In addition, the high population density as well as the geographic concentration of stores in the region provide substantial opportunities to achieve additional economies of scale, particularly in advertising and distribution.

Because the New York Region is a fragmented market with no single food retailer having a dominant market share, competition is market specific. In New Jersey, the Company competes primarily against Pathmark Stores, Inc. ("Pathmark"), A&P and various supermarkets supplied by the Wakefern ("ShopRite") and Twin County ("Foodtown") cooperatives. In the Lower Hudson Valley, the Company generally competes with A&P, Edwards Supermarkets, Inc. and ShopRite. On Long Island, the Company's principal competitors are A&P/Waldbaums, Pathmark, King Kullen Grocery Co., Inc. and Foodtown. Grand Union's main competitors in Fairfield County, Connecticut are the Stop & Shop Company and A&P.

CAPITAL INVESTMENT

The Company's capital spending is primarily directed toward renovating and upgrading the existing Grand Union store base and opening replacement stores and incremental stores in existing marketing areas. Store renovations and replacements have resulted in an upgrade of the Company's merchandise mix and an improvement in store profitability with the expansion of specialty departments offering high quality, higher margin products. Since the recapitalization (the "Recapitalization") of Holdings and its subsidiaries which occurred on July 22, 1992 (see "Recent History -- The Recapitalization" below), the Company has increased its rate of capital investment. Capital expenditures, including capitalized leases, other than real estate leases for the fiscal year ending April 2, 1994 were approximately $86 million.

DISTRIBUTION, SUPPLY AND MANAGEMENT INFORMATION SYSTEMS

DISTRIBUTION. Management believes that Grand Union's distribution system enhances its ability to offer consistently fresh and high quality dairy products, meats, baked goods, produce and frozen foods. Moreover, this system enables Grand Union to take advantage of cost saving, volume purchase opportunities.

Grand Union currently operates five distribution centers aggregating approximately 2.1 million square feet. In addition, Grand Union utilizes a frozen food distribution facility operated by a third party. Grand Union also leases space in three additional storage facilities and, from time to time, utilizes limited space in several other facilities.

The strategic location of the distribution centers makes it possible for Grand Union to make frequent shipments to stores, which reduces the amount of in-store stockroom space, thereby limiting nonproductive store inventories.

In September 1993, Grand Union entered into a program to consolidate the purchasing and distribution of health and beauty care products and general merchandise with Penn Traffic. Under this program, Grand Union purchases health and beauty care products for both Grand Union and Penn Traffic, and Penn Traffic purchases general merchandise for both Penn Traffic and Grand Union. Grand Union's general merchandise warehouse in Montgomery, New York is used to store and distribute general merchandise and health and beauty care products to Grand Union stores and to certain of Penn Traffic's stores and wholesale customers. Under the arrangement, Penn Traffic owns the inventory of general merchandise and health and beauty care products located at the Montgomery warehouse and shares the cost of operating the warehouse in an amount proportionate to Penn Traffic's usage of the facility. Grand Union expects that this program will improve the variety of general merchandise products offered to the consumer and will reduce product procurement costs for general merchandise and health and beauty care products.

MANAGEMENT INFORMATION SYSTEMS. Financial, distribution, purchasing and operating system requirements are supported through a central computer system located in Wayne, New Jersey. Grand Union currently utilizes scanning systems in 142 stores (representing approximately 73% of total sales) and intends to continue to invest in scanning and other store systems in the future.

SUPPLIERS. Products sold, including private label products, are purchased through a large group of unaffiliated suppliers. Grand Union is not dependent upon any single supplier, and its grocery purchases are of a sufficient volume to qualify for minimum price brackets for most products sold.

COMMISSARY. Grand Union operates a 20,000 square foot commissary located in Newburgh, New York in which high quality cooked meat products, salads and soups are prepared for sale in the Company's delicatessen departments.

EMPLOYEES

As of April 2, 1994, Grand Union had approximately 17,000 employees, of whom approximately 60% were employed on a part-time basis. Approximately 49% of Grand Union's employees are covered by collective bargaining agreements negotiated with 13 unions. Approximately 88% of the employees covered by these collective bargaining agreements are employed in store locations and approximately 12% are employed in distribution facilities. These contracts expire at various times through May 1998.

On May 29, 1993, Grand Union settled a labor dispute with United Food and Commercial Workers, Local 1262, which represents clerks working in 61 Grand Union stores located in northern New Jersey and in Orange County, New York, and Rockland County, New York. The expiration of Grand Union's contract on April 24, 1993, after an extension from the contract's original expiration date on April 10, 1993, resulted in work stoppages at some, and eventually all, of the 61 Grand Union stores involved during the period from May 7, 1993 through May 29, 1993, as well as work stoppages at 251 Foodtown, Pathmark and ShopRite stores whose employees are covered by identical collective bargaining agreements. On June 17, 1993, a new four year agreement with Local 1262 was ratified by the approximately 3,600 members of Local 1262 employed by Grand Union and by the approximately 23,000 members of Local 1262 employed by Foodtown, Pathmark and ShopRite.

TRADE NAMES, SERVICE MARKS AND TRADEMARKS

Grand Union uses a variety of trade names, service marks and trademarks. Except for Grand Union-R-, Grand Union does not believe any of such trade names, service marks or trademarks is material to its business.

COMPETITION

The food retailing business is highly competitive. Grand Union competes with numerous national, regional and local chains, convenience stores, stores owned and operated and otherwise affiliated with large food wholesalers, unaffiliated independent food stores, warehouse clubs, discount drugstore chains and discount general merchandise chains. Some of Grand Union's competitors have greater financial resources than the Company and could use those resources to take steps which could adversely affect the Company's competitive position.

RECENT HISTORY

OCTOBER 1993 ACQUISITION

On October 18, 1993, Grand Union acquired five supermarket locations on Long Island from Foodarama Supermarkets, Inc. ("Foodarama") for consideration of approximately $16 million, plus the value of the inventory at the stores (approximately $2 million). The total gross square footage of these five stores is approximately 160,000 square feet. The acquisition was financed through the application of a portion of the proceeds of the sale to institutional investors of $50 million aggregate principal amount of 12 1/4% Senior Subordinated Notes due 2002, Series A (the "Series A Notes") on October 18, 1993. Grand Union plans to renovate and enlarge certain of the acquired store locations.

SALE OF THE SOUTHERN REGION

On March 29, 1993, Grand Union sold 48 of its 51 Southern Region stores to A&P. The three Southern Region stores not sold to A&P were closed, and have been subleased. Grand Union received net cash proceeds of approximately $25 million and was relieved of approximately $4.5 million of capital lease obligations.

THE RECAPITALIZATION

On July 22, 1992, Holdings, Capital, a newly formed corporation, and Grand Union completed the Recapitalization. In connection with the Recapitalization, Grand Union entered into a new bank credit agreement (as amended from time to time, the "Bank Credit Agreement") providing for a $210 million term loan facility (the "Term Loan") and a $100 million revolving credit facility (the "Revolving Credit Facility"). Additionally, Grand Union issued $350 million principal amount of 11 1/4% Senior Notes due 2000 (the "11 1/4% Senior Notes") and $500 million principal amount of 12 1/4% Senior Subordinated Notes due 2002

(the "12 1/4% Senior Subordinated Notes"). The Recapitalization also included the sale to institutional investors of $343 million principal amount of Capital 15% Series A Senior Zero Coupon Notes due 2004 (the "Senior Zero Coupon Notes"), $745 million principal amount of Capital 16.5% Series A Senior Subordinated Zero Coupon Notes due 2007 (the "Senior Subordinated Zero Coupon Notes") and warrants to purchase at a nominal price shares representing approximately 19.9% of the common stock of Holdings on a fully diluted basis for aggregate gross proceeds of approximately $200 million. The

Recapitalization also included the sale to institutional investors of approximately 28.4% of the common stock of Holdings on a fully diluted basis for approximately $25 million. The proceeds were used to retire substantially all of the debt of Holdings, GU Acquisition Corporation ("GUAC"), a wholly owned subsidiary of Holdings, and Grand Union as well as to repurchase the shares and an option to purchase shares owned by Salomon Brothers Holding Company Inc ("SBHC"), certain warrants held by the parties to the Company's bank credit agreements existing prior to the Recapitalization, and approximately 3.4% of the common stock of Holdings held by Grand Union management.

At the time of the Recapitalization, GUAC and its wholly-owned subsidiary Cavenham Holdings Inc., the former parent of Grand Union, were merged (the "Merger") into Grand Union. After the consummation of the Merger, Grand Union became a wholly owned subsidiary of Capital.

As of April 2, 1994, the ownership of Holdings on a fully diluted basis was as follows:

GAC Holdings, Limited Partnership ("GAC Holdings") (an affiliate of Miller Tabak Hirsch + Co., a New York limited partnership ("MTH")) and its affiliates	38.9%
Grand Union management	12.7
Various institutional investors (including Warrants to purchase at a nominal price approximately 19.9% of the common stock of Holdings on a fully diluted basis)	48.4
	100.0%

FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

Grand Union has no significant foreign operations or export sales.

ITEM 2. PROPERTIES

Grand Union conducts its operations primarily in leased stores, distribution centers and offices. The following table indicates the location and number of stores as of April 2, 1994.

Locations	Number of Stores
Northern:	
Vermont	40
New York	96
New Hampshire	5
Massachusetts	1
New York:	
New York	50
New Jersey	45
Connecticut	15
Pennsylvania	2
Total	254

As of April 2, 1994, Grand Union owns 15 and leases 239 of its store sites pursuant to commercial leases. Management believes that none of such leases is individually material to Grand Union. Most of these leases contain several renewal options. Twenty store leases which do not contain renewal options will expire over the next five years and management anticipates that it will be able to renegotiate favorable lease terms for most of these locations, if so desired.

Grand Union currently operates five distribution centers which are leased and a commissary, which is housed in a building owned by Grand Union on a ground-leased site in Newburgh, New York. Grand Union owns a 66,160 square foot site which is part of its Carlstadt, New Jersey Grocery Distribution Center and a 101,000 square foot facility in Waverly, New York. Grand Union's leased distribution centers each have approximately 30 years or more

remaining on the respective leases including options. See Note 9 to the Consolidated Financial Statements, Property Leases, for information on leases and annual rents.

ITEM 3. LEGAL PROCEEDINGS

At the time of the acquisition of Grand Union by Holdings in July 1989, Grand Union and P&C Foods (then a subsidiary and currently a division of Penn Traffic, which is under common control with Grand Union) operated stores in some of the same geographic areas in Vermont and upstate New York. In order to satisfy the concerns of federal and state antitrust authorities arising therefrom in connection with the acquisition of Grand Union by Holdings, prior to consummation thereof (i) Grand Union, GUAC, MTH Holdings, Inc., a New York corporation ("MTH Holdings") and an affiliate of Miller Tabak Hirsch + Co., a New York limited partnership, and P&C Foods entered into an Assurance Pursuant to 9 Vermont Statutes Annotated Section 2459 and an Agreement to Hold Separate with the Attorney General of the State of Vermont and (ii) MTH Holdings and GUAC entered into an Agreement Containing Consent Order (the "Order") with the Bureau of Competition of the Federal Trade Commission ("FTC") and an Agreement to Hold Separate with Salomon Inc and the FTC (collectively, the "FTC Agreements").

The FTC Agreements required the divestiture by MTH Holdings and/or Grand Union (including in each case their respective subsidiaries and affiliates) of sixteen stores located in Vermont and upstate New York. Such divestitures were completed on July 30, 1990. Thirteen of the sixteen stores divested were P&C Foods stores and three of the sixteen stores divested were Grand Union stores. In a related transaction, Grand Union and P&C Foods entered into an operating agreement (the "Operating Agreement"), pursuant to which Grand Union acquired the right to operate P&C Foods' thirteen remaining stores in New England under the Grand Union name until July 2000, for an average annual rent of approximately $10.7 million with an option to extend the term of such operation for an additional five years. Grand Union paid P&C Foods $7.5 million for an option to purchase the stores at an amount defined in the Operating Agreement. Pursuant to the terms of the Operating Agreement, the Recapitalization triggered a $15 million prepayment obligation to P&C Foods.

The FTC Agreements also provide, among other things, that MTH Holdings and Grand Union (including in each case their respective subsidiaries and affiliates) shall not acquire, for a period of ten years, any retail grocery stores in Vermont and certain specified counties in New York without the prior approval of the FTC and (in the case of stores in Vermont) the Attorney General of the State of Vermont.

Soil and ground-water contamination has been detected at a shopping center owned by Grand Union which is located in Connecticut. The Company is investigating whether such contamination was caused by improper disposal of perchloroethylene wastes by a dry cleaner previously operating at this location or by an off-site source. Grand Union has undertaken, under approval by the Connecticut Department of Environmental Protection, a proposal for a remedial investigation designed to identify the sources of such soil and ground-water contamination and to determine the length, depth and breadth of the contamination on and off-site. Sampling analyses for the ground-water at the shopping center and for drinking water in private residences located in the immediately surrounding area confirm that the source of the on-site contamination, in part, is an off-site shopping center and a gasoline station located nearby. In May 1993, a Remedial Action and Investigation Report was submitted to the Connecticut Department of Environmental Protection on May 21, 1993. The Company is awaiting a response from the Connecticut Department of Environmental Protection.

The Company's potential responsibility does not arise from any aspect of its operation of a supermarket at the shopping center but from the actions of a former tenant. Any contamination caused on-site by a source located off-site would be the responsibility of another party. The Company believes that the current intention of the Connecticut Department of Environmental Protection is to seek reimbursement of past costs and clean up from some or all of these other parties. The Company is unable to determine the amount of its potential liability arising from the on-site contamination, but does not believe, based upon the results of investigations made to date, that the amount of potential liability is likely to be materially adverse to the Company's financial condition. Management presently estimates, based upon investigations made by the Company's environmental consultant to date, that such liability should not exceed $2 million. Investigations are continuing, and there can be no assurance that the amount of such liability will not exceed $2 million.

Grand Union is involved in various legal proceedings arising out of its business, none of which is expected to have a material effect upon its results

of operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of the year covered by this Report on Form 10-K.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

MARKET INFORMATION

The common stock of Grand Union is not publicly traded. See Item 12. Security Ownership of Certain Beneficial Owners and Management.

HOLDERS

The common stock of Grand Union is wholly owned by Capital.

DIVIDENDS

There have been no cash dividends declared or paid during the three fiscal years ended April 2, 1994. The payment of dividends to holders of common stock of the Registrant is restricted by various debt agreements of Holdings and its subsidiaries.

ITEM 6. SELECTED FINANCIAL DATA

The data for the 16 weeks ended July 22, 1989 reflects the historical basis of GUAC prior to its acquisition by Holdings (predecessor basis). The data as of March 31, 1990 and for the 36 weeks then ended, as of March 30, 1991 and March 28, 1992 and for the 52 week periods then ended, as of April 3, 1993 and for the 53 weeks then ended and as of April 2, 1994 and for the 52 weeks then ended are derived from the consolidated financial statements of Holdings. This information should be read in conjunction with the historical financial statements of Holdings, including the notes thereto, included elsewhere herein.

<TABLE>
<CAPTION>

	GUAC (predecessor)	Holdings (successor)				
	16 Weeks Ended July 22, 1989	36 Weeks Ended March 31, 1990	52 Weeks Ended March 30, 1991	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
		(dollars in millions except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS:						
Sales	$903.0	$2,013.2	$2,996.6	$2,968.5	$2,834.0	$2,477.3
Gross profit	224.4	514.7	784.5	818.1	801.5	711.0
Operating and administrative expense	176.7	397.2	603.6	619.9	606.2	531.8
Depreciation and amortization	13.5	52.0	76.9	78.7	80.6	78.6
Charge relating to early retirement program	--	--	--	--	--	4.5
Loss on disposal of the Southern Region	--	--	--	--	198.0	--
Merger expense	13.9	4.1	--	--	--	--
Store closure expense	13.9	--	--	--	--	--
Recapitalization expense	--	--	--	--	3.5	--
Interest expense:						
Debt	28.3	95.0	145.6	141.7	151.9	164.0
Capital lease obligations	2.8	7.1	11.0	12.3	13.2	15.0
Amortization of deferred financing fees	0.5	2.9	7.4	18.0	9.4	4.8
Loss before income taxes, extraordinary charges and cumulative effect of accounting change	25.3	43.6	60.0	52.5	261.2	87.6
Extraordinary charges	--	--	--	--	47.7	--
Cumulative effect of accounting change	--	--	--	--	--	30.3
Net loss	16.7	37.1	71.0	65.1	313.4	118.0
Net loss per share applicable to common stock	--	595.53	1,100.49	1,038.79	4,359.45	1,780.06
Ratio of earnings to fixed charges (1)	--	--	--	--	--	--
Deficiency in earnings available to cover fixed charges	25.3	43.6	60.0	52.5	261.2	87.6
BALANCE SHEET DATA:						
Total assets	(2)	$1,566.5	$1,569.6	$1,536.8	$1,418.2	$1,394.2
Total debt and capital lease obligations	(2)	1,180.0	1,223.8	1,251.1	1,402.5	1,532.2
Redeemable stock	(2)	106.4	117.0	128.9	139.8	154.7
Nonredeemable stock and stockholders' deficit	(2)	30.1	112.6	190.8	510.3	644.8
OPERATING AND OTHER DATA:						
EBITDA (3)	$49.6	$120.4	$185.8	$196.3	$196.7	$180.1

EBITDA as a percentage of sales	5.5%	6.0%	6.2%	6.6%	6.9%	7.3%
Capital expenditures(4)	$15.7	$37.3	$34.3	$34.6	$66.2	$86.2
LIFO provision	1.9	2.8	4.9	(1.9)	1.4	0.9
Number of stores at the end of the year	N/A	301	307	304	250	254

<FN>
(1) The ratio of earnings to fixed charges is computed by dividing (i) earnings before income taxes, extraordinary charges, the cumulative effect of accounting change and fixed charges by (ii) fixed charges. Fixed charges consist of total interest expense plus the estimated interest component of operating leases. No ratio is indicated where the ratio is less than one.
(2) Balance sheet data is not applicable at this date.
(3) Earnings before interest expense, depreciation, amortization, LIFO provision, charge relating to early retirement program, store closure expense, merger expense, recapitalization expense, loss on disposal of the Southern Region, extraordinary charges, cumulative effect of accounting change and income taxes.
(4) Includes capitalized leases other than real estate capitalized leases.

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth certain statement of operations data.

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	Pro Forma 53 Weeks Ended April 3, 1993 (a)	52 Weeks Ended April 2, 1994
		(dollars in millions)		
<S>	<C>	<C>	<C>	<C>
Sales	$2,968.5	$2,834.0	$2,562.8	$2,477.3
Gross profit	818.1	801.5	730.1	711.0
Operating and administrative expense	619.9	606.2	542.1	531.8
Depreciation and amortization	78.7	80.6	71.7	78.6
Charge relating to early retirement program	--	--	--	4.5
Loss on disposal of the Southern Region	--	198.0	--	--
Recapitalization expense	--	3.5	3.5	--
Interest expense	172.0	174.5	173.8	183.8
Income tax provision	12.5	4.5	4.5	--
Extraordinary charge	--	47.7	47.7	--
Cumulative effect of accounting change	--	--	--	30.3
Net loss	65.1	313.4	113.1	118.0
EBITDA	196.3	196.7	189.5	180.1
LIFO provision (income)	(1.9)	1.4	1.4	.9
Sales percentage increase (decrease):				
Including Southern Region in prior year	(0.9)%	(4.5)%	N/A	(12.6)%
Excluding Southern Region in prior year	N/A	N/A	N/A	(3.3)
Gross profit as a percentage of sales	27.6	28.3	28.5%	28.7
Operating and administrative expense as a percentage of sales	20.9	21.4	21.2	21.5
EBITDA as a percentage of sales	6.6	6.9	7.4	7.3

<FN>
(a) Pro Forma without the Southern Region.
</TABLE>

Comparison of results of operations for the 52 weeks ended April 2, 1994 ("Fiscal 1994"), the 53 weeks ended April 3, 1993 ("Fiscal 1993") and the 52 weeks ended March 28, 1992 ("Fiscal 1992") are impacted by the extra week in Fiscal 1993 and the inclusion of the operations of the Company's Southern Region (sold on March 29, 1993) for 40 weeks in Fiscal 1993 and 52 weeks in Fiscal 1992. The analysis and discussion of Fiscal 1994 as compared to Fiscal 1993 presented below compares Fiscal 1994 operations with the pro forma operations for Fiscal 1993, which has been prepared excluding the Southern Region. The analysis and discussion of Fiscal 1993 as compared to Fiscal 1992 presented below compares actual results for Fiscal 1993 (which includes the Southern Region for 40 weeks) to Fiscal 1992 (which includes the Southern Region for 52 weeks).

Sales for Fiscal 1994 decreased $85.5 million or 3.3% as compared to Fiscal 1993 and decreased 1.6% after adjusting for the extra week in Fiscal 1993. The sales decrease for Fiscal 1994 was attributable to continued unfavorable

economic conditions, particularly in the Northern Region, new competitive store openings in the mid-Hudson Valley and Capital District areas of the Northern Region and low food price inflation, partially offset by the favorable impact of the acquisition of five supermarkets on Long Island (see Liquidity and Capital Resources) and the Company's expanded capital expenditure program which began after the recapitalization of Holdings in July 1992. Additionally, sales for Fiscal 1994 were impacted by a 22 day work stoppage, which ultimately affected sales in 61 Grand Union stores located in northern New Jersey and in Orange and Rockland Counties, New York.

Same store sales (sales of stores which were operated during the comparable periods of the two fiscal years), influenced by the same factors mentioned above, decreased 3.0% during Fiscal 1994 after adjusting for the 53rd week in Fiscal 1993. Beginning in Fiscal 1994, the Company has revised its method of calculating same store sales to include replacement stores. This method is used by many supermarket chains for comparing relative sales performance. Same store sales, excluding replacement stores and after adjusting for the 53rd week in Fiscal 1993, decreased 4.0% during Fiscal 1994. Same store sales for the first, second and third quarters of Fiscal 1994 were previously reported as decreases of 5.6%, 4.2% and 3.8%, respectively. Including replacement stores, same store sales decreased 4.8%, 3.3% and 2.7%, respectively. During Fiscal 1994, the Company opened nine new stores (including the five acquired stores on Long Island) and five replacement stores, enlarged or renovated 23 stores and closed 10 stores (including replaced stores).

Total selling square footage increased from 4.276 million as of April 3, 1993 to 4.532 million as of April 2, 1994 as a result of the Company's expanded capital expenditure program and the acquisition of the five Long Island stores. Average sales per selling square foot per week was $10.76 during Fiscal 1994 as compared to $11.23 during Fiscal 1993. The decrease is partially attributable to the same factors discussed above. Additionally, new and enlarged stores include more specialty departments and devote a greater percentage of selling space to general merchandise products, each of which typically produces lower sales per square foot.

Sales for Fiscal 1993 decreased $134.5 million or 4.5% compared to Fiscal 1992. During Fiscal 1993 sales performance was affected by continued unfavorable economic conditions, low food price inflation, the adverse summer weather conditions experienced in the northeastern resort areas, the announcement made in June 1992 that the Company was seeking offers to purchase its Southern Region stores and the exclusion of the sales and operating results of the Southern Region for the fourth quarter of Fiscal 1993. If the sales of the Southern Region had also been excluded from the fourth quarter of Fiscal 1992, total sales for Fiscal 1993 would have decreased 1.7% as compared to Fiscal 1992. Same store sales (including replacement stores) for Fiscal 1993, excluding the Southern Region, decreased 2.6% after adjusting for the 53rd week in Fiscal 1993, as compared to Fiscal 1992. During Fiscal 1993, the Company opened two new and two replacement stores, enlarged or renovated 12 stores, closed seven stores (including replaced stores) and sold or subleased 51 stores in connection with the disposal of the Southern Region.

Total selling square footage in the Company's ongoing operations (not including the 51 Southern Region stores) increased from 4.213 million as of March 28, 1992 to 4.276 million as of April 3, 1993 as a result of the Company's capital expenditure program in which two new and two replacement stores were opened, 12 stores were enlarged or renovated and seven stores were closed. Average sales per selling square foot per week was $11.23 during Fiscal 1993 compared to $11.69 during Fiscal 1992. This decrease is attributable to the same factors that affected total sales in the ongoing operations: continued unfavorable economic conditions, low food price inflation and the adverse summer weather conditions experienced in the northeastern resort areas. Additionally, new and enlarged stores include more service departments and devote a greater percentage of selling space to general merchandise products, each of which typically produces lower sales per square foot.

The increase in gross profit, as a percentage of sales, for Fiscal 1994 resulted from reduced grocery product procurement costs and a greater proportion of higher margin produce and general merchandise sales, partially offset by lower health and beauty care pricing for the entire year. As discussed in Note 15 to the financial statements included elsewhere herein, gross profit was reduced by $4.5 million in Fiscal 1994 due to the effect of promotional allowance adjustments.

The increase in gross profit in Fiscal 1993, as a percentage of sales, resulted primarily from increased promotional allowance income and a greater proportion of higher margin produce and general merchandise sales, partially offset by a reduction in health and beauty care pricing in certain trade areas and a LIFO charge in Fiscal 1993 compared to a credit in Fiscal 1992.

The increase in operating and administrative expenses, as a percentage of sales, in Fiscal 1994 resulted primarily from increases, as a percentage of

sales, in store labor and fringe benefits, occupancy expense and utilities expense principally resulting from the decline in sales. In addition, the reduced sales which resulted from the work stoppage which occurred in May 1993 had a negative impact on operating and administrative expense

as a percentage of sales. The increase in operating and administrative expense for Fiscal 1994 was partially offset by a $3.8 million credit to operating and administrative expense resulting from a reduction of the Company's self insurance reserves.

The increase in operating and administrative expense, as a percentage of sales, in Fiscal 1993 resulted primarily from increases, as a percentage of sales, in store labor and fringe benefits, store advertising and promotion and store occupancy costs.

Depreciation and amortization was $78.6 million for the 52 weeks ended April 2, 1994 compared to $71.7 million for the 53 weeks ended April 3, 1993. The increase was attributable to the Company's expanded capital expenditure program which began after the Recapitalization in July 1992.

During Fiscal 1994, the Company incurred a $4.5 million charge relating to an early retirement plan offered to certain employees.

During Fiscal 1993, the Company recognized a loss of $198 million relating to the disposal of the Southern Region. The loss is comprised of 1) write-off of goodwill and beneficial leases of $106.4 million, 2) difference between proceeds received and the book value of tangible assets of $37.3 million, 3) reserve for remaining Southern Region real estate of $26.9 million, 4) employee termination expenses of $9.8 million, 5) operating loss of the Southern Region subsequent to the date the decision was made to sell the region of $7.0 million and 6) other miscellaneous items of $10.6 million.

Interest expense increased $10.0 million in Fiscal 1994 and $2.5 million in Fiscal 1993. The Fiscal 1994 increase was primarily due to the increased level of debt outstanding, partially offset by the decrease in amortization of loan placement fees. The Fiscal 1993 increase was primarily due to the extra week included in Fiscal 1993 and the increased level of debt incurred as a result of the Recapitalization in July 1992 (see "Liquidity and Capital Resources"), partially offset by a decrease in the Company's average borrowing rate and the decrease in amortization of loan placement fees.

There was no income tax provision for Fiscal 1994 as a result of the Recapitalization. The income tax provision for Fiscal 1993 represents state income taxes. The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes" ("FAS No. 109"), during Fiscal 1993. The adoption of FAS No. 109 had no effect on the Consolidated Statement of Operations.

During Fiscal 1994, the Company recorded a $30.3 million charge as the cumulative effect of an accounting change relating to the adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". This charge represents the portion of future retiree benefit costs related to service already rendered by both active and retired employees up to the date of adoption.

During Fiscal 1993, Holdings recorded a $3.5 million charge relating to expenses incurred in connection with the Recapitalization and extraordinary charges totaling $47.7 million relating to the early retirement of debt.

EBITDA was $180.1 million or 7.3% of sales for the 52 weeks ended April 2, 1994, compared to $189.5 million or 7.4% of sales for the 53 weeks ended April 3, 1993. The Company estimates that the 22 day work stoppage in May 1993 had the effect of reducing Fiscal 1994 EBITDA by approximately $8.0 million as a result of lost sales, product losses and other costs associated with the work stoppage.

In general, the Company has not experienced significant inflationary cost increases during the periods covered by this report.

LIQUIDITY AND CAPITAL RESOURCES

Resources used to finance significant expenditures for the three fiscal years ended April 2, 1994 are reflected in the following table:

<TABLE>
<CAPTION>

	52 Weeks Ended	53 Weeks Ended	52 Weeks Ended

	March 28, 1992	April 3, 1993	April 2, 1994
		(in millions)	
<S>	<C>	<C>	<C>
Resources used:			
Capital expenditures	$29.3	$58.1	$81.0
Debt repayment	66.5	1,358.4	8.7
Loan placement fees	5.3	63.6	1.8
Purchase of redeemable Class A common stock	--	--	.2
Premiums on debt repayment	--	24.1	--
Prepayment under P&C Foods operating agreement	--	15.0	--
	$101.1	$1,519.2	$91.7
Financed by:			
Debt incurred	$15.6	$1,443.4	$77.7
Operating activities, including cash and temporary cash investments	80.0	31.2	13.4
Property disposals	4.8	1.4	.6
Proceeds relating to the sale of the fixed assets of the Southern Region	--	25.0	--
Refunded insurance deposits	0.7	11.6	--
Capital contribution	--	5.0	--
Proceeds from issuance of warrants	--	1.2	--
Proceeds from the issuance of common stock	--	0.4	--
	$101.1	$1,519.2	$91.7

</TABLE>

During Fiscal 1994, the cash requirements listed above were principally obtained from borrowings and from cash provided by operating activities. The borrowings included proceeds from the sale of $50 million principal amount of Series A Notes and $25 million borrowed under the Revolving Credit Facility. Debt repayment for Fiscal 1994 and Fiscal 1993, other than the debt refinanced as part of the Recapitalization, consisted of scheduled repayments of capital leases and various mortgages.

During Fiscal 1993, Holdings completed a Recapitalization, as discussed below, which included the refinancing of substantially all of its debt and the purchase of certain common stock and warrants to purchase common stock. As a result of the Recapitalization, a prepayment of rent under the P&C Foods Operating Agreement was required and certain cash insurance deposits were refunded. Cash from operating activities during Fiscal 1993 compared to Fiscal 1992 decreased primarily due to the increase in cash interest expense during Fiscal 1993 and an increase in net working capital investment for the Company's ongoing operations.

In connection with the Recapitalization completed on July 22, 1992, Grand Union entered into a new Bank Credit Agreement providing for a $210 million Term Loan consisting of the A Term Loan and B Term Loan and a $100 million Revolving Credit Facility. Additionally, Grand Union issued $350 million of 11 1/4% Senior Notes and $500 million of 12 1/4% Senior Subordinated Notes. The Recapitalization also included the sale to institutional investors of $343 million principal amount of Senior Zero Coupon Notes, $745 million principal amount of Senior Subordinated Zero Coupon Notes and warrants to purchase at a nominal price shares representing approximately 19.9% of the common stock of Holdings on a fully diluted basis for aggregate gross proceeds of approximately $200 million. The Recapitalization also included the sale to institutional investors of approximately 28.4% of the common stock of Holdings on a fully diluted basis for approximately $25 million. The proceeds were used to retire substantially all of the debt of Holdings, GUAC and Grand Union as well as to repurchase the shares and an option to purchase shares owned by SBHC, certain warrants held by the parties to the Company's bank credit agreements existing prior to the Recapitalization, and approximately 3.4% of the common stock of Holdings held by Grand Union management.

On March 29, 1993, Grand Union sold 48 of its 51 Southern Region stores to A&P. The three Southern Region stores not sold to A&P were closed and subsequently subleased. Grand Union received net cash proceeds of approximately $25 million and was relieved of approximately $4.5 million of capital lease obligations. The Company recognized a loss of $198 million on the disposal of the Southern Region.

On January 28, 1993, Grand Union sold $175 million principal amount of 11 3/8% Senior Notes due 2000 (the "11 3/8% Senior Notes") in a private placement. Net proceeds of the sale of the 11 3/8% Senior Notes were used to repay $142 million of indebtedness under the Term Loan and the remainder was used to repay

indebtedness under the Revolving Credit Facility. An additional $20.9 million of the Term Loan was repaid from the proceeds of the sale of the Southern Region on March 29, 1993. All of such repaid indebtedness under the Term Loan and under the Revolving Credit Facility had been incurred in connection with the Recapitalization.

At April 2, 1994, there was $25.0 million of borrowings outstanding under the Company's $100 million revolving credit facility and $32.4 million was available for additional borrowings or letters of credit. Maturities of long-term debt during each of the next five fiscal years are approximately $.9 million, $1.0 million, $1.1 million, $45.5 million and $217.9 million, respectively.

In May 1993, Grand Union experienced a work stoppage by United Food and Commercial Workers, Local 1262, which ultimately affected 61 Grand Union stores located in northern New Jersey and in Orange and Rockland Counties, New York. The Company estimates that its Fiscal 1994 EBITDA was reduced by approximately $8 million as a result of the work stoppage. On June 28, 1993, the Company and the banks party to the bank credit agreement entered into an amendment which provided that certain financial covenants for periods through April 2, 1994 were calculated excluding the impact of costs, expenses and lost revenue of up to $8 million resulting from the May 1993 work stoppage. After giving effect to this amendment, the Company was in compliance with the terms and restrictive covenants of its debt obligations for Fiscal 1994.

On October 18, 1993, Grand Union acquired five supermarket locations on Long Island from Foodarama for consideration of approximately $16.1 million, plus the value of the inventory at the stores (approximately $2 million). The total gross square footage of these five stores is approximately 160,000 square feet. The acquisition was financed through the application of a portion of the proceeds of the sale to institutional investors of the Series A Notes on October 18, 1993. Grand Union plans to renovate and enlarge certain of the acquired store locations.

During Fiscal 1994, the Company opened nine new stores (including the five acquired stores on Long Island) and five replacement stores, and completed the remodeling of 23 stores. Capital expenditures for Fiscal 1994, including capitalized leases other than real estate capitalized leases, were approximately $86 million (including expenditures related to the acquisition). Capital expenditures, including capitalized leases other than real estate capitalized leases, for the year ending April 1, 1995 are expected to be approximately $70 million. Capital expenditures will be principally for new stores, replacement stores, remodeled stores and expansions. The Company plans to finance capital expenditures and scheduled debt repayments primarily through cash provided by operations. The Company will finance a limited amount of capital expenditures through purchase money mortgages and equipment leases.

GOODWILL

Management periodically reassesses the appropriateness of both the carrying value and remaining life of goodwill, principally based on forecasts of operating cash flow less significant anticipated cash requirements such as capital expenditures and debt repayments. Additionally, the Company considers other factors such as its anticipated ability to access capital markets in the future. The recoverability of goodwill is at risk to the extent the Company is unable to achieve its forecast assumptions regarding sales growth and operating cash flow, or to the extent that the Company is unable to continue to access capital markets. Management believes, at this time, that the goodwill carrying value and useful life continue to be appropriate.

IMPACT OF NEW ACCOUNTING STANDARDS

In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("FAS No. 112"). This new statement is effective for fiscal years beginning after December 15, 1993 and requires an accrual for certain benefits paid to

former or inactive employees after employment but before retirement. The Company does not believe that the adoption of FAS No. 112 will have a material impact on the Company's results of operations or financial position.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS:

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

The financial statements and related notes of Grand Union have not been separately presented herein since such financial statements reflect the accounts of Holdings pushed down to the accounts of Grand Union, and consequently are substantially identical to the financial statements of Holdings.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS AND EXECUTIVE OFFICERS:

The names, ages and present principal occupations of the directors and executive officers of Grand Union are as set forth below.

NAME	AGE	POSITIONS
Gary D. Hirsch	44	Director and Chairman
Joseph J. McCaig	49	Director, President and Chief Executive Officer
William A. Louttit	48	Director, Executive Vice President and Chief Operating Officer
Robert Terrence Galvin	51	Director, Senior Vice President, Chief Financial Officer, Secretary
Darrell W. Stine	56	Senior Vice President - New York Region
Martin A. Fox	41	Director, Vice President and Assistant Secretary
Charles J. Barrett	54	Senior Vice President - Personnel

MR. HIRSCH has been Chairman and a Director of Holdings since July 1989 and was President and Treasurer of Holdings from July 1989 until May 1993. Mr. Hirsch became Chairman and a Director of Capital in May 1992, was President of Capital from May 1992 until May 1993 and Treasurer of Capital from July 1992 until May 1993. Mr. Hirsch became Chairman and a Director of Grand Union in July 1992. Mr. Hirsch has been a general partner of the managing partner of MTH (broker-dealer) since March 1982 and Managing Director of MTH Holdings since November 1983. Mr. Hirsch was elected a Director and Chairman of Penn Traffic in 1987.

MR. MCCAIG became Chief Executive Officer of Grand Union in July 1989 and was appointed President, Chief Operating Officer and a Director of Grand Union prior to 1983. Mr. McCaig has been employed by Grand Union for 30 years. Mr. McCaig became a Director of Holdings in July 1989, a Director of Capital in July 1992, and a Director of Penn Traffic in September 1992. Mr. McCaig became President of Holdings and Capital in May 1993.

MR. LOUTTIT has been Executive Vice President and Chief Operating Officer of Grand Union since 1989 and has been a Director since 1981. He joined Grand Union in 1964, serving in a variety of positions before being elected a Corporate Vice President in 1980. He was named Executive Vice President in charge of Merchandising in 1984 and was promoted to Chief Operating Officer in 1989.

MR. GALVIN was appointed Senior Vice President, Chief Financial Officer, Secretary and a Director of Grand Union in 1986.

MR. STINE was elected a Senior Vice President of Grand Union in 1988. He joined Grand Union in 1954 and was named a Corporate Vice President with responsibility for the Company's New York Region in 1985.

MR. FOX became a Director, Vice President and Secretary of Capital in May

1992 and Treasurer of Capital in May 1993. Mr. Fox was appointed as Vice President, Assistant Secretary and a Director of Grand Union and as Vice President, Secretary and a Director of Holdings in July 1992. Mr. Fox became Treasurer of Holdings in May 1993. Mr. Fox has been Executive Vice President of MTH from March 1988 to the present. Mr. Fox became Vice Chairman - Finance and a Director of Penn Traffic in February 1993 and Assistant Secretary in 1989. Mr. Fox had been a Vice President of Penn Traffic since 1989.

MR. BARRETT has been Senior Vice President of Personnel of Grand Union since 1989. He joined Grand Union in 1961, serving in a variety of functions until being elected a Corporate Vice President in 1984.

Mr. Hirsch is Chairman and a Director, Mr. McCaig is President and a Director and Mr. Fox is Vice President, Secretary, Treasurer and a Director of Capital. Mr. Hirsch is Chairman and a Director, Mr. McCaig is President and a Director, Mr. Fox is Vice President, Secretary, Treasurer and a Director, and Claude J. Incaudo is a Director of Holdings. Mr. Incaudo (age 60) has been a Director since 1988 and President and Chief Executive Officer of Penn Traffic since February 1990. Mr. Incaudo has been the President of P&C Foods, a division of Penn Traffic or its predecessors, since 1982. Mr. Incaudo joined P&C Foods in 1977 as Director of Store Operations and became Senior Vice President of Store Operations in 1979.

Executive officers of each of Holdings, Capital and Grand Union are appointed and serve at the discretion of the Board of Directors. Each director of Holdings, Capital and Grand Union is elected for a period of one year and serves until his successor is duly elected and qualified.

ITEM 11. EXECUTIVE COMPENSATION

See "Certain Transactions" for a description of the agreement pursuant to which MTH provides financial consulting and business management services to Holdings and to its subsidiaries. Mr. Hirsch is a general partner of the managing partner of MTH and Mr. Fox is an executive officer of MTH.

The following table sets forth the compensation paid or accrued by Grand Union to each of the six most highly-compensated executive officers of the Company for services rendered to the Company in all capacities during the three fiscal years ended April 2, 1994. Officers of Holdings and Capital are not compensated for their services

as such. The Company made no grants of stock options or stock appreciation rights in Fiscal 1994 nor did the Company make any awards in Fiscal 1994 under any long-term incentive plan.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

	Fiscal Year	Salary ($)	Bonus ($)	Other Annual Compensation ($) (1)	All Other Compensation ($) (2)
<S>	<C>	<C>	<C>	<C>	<C>
Joseph J. McCaig	1994	523,712	120,140	--	30,109
Chief Executive Officer,	1993	518,077	133,707	--	27,076
President and Director	1992	493,269	125,642	--	--
William A. Louttit	1994	349,731	65,943	--	14,038
Executive Vice President, Chief	1993	345,385	85,932	--	7,479
Operating Officer and Director	1992	328,846	76,736	--	--
Darrell W. Stine	1994	251,134	45,460	--	14,535
Senior Vice President -	1993	248,336	63,334	--	12,193
New York Region	1992	236,192	51,218	--	--
Robert J. Saba (3)	1994	226,903	72,511	--	14,592
Senior Vice President -	1993	248,336	105,813	--	14,334
Northern Region	1992	236,192	104,497	--	--
Robert Terrence Galvin	1994	245,635	46,676	--	9,687
Senior Vice President, Chief Financial	1993	242,789	59,578	--	8,551
Officer, Secretary and Director	1992	231,192	50,175	--	--
Brooke D. Lennon (4)	1994	186,000	35,130	--	15,982
Senior Vice President - Merchandising	1993	169,177	41,398	--	13,250
	1992	159,158	39,579	--	--

<FN>
(1) No information is provided in the "Other Annual Compensation" column since the aggregate amount of perquisites and other personal benefits in respect of each of Fiscal 1994 and Fiscal 1993 is less than the lower of $50,000 and 10% of the total annual salary and bonus reported for each of the named

officers and no other compensation of the type required to be described in the "Other Annual Compensation" column was paid in Fiscal 1994 or Fiscal 1993. Pursuant to Securities and Exchange Commission rules, disclosure of "Other Annual Compensation" is required only for amounts earned in Fiscal 1994 and Fiscal 1993.

(2) "All Other Compensation" includes the following: (i) contributions to the Company's Savings Plan under Section 401(k) made by the Company in Fiscal 1994 and Fiscal 1993, respectively, for each of the named executive officers as follows: Mr. McCaig $2,964 and $1,928; Mr. Louttit $2,331 and $0; Mr. Stine $2,313 and $2,136; Mr. Saba $2,278 and $2,157; Mr. Galvin $2,470 and $2,128; and Mr. Lennon $2,106 and $2,359, and (ii) premium payments for term life insurance made by the Company in Fiscal 1994 and Fiscal 1993, respectively, for each of the named executive officers as follows: Mr. McCaig $27,145 and $25,148; Mr. Louttit $11,707 and $7,479; Mr. Stine $12,222 and $10,057; Mr. Saba $12,314 and $12,177; Mr. Galvin $7,217 and $6,423; and Mr. Lennon $13,876 and $10,891. Pursuant to Securities and Exchange Commission rules, disclosure of "All Other Compensation" is required only for amounts earned in Fiscal 1994 and Fiscal 1993.

(3) Mr. Saba retired on February 1, 1994.

(4) Mr. Lennon held the position of Senior Vice President - Merchandising until his death in June 1994.

</TABLE>

THE GRAND UNION COMPANY EMPLOYEES' RETIREMENT PLAN

Grand Union maintains and makes cash contributions to The Grand Union Company Employees' Retirement Plan (the "Retirement Plan"), a qualified retirement plan, for retirement benefits for its salaried and hourly non-union employees, union employees not covered by other pension plans, and all its officers. Under the Retirement Plan, a participant's benefit, paid in the form of a single life annuity at age 65, is generally (a) 1.5% of his "highest annual

compensation" multiplied by years of service not in excess of 35 minus (b) 1.5% of primary social security benefit multiplied by years of service not in excess of 35. Grand Union intends to amend the Retirement Plan to take into account recently issued regulations regarding the integration of plan benefits with social security, to limit the amount of compensation that can be taken into account under the Retirement Plan to $200,000 per year and to incorporate other nonsubstantive amendments. Grand Union anticipates that such amendments will not have a material adverse effect on the financial condition of the Company. However, the limit on compensation that can be taken into account under the Retirement Plan could limit future benefit accruals under the Retirement Plan and, consequently, could increase benefits payable under the Supplemental Retirement Program for Key Executives discussed below.

The Code places certain limits on pension benefits which may be paid under plans qualified under the Code. The current limit of such pension benefit is $118,800 per annum.

SUPPLEMENTAL RETIREMENT PROGRAM FOR KEY EXECUTIVES

Grand Union maintains The Grand Union Company Supplemental Retirement Program for Key Executives (the "Supplemental Plan"), a non-qualified pension plan pursuant to which certain key employees of Grand Union and its affiliates ("Participants"), including Messrs. McCaig, Louttit, Stine, Saba and Galvin, earn a pension in addition to the pension benefit to which they are entitled under the Retirement Plan. The pension benefit under the Supplemental Plan is calculated as an annual pension payable monthly (i) if the Participant is not married on his retirement date, for the Participant's life, or (ii) if the Participant is married on his retirement date, the same amount as described in clause (i) for the duration of the Participant's life and thereafter 50% of such amount for the duration of the life of the Participant's surviving spouse. The amount of the annual pension payable upon retirement at age 62 or later is determined as the "target benefit" minus the "plan offsets". The "target benefit" is an annual pension equal to (i) for a Participant having at least 15 years of credited service under the Plan, 65% of the Participant's final year's base salary, or (ii) for a Participant having less than 15 years of credited service under the Plan, the product of 4-1/3% of the Participant's final year's base salary multiplied by the Participant's number of years of credited service under the Plan. "Plan offsets" for Participants retiring at age 62 or later are equal to the sum of the Participant's (i) primary Social Security benefits payable at the later of age 62 or the Participant's actual retirement age, (ii) benefits under the Retirement Plan payable at the later of age 62 or the Participant's actual retirement age in the form of a single life annuity, and (iii) benefits, if any, payable from the qualified retirement plan(s) of the Participant's previous employer(s). Participants may also retire early (i) at or after attaining age 50 but prior to attaining age 55, with the consent of Grand Union (the consent requirement is waived if the Participant becomes

disabled or is involuntarily terminated other than for cause), or (ii) at or after age 55, without any requirement for consent by Grand Union. For Participants who retire early, the "target benefit" is reduced by 5% per year for each year the Participant is under age 62. Plan benefits are payable in an actuarially determined single sum no later than 30 days following the Participant's date of retirement or other termination of employment. In general, no Plan benefits will be paid to a Participant whose employment with Grand Union terminates prior to the Participant's attaining age 50.

In August 1993, in consideration of non-competition and confidentiality agreements entered into by certain executives of Grand Union, including Messrs. McCaig, Louttit, Stine, Saba and Galvin, Grand Union agreed to transfer to a custodial account to be held by an independent custodian securities having a value of approximately $4.45 million, which amount approximates the benefits payable to the specified executives under the Supplemental Retirement Plan (plus a reserve of $225,000 for claims and expenses of the custodian). Such securities are to be transferred to the custodian over a four-year period, except that in the event of a "change in control" of Grand Union (as defined in the non-competition and confidentiality agreements), all such securities not previously transferred to the custodian must be transferred to the custodian. The securities are distributable to the specified executives only if Grand Union enters bankruptcy while the executives are still in the employ of Grand Union, and the value of any securities distributed to each executive reduces the amount payable to the executive pursuant to the Supplemental Plan. If an executive terminates his employment with Grand Union for any reason whatsoever prior to that event, including his retirement or death, the securities held by the custodian for his benefit are forfeited to Grand Union.

The table below shows, on a combined basis for the Supplemental Plan and the Retirement Plan, the estimated annual benefit payable upon retirement to specified compensation and years of service classifications up to the maximum of 15 years of service. The credited years of service under these Plans for Messrs. McCaig, Louttit, Stine, Saba and Galvin are 20 years, 18 years, 26 years, 29 years and 8 years, respectively. The current compensation

set forth in the Summary Compensation Table does not differ substantially from covered compensation under these Plans. The retirement benefits shown are based upon retirement at age 62 and the payment of a single-life annuity to the employee. The benefits shown do not reflect any offset as a result of primary Social Security benefits.

<TABLE>
<CAPTION>

Final Average Compensation	Years of Service 5	10	15 or more
<S>	<C>	<C>	<C>
$100,000	$21,667	$43,333	$65,000
150,000	32,500	65,000	97,500
200,000	43,333	86,667	130,000
250,000	54,167	108,333	162,500
300,000	65,000	130,000	195,000
350,000	75,833	151,667	227,500
400,000	86,667	173,333	260,000
450,000	97,500	195,000	292,500
500,000	108,333	216,667	325,000
550,000	119,167	238,333	357,500
600,000	130,000	260,000	390,000

</TABLE>

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Board of Directors of Grand Union, consisting of Messrs. Hirsch, McCaig, Fox, Louttit and Galvin, has no separate compensation committee, and compensation decisions are considered by the entire Board of Directors, subject to final approval by the Board of Directors of Holdings. Mr. McCaig is President and Chief Executive Officer of Grand Union, President and a director of Capital and President and a director of Holdings, Mr. Louttit is Executive Vice President and Chief Operating Officer of Grand Union and Mr. Galvin is Senior Vice President, Chief Financial Officer and Secretary of Grand Union. Mr. McCaig does not participate in deliberations of the Grand Union or Holdings Boards of Directors regarding his own compensation as an executive officer of Grand Union, and neither Mr. Louttit nor Mr. Galvin participates in deliberations of the Grand Union Board of Directors regarding his own compensation.

Mr. Hirsch, who is Chairman and a director of Grand Union, Chairman and a director of Capital and Chairman and a director of Holdings, is Chairman and a director of Penn Traffic. Mr. Fox, who is a director, Vice President and

Assistant Secretary of Grand Union, a director, Vice President, Secretary and Treasurer of Capital, and a director, Vice President, Secretary and Treasurer of Holdings, is Vice Chairman - Finance and a director of Penn Traffic. Messrs. Hirsch and Fox did not receive salaries from Penn Traffic and do not participate in cash bonus plans of Penn Traffic, and receive no compensation in their capacities as executive officers of Grand Union, Capital and Holdings. As described below, Messrs. Hirsch and Fox receive compensation from MTH. Penn Traffic has engaged MTH as a financial advisor and investment banker for a term ending in January 1995. Mr. McCaig is a member of the Board of Directors of Penn Traffic, for which he receives compensation of $10,000 per annum and $1,000 per Board meeting attended. Mr. Incaudo, a director of Holdings, is a director, President and Chief Executive Officer of Penn Traffic.

The directors and officers of Holdings and Capital, and the directors of Grand Union, are not compensated for their services as such. Directors of Holdings, Capital and Grand Union receive reimbursement of reasonable expenses incidental to attendance at meetings of the Board of Directors and all committees.

Messrs. Hirsch and Fox receive compensation from MTH. Mr. Hirsch is a general partner of the managing partner of MTH, and Mr. Fox is Executive Vice President of MTH. As described below, Grand Union has engaged MTH as a financial advisor for a term ending in July 1997.

MTH has entered into a financial advisory agreement for a term ending in July 1997 under which MTH provides certain financial consulting and business management services to Holdings and its subsidiaries. During the period from July 1989 through July 1992, MTH received an annual fee of $600,000 for its services performed under this agreement. In connection with the Recapitalization, the agreement was amended to provide for an annual fee of

$900,000 after a reevaluation of the nature and extent of the services that have been provided by MTH from the inception of the agreement.

In July 1992, Mr. McCaig became indebted to Holdings in the amount of $227,676, equal to income taxes incurred by him as a result of receipt of additional shares of Holdings common stock at the time of the Recapitalization. Such indebtedness is evidenced by a promissory note with a maturity of seven years, bearing no interest unless Mr. McCaig should leave the Company's employ, and is secured by, and with recourse limited to, the shares received.

As compensation for his services in connection with the acquisition of the Company by Holdings in 1989, Mr. Hirsch received an option to purchase shares of Holdings common stock. In connection with the Recapitalization, Mr. Hirsch transferred such option and a note payable to Holdings in the amount of approximately $3.6 million to a disbursement escrow account established for the purpose of effecting various transfers of interest in Holdings common stock (the "Equity Escrow") in exchange for 8,229 shares of Holdings common stock. The note payable to Holdings has a maturity of 10 years, provides for interest equal to any cash dividends paid on the 8,229 shares of Holdings common stock and is secured by, and with recourse limited to, the 8,229 shares of Holdings common stock and any property (other than cash) distributed on or with respect to such shares.

LIMITATION OF DIRECTORS' LIABILITIES

Section 102 of the Delaware General Corporation Law allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or to any of its stockholders for monetary damages for a breach of fiduciary duty as a director, except in the case where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of the Delaware General Corporation Law or obtained an improper personal benefit. Under Holdings' Certificate of Incorporation, a director of Holdings shall not be liable to Holdings or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the General Corporation Law of Delaware.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of the date of this Report, 48,505 shares of Holdings voting Class A Common Stock, par value $.01 per share, are outstanding. As of the date of this Report, Warrants to purchase 18,750 shares of Holdings' Class A Common Stock at an exercise price of $.01 per Warrant and 26,719 shares of non-voting Class B Common Stock are also outstanding. The information in the table below presents the beneficial ownership of (i) each person known by Holdings to own beneficially more than five percent of the outstanding voting common stock of Holdings, (ii) each director of Holdings and (iii) all directors and officers of Holdings as a group.

There are 801.5 shares of common stock, $50,000 par value per share, of

Grand Union outstanding, all of which outstanding shares of common stock are beneficially owned by Capital, and 1,000 shares of common stock, $1.00 par value per share, of Capital are currently outstanding, all of which are beneficially owned by Holdings. Holdings has sole voting and investment power with respect to all shares of common stock of Capital and Capital has sole voting and investment power with respect to all shares of common stock of Grand Union.

<TABLE>
<CAPTION>

Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Outstanding Shares of Common Stock (1)
<S>	<C>	<C>
GAC Holdings, Limited Partnership (2) 331 Madison Avenue New York, New York 10017	28,344	58.4%
Gary D. Hirsch (2) 331 Madison Avenue New York, New York 10017	36,573	75.4
Joseph J. McCaig 201 Willowbrook Boulevard Wayne, New Jersey 07470	3,380	7.0
Martin A. Fox (2) 331 Madison Avenue New York, New York 10017	--	--
Claude J. Incaudo (2) 1200 State Fair Boulevard Syracuse, New York 13221	--	--
Fidelity Devonshire Trust: Fidelity Equity-Income Fund 82 Devonshire Street, F7E Boston, Massachusetts 02109	8,728	15.2
Fidelity Magellan Fund 82 Devonshire Street, F7E Boston, Massachusetts 02109	8,728	15.2
Fidelity Puritan Trust: Fidelity Puritan Fund 82 Devonshire Street, F7E Boston, Massachusetts 02109	8,105	14.3
Fidelity Fixed-Income Trust: Spartan High Income Fund 82 Devonshire Street, F7E Boston, Massachusetts 02109	3,088	6.0
Nomura Securities International 2 World Financial Center, 22nd Floor Building B New York, New York 10281	4,844	9.1
All directors and officers of Holdings as a group (4 persons) (2)	39,953	82.4

<FN>
(1) For purposes of the computation of percentages of common stock ownership of Holdings presented in this table, a holder is deemed to beneficially own all shares which may be acquired by such holder upon exercise of warrants or conversion of shares of Class B Common Stock held by such holder which warrants are exercisable or shares of Class B Common Stock are convertible within 60 days, and such shares which may be acquired by such holder (but no shares which may be acquired by any other holder upon exercise of warrants or conversion of such shares of Class B Common Stock held by such other holder) are deemed to be outstanding. If ownership were determined on a fully diluted basis after giving effect to exercise of Warrants to purchase 18,750 shares of Class A Common Stock and including 26,719 shares of Class B Common Stock, percentages of common stock ownership would be as follows: GAC Holdings 30.2%; Gary D. Hirsch 38.9%; Joseph J. McCaig 3.6%; Fidelity Devonshire Trust: Fidelity Equity-Income Fund 9.3%; Fidelity Magellan Fund 9.3%; Fidelity Puritan Trust: Fidelity Puritan Fund 8.6%; Fidelity Fixed-Income Trust: Spartan High Income Fund 3.3%; Nomura Securities International 5.2%; and all directors and officers of Holdings as a group 42.4%.
</TABLE>

<TABLE>
<C> <S>
(2) GAC Holdings Partners, Inc., a corporation controlled by MTH Holdings, is the sole general partner of GAC Holdings. MTH and certain other investors, including Mr. Hirsch, Mr. Fox, Mr. Incaudo and certain individuals

affiliated with MTH, and including Penn Traffic, of which Mr. Incaudo is President and Chief Executive Officer, are limited partners of Grand Acquisition Company, Limited Partnership, which is the sole limited partner of GAC Holdings. Mr. Hirsch is a general partner of the managing partner of MTH. MTH and Mr. Hirsch may be deemed to share voting and dispositive power with respect to shares of common stock of Holdings owned by GAC Holdings and may be deemed the beneficial owners of such shares.
</TABLE>

Various investment funds and other institutional investors for which Fidelity Management & Research Company or affiliated entities ("FMR Co.") acts as investment advisor, including Fidelity Devonshire Trust: Fidelity Equity-Income Fund, Fidelity Magellan Fund, Fidelity Puritan Trust: Fidelity Puritan Fund and Fidelity Fixed-Income Trust: Spartan High Income Fund, the common stock holdings of which are set forth on the foregoing table, own shares representing approximately 26.5% of the shares of common stock of Holdings on a fully diluted basis, all of which shares are shares of Class B Common Stock (see "Description of the Holdings Capital Stock-Class B Common Stock"). Various investment funds and other institutional investors for which FMR Co. acts as investment advisor, including the entities named in the preceding sentence, the common stock holdings of which are set forth on the foregoing table, also acquired Warrants to purchase for a nominal price approximately 10.2% of the common stock of Holdings on a fully diluted basis in connection with purchases of Senior Zero Coupon Notes and Senior Subordinated Zero Coupon Notes issued by Capital as part of the Recapitalization.

THE MANAGEMENT SUBSCRIPTION AGREEMENTS

Pursuant to the terms of subscription agreements which were entered into shortly before the closing of the acquisition of GUAC by Holdings (collectively, the "Management Subscription Agreements"), between Holdings and the Management Investors, the Management Investors purchased shares (the "Management Shares") of common stock of Holdings representing (prior to the Recapitalization) approximately 13.4% of the Holdings common stock on a fully diluted basis for consideration of $1,000 per share in cash or the contribution of 1.45748 shares of GUAC common stock for one share of Holdings common stock. The Management Subscription Agreements were amended in connection with the Recapitalization. Pursuant to the terms of the Management Subscription Agreements, as amended, each Management Investor has agreed that, for a period of five years from the date of consummation of the Recapitalization, no Management Investor will sell, distribute, transfer, assign, pledge, hypothecate or otherwise dispose of or encumber any of their Management Shares, except under the circumstances and on the terms and conditions specified in the Management Subscription Agreements. The Management Subscription Agreements, as amended, provide that the Management Investors will have demand registration rights with respect to the Management Shares after the earlier of (x) the sale of 20% or more of the then outstanding shares of Holdings common stock in a registered public offering, (y) the fifth anniversary of the date of the consummation of the Recapitalization or (z) the occurrence of certain other events specified therein. The Management Subscription Agreements, as amended, also provide that if a Management Investor ceases to be employed by the Company under certain circumstances or, upon the seventh anniversary of the date of the consummation of the Recapitalization, the Management Investor will have the right to require Holdings to repurchase all of such Management Investor's Management Shares at a price equal to the fair market value of such Management Shares. Holdings would not be obligated to purchase any Management Shares, however, if such a purchase would result in an event of default under its preferred stock or under any of its indebtedness. In connection with the Recapitalization, certain Management Investors received, through the Equity Escrow, approximately 2,530 shares of Holdings common stock. After giving effect to the receipt of such shares and to certain purchases and sales of shares of Holdings common stock by members of management of Grand Union in connection with the Recapitalization and in connection with the sale of the Southern Region, the Management Investors own shares representing approximately 12.7% of the shares of Holdings common stock on a fully diluted basis.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Those members of the management of Grand Union who received additional shares of Holdings common stock at the time of the Recapitalization (as described under "The Management Subscription Agreements" above), became indebted to Holdings in amounts (aggregating approximately $500,000 for all management investors) equal to income taxes incurred by them as a result of receipt of such shares. Such indebtedness is evidenced by individual promissory notes with a maturity of seven years, bearing no interest unless the obligor should leave the

Company's employ, and are secured by, and with recourse limited to, the shares received. Among the management investors from whom Holdings holds such notes is Mr. McCaig, who is indebted to Holdings in the amount of $227,676.

As compensation for his services in connection with the acquisition of GUAC by Holdings, Mr. Hirsch received an option to purchase shares of Holdings common stock. In connection with the Recapitalization, Mr. Hirsch transferred such

option and a note payable to Holdings in the amount of approximately $3.6 million to the Equity Escrow in exchange for 8,229 shares of Holdings common stock. The note payable to Holdings has a maturity of 10 years, provides for interest equal to any cash dividends paid on the 8,229 shares of Holdings common stock and is secured by, and with recourse limited to, the 8,229 shares of Holdings common stock and any property (other than cash) distributed on or with respect to such shares.

MTH has entered into a financial advisory agreement for a term ending in July 1997 under which MTH provides certain financial consulting and business management services to Holdings and its subsidiaries. During the period from July 1989 through July 1992, MTH received an annual fee of $600,000 for its services performed under this agreement. In connection with the Recapitalization, the agreement was amended to provide for an annual fee of $900,000 after a reevaluation of the nature and extent of the services that have been provided by MTH from the inception of the agreement.

At the time of the acquisition of GUAC by Holdings in July 1989, Grand Union and P&C Foods, which is controlled by MTH, operated stores in some of the same geographic areas in Vermont and upstate New York. In connection with the acquisition, agreements were entered into with federal and state antitrust authorities which required the divestiture of 16 Grand Union stores or P&C Foods stores. The divestitures required by these agreements were completed on July 30, 1990. Thirteen of the sixteen stores divested were P&C Foods stores.

In a related transaction, on July 30, 1990, P&C Foods and Grand Union entered into an operating agreement (the "Operating Agreement") pursuant to which Grand Union acquired the right to operate P&C Foods' thirteen remaining stores in New England under the Grand Union name until July 2000, with an option to extend the term of such operation for an additional five years. P&C Foods also granted Grand Union an option to purchase such stores. In connection with these transactions, Grand Union agreed to pay P&C Foods a minimum annual fee which will average $10.7 million per year during the ten-year lease term plus, beginning with the year commencing July 31, 1992, additional contingent fees of up to $700,000 per year based upon sales performance of the stores operated by Grand Union. In addition, Grand Union paid P&C Foods $7.5 million for the option to purchase the stores. Pursuant to the terms of the Operating Agreement, a $15 million prepayment of the annual fee was made to P&C Foods in connection with the Recapitalization.

Pursuant to the terms of the Operating Agreement, in April 1992, Grand Union purchased P&C Foods' White River Junction, Vermont warehouse for cash consideration of approximately $5 million.

In September 1993, Grand Union entered into a program to consolidate the purchasing and distribution of health and beauty care products and general merchandise with Penn Traffic. Under this program, Grand Union procures health and beauty care products for both Grand Union and Penn Traffic, and Penn Traffic procures general merchandise for both Penn Traffic and Grand Union. Grand Union's general merchandise warehouse in Montgomery, New York is used to store and distribute general merchandise and health and beauty care products to Grand Union stores and to certain of Penn Traffic's stores and wholesale customers. Under the arrangement, Penn Traffic owns the inventory of general merchandise and health and beauty care products located at the Montgomery warehouse and shares the cost of operating the warehouse in an amount proportionate to Penn Traffic's usage of the facility. Grand Union expects that this program will improve the variety of general merchandise products offered to the consumer in the Company's stores and will reduce product procurement costs for general merchandise and health and beauty care products.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

THE FOLLOWING DOCUMENTS ARE FILED AS A PART OF THIS REPORT:

See Item 8.

REPORTS ON FORM 8-K

No reports on Form 8-K have been filed by the Registrant during the last quarter of the period covered by this Report.

EXHIBITS (REGULATION S-K ITEM 601)

Exhibit

Number	Description of Document
2.1	Stock Purchase Agreement dated as of April 8, 1989 among GU Acquisition Corporation ("GUAC"), GND Holdings Corporation (which has changed its name to Grand Union Holdings Corporation) ("Holdings") and the stockholders of GUAC named therein, incorporated by reference to Exhibit No. 2.1 to The Grand Union Company's Registration Statement on Form S-1 (Registration No. 33-29707) (the "1989 Grand Union Registration Statement").
3.1	Certificate of Incorporation of Grand Union, as amended ("Capital"), incorporated by reference to Exhibit No. 3.1 to the Registration Statement on Form S-1 of Grand Union, Grand Union Capital Corporation ("Capital") and Holdings (Registration No. 33-48282) (the "1992 Grand Union Registration Statement").
3.2	By-laws of Grand Union, incorporated by reference to Exhibit No. 3.4 to the 1992 Grand Union Registration Statement.
3.2A	Amendment to By-laws of Grand Union, incorporated by reference to Exhibit No. 3.4A to the 1992 Grand Union Registration Statement.
4.1	Indenture dated as of October 18, 1993, among Grand Union, as Issuer, Capital, as Guarantor and United States Trust Company of New York ("U.S. Trust"), as Trustee for the 12 1/4% Senior Subordinated Notes Due 2002, Series A, including form of the 12 1/4% Senior Subordinated Note Due 2002, incorporated by reference to Exhibit No. 4.1 to Grand Union's Registration Statement on Form S-1 (Registration No. 33-70956) (the "October 1993 Grand Union Registration Statement").
4.2	Indenture dated as of January 28, 1993, among Grand Union, as Issuer, Capital and Holdings, as Guarantors and First Trust of California, National Association, as Trustee for the 11 3/8% Senior Notes Due 1999, including form of the 11 3/8% Senior Note Due 1999, incorporated by reference to Exhibit No. 4.11 to The Grand Union Company's Report on 10-Q dated February 2, 1993 (the "Grand Union 10-Q").
4.3	Indenture dated as of July 22, 1992, among Grand Union, Capital, Holdings and First Trust National Association, as Trustee ("First Trust") for the Grand Union 11 1/4% Senior Notes Due 2000, including form of 11 1/4% Senior Note Due 2000, incorporated by reference to Exhibit No. 4.1 to the Registration Statement on Form S-1 of Capital and Holdings (Registration No. 33-50496) (the "Capital Registration Statement").
4.4	Indenture dated as of July 22, 1992, among Grand Union, Capital, Holdings and U.S. Trust, as Trustee for the Grand Union 12 1/4% Senior Subordinated Notes Due 2002, including form of 12 1/4% Senior Subordinated Note Due 2002, incorporated by reference to Exhibit No. 4.2 to the Capital Registration Statement.
4.5	Borrower Pledge Agreement dated as of July 22, 1992 made by Grand Union to Bankers Trust Company ("Bankers Trust"), as Collateral Agent, incorporated by reference to Exhibit No. 10.9 to the Capital Registration Statement.
4.5A	First Amendment dated as of January 28, 1993 to the Pledge Agreement filed as Exhibit No. 4.5, incorporated by reference to Exhibit No. 4.13A to the Grand Union 10-Q.
4.6	Borrower Security Agreement dated as of July 22, 1992, between Grand Union and Bankers Trust, as Collateral Agent, incorporated by reference to Exhibit No. 10.12 to the Capital Registration Statement.
4.6A	First Amendment dated as of January 28, 1993 to the Borrower Security Agreement filed as Exhibit No. 4.6, incorporated by reference to Exhibit No. 4.14A to the Grand Union 10-Q.

Exhibit Number	Description of Document
4.7	Indenture dated as of March 2, 1988 for GUAC 13% Senior Subordinated Notes Due 1998, including form of the GUAC 13% Senior Subordinated Note Due 1998, by and between GUAC and Manufacturers Hanover Trust Company, as Trustee, incorporated by reference to Exhibit No. 4.1 to GUAC's Registration Statement on Form S-1 (Registration No. 33-22398) (the "GUAC Registration Statement").
4.7A	Supplemental Indenture dated as of August 10, 1989 to the Indenture filed as Exhibit No. 4.7, incorporated by reference to Exhibit No. 4.1A to the GUAC Registration Statement.
4.7B	Supplemental Indenture dated as of December 19, 1990 to the Indenture filed as Exhibit No. 4.7, incorporated by reference to Exhibit No. 4.1B to the GUAC Registration Statement.
4.7C	Supplemental Indenture dated as of July 22, 1992 to the Indenture filed as Exhibit No. 4.7, incorporated by reference to Exhibit No. 4.7C to the Capital Registration Statement.
4.8	Registration Rights Agreement dated as of March 2, 1988 by and among GUAC and the purchasers of the GUAC 13% Senior Subordinated Notes Due 1998 listed on the signature page thereof, incorporated by reference to Exhibit No. 4.2 to the GUAC Registration Statement.
4.9	Note Purchase Agreement dated as of October 18, 1993, among Grand

Union, Capital and BT Securities Corporation incorporated by reference to Exhibit No. 4.1 to the October 1993 Grand Union Registration Statement.

4.10 Form of Note Purchase Agreement dated as of January 28, 1993, among Grand Union, Capital, Holdings and the Purchasers named therein, incorporated by reference to Exhibit No. 4.12 to the Grand Union 10-Q.

10.1 Form of Management Subscription Agreement entered into by and between Holdings and each of certain members of management of Grand Union, all dated as of July 14, 1989, providing, in the aggregate, for the purchase of 12,358 shares of common stock of Holdings, incorporated by reference to Exhibit No. 10.3 to 1989 Grand Union Registration Statement.

10.1A Form of Amendment to Management Subscription Agreement entered into by and between Holdings and each of certain members of management of Grand Union, all dated as of July 22, 1992, incorporated by reference to Exhibit No. 10.1A to the Capital Registration Statement.

10.2 Agreement to Hold Separate dated July 17, 1989 by and among MTH Holdings Inc. ("MTH Holdings"), GUAC, Salomon Inc and the Federal Trade Commission (the "FTC") entered into in the matter of MTH Holdings and GUAC before the FTC, incorporated by reference to Exhibit No. 10.5 to the 1989 Grand Union Registration Statement.

10.3 Agreement containing Consent Order among MTH Holdings, GUAC and the FTC entered into in the matter of MTH Holdings and GUAC before the FTC, incorporated by reference to Exhibit No. 10.6 to the 1989 Grand Union Registration Statement.

Exhibit Number	Description of Document
10.4	Assurance dated July 6, 1989 pursuant to 9 Vermont Statutes Annotated Section 2459 by and among MTH Holdings, P&C Food Markets, Inc. ("P&C Foods"), GUAC and the Attorney General of the State of Vermont, incorporated by reference to Exhibit No. 10.7 to the 1989 Grand Union Registration Statement.
10.5	Asset Purchase Agreement, dated as of January 25, 1990, by and between Grand Union and Price Chopper Operating Co. of Vermont, Inc., incorporated by reference to Exhibit No. 10.15 to Holdings Registration Statement on Form S-1 (Registration No. 33-32879) (the "Holdings Registration Statement").
10.6	Asset Purchase Agreement, dated as of February 9, 1990, by and between Grand Union and Price Chopper Operating Co., Inc., incorporated by reference to Exhibit No. 10.49 to the GUAC Registration Statement.
10.7	Agreement and Master Sublease dated as of July 30, 1990, by and between Grand Union and P&C Foods, incorporated by reference to Exhibit No. 10.18 to Holdings' Report on Form 10-Q dated July 21, 1990 (Commission File No. 33-29707).
10.8	Credit Agreement dated as of July 14, 1992, among Grand Union, Capital, Holdings, the lending institutions party thereto, Bankers Trust, as Agent, and Midlantic National Bank, as Co-Agent, incorporated by reference to Exhibit No. 10.8 to the Capital Registration Statement.
10.8A	First Amendment dated as of January 15, 1993 to the Credit Agreement filed as Exhibit No. 10.8, incorporated by reference to Exhibit No. 10.32A to the Grand Union 10-Q.
10.8B	Second Amendment dated as of January 16, 1993 to the Credit Agreement filed as Exhibit No. 10.8, incorporated by reference to Exhibit No. 10.32B to the Grand Union 10-Q.
10.8C	Third Amendment dated as of April 1, 1993 to the Credit Agreement filed as Exhibit No. 10.8, incorporated by reference to Exhibit No. 10.8C to the Registration Statement on Form S-1 of Grand Union and Capital (Registration No. 33-58438) (the "1993 Grand Union Registration Statement").
10.8D	Fourth Amendment dated as of June 28, 1993 to the Credit Agreement filed as Exhibit No. 10.8, incorporated by reference to Holdings Report on Form 10-K for the fiscal year ended April 3, 1993.
10.8E	Fifth Amendment dated as of July 13, 1993 to the Credit Agreement filed as Exhibit No. 10.8, incorporated by reference to Exhibit No. 10.8E to the 1993 Grand Union Registration Statement.
10.8F	Sixth Amendment dated as of September 8, 1993 to the Credit Agreement filed as Exhibit 10.8 incorporated by reference to Exhibit No. 10.8F to the October 1993 Grand Union Registration Statement.
10.9	Borrower Pledge Agreement dated as of July 22, 1992, made by Grand Union to Bankers Trust, as Collateral Agent (included in Exhibit No. 4.5), incorporated by reference to Exhibit No. 10.9 to the Capital Registration Statement.
10.9A	First Amendment dated as of January 28, 1993 to the Borrower Pledge Agreement filed as Exhibit No. 10.09, incorporated by reference to Exhibit No. 4.13A to the Grand Union 10-Q.
10.10	Pledge Agreement, dated as of July 22, 1992, made by Holdings to

	Bankers Trust, as Collateral Agent, incorporated by reference to Exhibit No. 10.10 to the Capital Registration Statement.
10.10A	First Amendment dated as of January 28, 1993 to the Pledge Agreement filed as Exhibit No. 10.10, incorporated by reference to Exhibit No. 10.35A to the Grand Union 10-Q.
10.11	Pledge Agreement, dated as of July 22, 1992, made by Capital to Bankers Trust, as Collateral Agent, incorporated by reference to Exhibit No. 10.11 to the Capital Registration Statement.
10.11A	First Amendment dated as of January 28, 1993 to the Pledge Agreement filed as Exhibit No. 10.11, incorporated by reference to Exhibit No. 10.36A to the Grand Union 10-Q.
10.12	Borrower Security Agreement dated as of July 22, 1992, between Grand Union and Bankers Trust, as Collateral Agent, incorporated by reference to Exhibit No. 10.12 to the Capital Registration Statement.
10.12A	First Amendment dated as of January 28, 1993 to the Borrower Security Agreement filed as Exhibit No. 10.12, incorporated by reference to Exhibit No. 4.14A to the Grand Union 10-Q.
10.13	Escrow Agreement dated as of July 22, 1992, between Holdings and Bankers Trust, as Escrow Agent, incorporated by reference to Exhibit No. 10.13 to the Capital Registration Statement.

Exhibit Number	Description of Document
10.14	Stock Purchase Agreement dated as of July 22, 1992, by and between Holdings and the purchasers of Class B Common Stock of Holdings named therein, incorporated by reference to Exhibit No. 10.14 to the Capital Registration Statement.
10.15	Agreement dated as of July 22, 1992, by and among GAC Holdings Limited Partnership ("GAC Holdings"), Holdings and Gary D. Hirsch, incorporated by reference to Exhibit No. 10.15 to the Capital Registration Statement.
10.16	Financial Advisory Agreement dated July 22, 1992, by and between Grand Union and Miller Tabak Hirsch + Co., incorporated by reference to Exhibit No. 10.16 to the Capital Registration Statement.
10.17	Equity Escrow Agreement dated as of July 22, 1992, by and among GAC Holdings, Holdings, Salomon Brothers Holding Company Inc, and Gary D. Hirsch and U.S. Trust, as Escrow Agent, incorporated by reference to Exhibit No. 10.17 to the Capital Registration Statement.
10.18	Asset Purchase Agreement dated as of February 4, 1993, between The Great Atlantic & Pacific Tea Company, Inc. and Grand Union, incorporated by reference to Exhibit No. 2.1 to The Grand Union Company's Report on Form 8-K dated February 4, 1993.
10.19	Asset Purchase Agreement dated as of September 20, 1993 among Foodarama Supermarkets, Inc., ShopRite of Malverne, Inc. and Grand Union.
*10.20	Second Amendment and Restatement of The Grand Union Company Supplemental Retirement Program for Key Executives adopted as of April 1, 1993, incorporated by reference to Exhibit No. 10.20 to Holdings' Report on Form 10-K dated July 1, 1994.
*10.21	Form of Non-Competition and Confidentiality Agreement entered into by Grand Union and certain executives (including Messrs. McCaig, Louttit, Saba, Stine, Galvin and Lennon) dated as of August 25, 1993, incorporated by reference to Exhibit No. 10.21 to Holdings' Report on Form 10-K dated July 1, 1994.
10.22	Custodian Agreement dated as of August 25, 1993 between Grand Union and United States Trust Company of New York, incorporated by reference to Exhibit No. 10.22 to Holdings' Report on Form 10-K dated July 1, 1994.
21.1	Subsidiaries of Grand Union, incorporated by reference to Exhibit No. 22.1 to the 1993 Grand Union Registration Statement.

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* Compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) 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.

THE GRAND UNION COMPANY
(Registrant)

/s/ Martin A. Fox

Martin A. Fox
Vice President and Assistant Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Gary D. Hirsch - ---------- Gary D. Hirsch	Director and Chairman	July 1, 1994
/s/ Martin A. Fox - ---------- Martin A. Fox	Director, Vice President and Assistant Secretary	July 1, 1994
/s/ Joseph J. McCaig - ---------- Joseph J. McCaig	Director, President and Chief Executive Officer (Principal Executive Officer)	July 1, 1994
/s/ William A. Louttit - ---------- William A. Louttit	Director, Executive Vice President and Chief Operating Officer	July 1, 1994
/s/ Robert Terrence Galvin - ---------- Robert Terrence Galvin	Director, Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	July 1, 1994
/s/ Kenneth R. Baum - ---------- Kenneth R. Baum	Vice President and Controller (Principal Accounting Officer)	July 1, 1994

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Grand Union Holdings Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 8 on page 14 present fairly, in all material respects, the financial position of Grand Union Holdings Corporation and its subsidiaries at April 3, 1993 and April 2, 1994, and the results of their operations and their cash flows for the 52 weeks ended March 28, 1992, the 53 weeks ended April 3, 1993 and the 52 weeks ended April 2, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", effective April 4, 1993 and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", effective March 29, 1992.

PRICE WATERHOUSE
New York, New York
June 1, 1994

GRAND UNION HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
	(in thousands except share data)		
<S>	<C>	<C>	<C>
Sales	$2,968,466	$2,833,987	$2,477,339
Cost of sales	(2,150,338)	(2,032,481)	(1,766,303)
Gross profit	818,128	801,506	711,036
Operating and administrative expenses	(619,927)	(606,178)	(531,839)
Depreciation and amortization	(78,721)	(80,551)	(78,577)
Charge relating to early retirement program	--	--	(4,468)
Loss on disposal of the Southern Region	--	(198,000)	--
Recapitalization expense	--	(3,516)	--
Interest expense:			
Debt:			
Obligations requiring current cash interest	(76,357)	(107,644)	(128,661)
Obligations requiring no current cash interest	(65,325)	(44,271)	(35,354)
Capital lease obligations	(12,301)	(13,191)	(14,951)
Amortization of deferred financing fees	(18,018)	(9,378)	(4,831)
Loss before income taxes, extraordinary charges and cumulative effect of accounting change	(52,521)	(261,223)	(87,645)
Income tax provision	(12,532)	(4,535)	--
Loss before extraordinary charges and cumulative effect of accounting change	(65,053)	(265,758)	(87,645)
Extraordinary charges relating to early extinguishment of debt	--	(47,663)	--
Cumulative effect of accounting change	--	--	(30,308)
Net loss	(65,053)	(313,421)	(117,953)
Accrued preferred stock dividends	(12,856)	(14,623)	(16,011)
Net loss applicable to common stock	$(77,909)	$(328,044)	$(133,964)
Weighted average number of common shares outstanding	75,000	75,249	75,258
Per Share Data:			
Loss applicable to common stock before extraordinary charges and cumulative effect of accounting change (after accrued preferred stock dividends)	$(1,038.79)	$(3,726.05)	$(1,377.34)
Extraordinary charges	--	$(633.40)	--
Cumulative effect of accounting change	--	--	$(402.72)
Net loss applicable to common stock	$(1,038.79)	$(4,359.45)	$(1,780.06)

</TABLE>

See accompanying notes to consolidated financial statements.

GRAND UNION HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

	April 3, 1993	April 2, 1994

	(in thousands)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and temporary cash investments	$69,651	$44,294
Receivables	24,567	37,072
Inventories	235,222	206,063
Other current assets	16,141	17,444
Total current assets	345,581	304,873
Property	360,179	400,554
Goodwill	567,500	563,276
Beneficial leases	39,039	33,074
Deferred financing fees	51,777	48,721
Other assets	54,089	43,726
	$1,418,165	$1,394,224
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$466	$914
Current portion of obligations under capital leases	6,144	7,099
Accounts payable and accrued liabilities	283,032	238,225
Total current liabilities	289,642	246,238
Long-term debt	1,291,097	1,404,089
Obligations under capital leases	104,791	120,140
Other noncurrent liabilities	103,191	113,810
Commitments and contingencies		
Redeemable stock:		
Class A common stock, $.01 par value	9,547	9,407
Preferred stock (liquidation preference $145,312,000 in aggregate)	130,240	145,312
Total redeemable stock	139,787	154,719
Nonredeemable common stock and stockholders' deficit:		
Class A common stock, $.01 par value; authorized 473,281 shares; issued and outstanding 48,669 and 48,505 shares (net of treasury shares) less 12,096 and 11,932 shares, respectively, shown as redeemable common stock	1	1
Class B common stock, $.01 par value; 26,719 authorized, issued and outstanding	--	--
Treasury stock; 164 shares of Class A common stock at cost	--	(156)
Accumulated deficit	(510,344)	(644,617)
Total nonredeemable common stock and stockholders' deficit	(510,343)	(644,772)
	$1,418,165	$1,394,224

</TABLE>

See accompanying notes to consolidated financial statements.

GRAND UNION HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
		(in thousands)	
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net loss	$(65,053)	$(313,421)	$(117,953)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:			
Extraordinary charges on early extinguishment of debt	--	47,663	--
Cumulative effect of accounting change	--	--	30,308
Write-off of goodwill and beneficial leases and loss on fixed			

assets related to the disposal of the Southern Region	--	137,017	--
Depreciation and amortization	78,721	80,551	78,577
Charge relating to early retirement program	--	--	4,468
Noncash interest	65,325	44,271	35,354
Amortization of deferred financing fees	18,018	9,378	4,831
Receivables	(4,333)	(878)	(12,505)
Inventories	(13,833)	(14,467)	29,159
Other current assets	768	(3,485)	(1,303)
Accounts payable and accrued liabilities	13,606	27,160	(44,807)
Other	(5,930)	13,393	(18,039)
Net cash provided by (used for) operating activities	87,289	27,182	(11,910)
INVESTMENT ACTIVITIES:			
Capital expenditures	(29,293)	(58,089)	(81,029)
Disposals of property	4,787	1,394	584
Proceeds relating to the sale of the fixed assets of the Southern Region	--	25,000	--
Refunded insurance deposits	650	11,636	--
Prepayment under P&C Food Markets, Inc. operating agreement	--	(15,000)	--
Net cash used for investment activities	(23,856)	(35,059)	(80,445)
FINANCING ACTIVITIES:			
Proceeds from the issuance of long-term debt	15,660	1,443,421	77,661
Obligations under capital leases discharged	(7,629)	(9,644)	(8,218)
Loan placement fees	(5,310)	(63,643)	(1,775)
Retirement of long-term debt	(58,852)	(1,348,762)	(514)
Purchase of redeemable Class A common stock	--	--	(156)
Capital contribution	--	5,004	--
Proceeds from issuance of warrants	--	1,187	--
Proceeds from issuance of common stock	--	369	--
Premiums on debt retirement	--	(24,086)	--
Net cash provided by (used for) financing activities	(56,131)	3,846	66,998
Increase (decrease) in cash and temporary cash investments	7,302	(4,031)	(25,357)
Cash and temporary cash investments at beginning of year	66,380	73,682	69,651
Cash and temporary cash investments at end of year	$73,682	$69,651	$44,294

</TABLE>

See accompanying notes to consolidated financial statements.

GRAND UNION HOLDINGS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grand Union Holdings Corporation ("Holdings" or the "Company"), a Delaware corporation, and Grand Union Capital Corporation ("Capital"), a Delaware corporation which is a wholly owned subsidiary of Holdings, are companies whose principal asset is the capital stock of The Grand Union Company ("Grand Union"), a Delaware corporation and a wholly owned subsidiary of Capital. Grand Union operates retail food stores in seven northeastern states.

FISCAL YEAR.
The Company's fiscal year ends on the Saturday nearest the last day of March.

PRINCIPLES OF CONSOLIDATION.
The consolidated financial statements include the accounts of Holdings and its subsidiaries, all of which are wholly owned. Intercompany transactions and balances have been eliminated.

TEMPORARY CASH INVESTMENTS.
For purposes of the Statement of Cash Flows, temporary cash investments consist of short-term investments in highly liquid securities and cash equivalents, with initial maturities of three months or less, including certificates of deposit, banker's acceptances, commercial paper, repurchase agreements and investments in direct obligations of the Government of the United States of America.

INVENTORY VALUATION.
Grocery and general merchandise inventories are valued at the lower of last-in, first-out ("LIFO") cost or market in order to more accurately match costs and related revenues. At April 3, 1993 and April 2, 1994, approximately $200,377,000 and $173,661,000, respectively, of grocery and general merchandise inventories were valued using the LIFO method.

Replacement cost exceeded LIFO cost of these inventories by approximately $5,799,000, $7,178,000 and $8,106,000 at March 28, 1992, April 3, 1993 and April 2, 1994, respectively. During the current year, inventory levels were reduced resulting in a liquidation of LIFO inventories carried at a value lower than current cost. Net loss was decreased by approximately $1,160,000 as a result of this liquidation. Perishable inventories are valued at the lower of average cost or market, which adequately provides for the matching of costs and related revenues due to the rapid turnover of such inventories.

PROPERTY.

Buildings, fixtures and equipment and leasehold improvements are recorded at cost and include interest on the funds borrowed to finance construction. Depreciation and amortization of buildings, fixtures and equipment and leasehold improvements is computed using the straight line method over estimated useful lives ranging from three to forty years. Properties held under capital leases are capitalized net of gains on sale leaseback transactions and are amortized using the straight line method over the life of each lease.

PRE-OPENING COSTS.

Store pre-opening costs are charged to expense as incurred.

GOODWILL.

Goodwill is amortized using the straight line method over a 40 year life. Management periodically reassesses the appropriateness of both the carrying value and remaining life of goodwill, principally based on forecasts of operating cash flow less significant anticipated cash requirements such as capital expenditures and debt repayments. Additionally, the Company considers other factors such as its anticipated ability to access capital markets in the future. At April 3, 1993 and April 2, 1994, accumulated amortization was $57,723,000 and $73,779,000, respectively.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BENEFICIAL LEASES.

Amortization of beneficial leases is computed using the straight line method over the average lease life, which approximates ten years. At April 3, 1993 and April 2, 1994, accumulated amortization was $21,702,000 and $27,570,000, respectively.

DEFERRED FINANCING FEES.

Financing fees are deferred and amortized over the expected life of the related loan. At April 3, 1993 and April 2, 1994, accumulated amortization was $3,780,000 and $8,610,000, respectively.

INCOME TAXES.

In the fiscal year ended April 3, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS No. 109"), retroactive to March 29, 1992. FAS No. 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, FAS No. 109 generally considers all expected future events other than enactments of changes in the tax law or tax rates. The retroactive adoption of FAS No. 109 had no effect on the Company's financial statements.

PENSION PLANS.

The Company maintains a noncontributory, trusteed pension plan covering eligible employees and a supplemental nonqualified, nontrusteed plan for certain executives. The Company's policy is to fund pension amounts which satisfy the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

POSTRETIREMENT BENEFITS.

Effective April 4, 1993, the Company adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("FAS No. 106"), which requires the Company to accrue the estimated cost of retiree benefit payments during the years each employee provides services. The Company has elected to recognize the cumulative effect of this obligation, an increase in accrued postretirement benefit costs and in net loss of $30,308,000 ($402.03 per share), at April 4, 1993.

SELF INSURANCE.

Grand Union self insures workers' compensation, automobile liability, general liability and non-union employee medical costs up to varying deductible limits. Grand Union carries third party insurance in excess of such limits. Reserves are provided for the estimated whole dollar settlement value up to the deductible limits of all claims occurring during each policy year.

STORE CLOSURE EXPENSE.
Estimated whole dollar net costs of holding and disposing of closed stores are provided as of the date the store is closed.

FAIR VALUE OF FINANCIAL INSTRUMENTS.
The carrying amount of cash and temporary cash investments, receivables and accounts payable and accrued liabilities approximates fair value. The fair value of long-term debt and redeemable stock is based on quoted market prices provided by an investment banking firm. The fair value of interest rate swap agreements is the amount at which such agreements could be settled, based on estimates from counterparties.

NET LOSS PER SHARE OF COMMON STOCK.
Net loss per share of common stock is based upon the weighted average number of shares of common stock outstanding. Fully diluted net loss per share has not been presented since the amounts are antidilutive.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS
Certain reclassifications have been made in the prior years' financial statements to conform to classifications used in the current year.

NOTE 2 - ACQUISITION OF LONG ISLAND STORES

On October 18, 1993, Grand Union acquired five supermarket locations on Long Island. The cost of the acquisition included cash consideration of approximately $16,100,000 (of which approximately $6,000,000 was allocated to property, equipment and leasehold improvements and approximately $10,100,000 was allocated to goodwill) and approximately $2,200,000 for store inventory. The goodwill is being amortized over 40 years. The acquisition was financed through the application of a portion of the proceeds of the sale to institutional investors of $50,000,000 principal amount of 12 1/4% Senior Subordinated Notes Due 2002, Series A (the "Series A Senior Subordinated Notes") on October 18, 1993.

NOTE 3 - LOSS ON DISPOSAL OF THE SOUTHERN REGION

On March 29, 1993, Grand Union sold 48 of its 51 Southern Region stores to a single buyer and closed and subleased the remaining three stores. The transaction yielded total gross proceeds of approximately $43,000,000, excluding the assumption of capital leases of approximately $4,500,000, of which $25,000,000 related to fixed assets and $17,500,000 related to inventory.

The Company recognized a loss of $198,000,000 on the disposal of the Southern Region. The loss is comprised of the following (in thousands):

<TABLE>

<S>	<C>
Write-off of goodwill and beneficial leases	$106,389
Difference between proceeds received and the book value of tangible assets	37,244
Reserve for remaining Southern Region real estate	26,948
Employee termination expenses	9,846
Operating loss of the Southern Region subsequent to the date the decision was made to sell the region	6,971
Other	10,602
	$198,000

</TABLE>

The following unaudited pro forma summary represents the consolidated results of the operations of the Company as though the disposal of the Southern Region had taken place as of the beginning of the period presented (in thousands except per share amount).

<TABLE>
<CAPTION>

	53 Weeks Ended April 3, 1993
<S>	<C>
Sales	$2,562,796

Gross profit	730,146
Loss before income taxes and extraordinary charges	(60,205)
Net loss applicable to common stock	(127,026)
Net loss per share applicable to common stock	(1,688.08)

</TABLE>

NOTE 4 - RECAPITALIZATION AND EXTRAORDINARY CHARGES

On July 22, 1992, Holdings, Capital, a newly formed corporation, and Grand Union completed a recapitalization (the "Recapitalization"). In connection with the Recapitalization, Holdings, through Capital and Grand Union, entered into a new bank credit agreement (as amended from time to time, the "Bank Credit Agreement") providing for a $210,000,000 term loan facility (the "Term Loan") and a $100,000,000 revolving credit facility (the "Revolving Credit Facility"), issued $350,000,000 principal amount of Grand Union 11.25% Senior Notes due 2000 (the "11.25% Senior Notes") and $500,000,000 principal amount of Grand Union 12.25% Senior Subordinated Notes due 2002 (the "12.25% Senior Subordinated Notes"), and sold $343,000,000 principal amount of Capital 15.00% Senior Zero Coupon Notes due 2004 (the "Senior Zero Coupon Notes") and $745,000,000 principal amount of Capital 16.50% Senior Subordinated Zero Coupon Notes due 2007 (the "Senior Subordinated Zero Coupon Notes"), together with warrants to purchase at a nominal price approximately 19.9% of the common stock of Holdings on a fully diluted basis, for aggregate gross proceeds of approximately $200,000,000. The Recapitalization also included the sale to institutional investors of approximately 28.4% of the common stock of Holdings on a fully diluted basis for approximately $25,000,000. The proceeds were used to retire substantially all of the debt of Holdings, GU Acquisition Corporation ("GUAC"), a wholly owned subsidiary of Holdings, and Grand Union as well as to repurchase the shares and option to purchase shares owned by Salomon Brothers Holding Company Inc, certain warrants held by the parties to the term loan and revolving credit facility existing prior to the Recapitalization and approximately 3.4% of the common stock of Holdings held by Grand Union management.

At the time of the Recapitalization, GUAC and its wholly-owned subsidiary Cavenham Holdings Inc., the former parent of Grand Union, were merged into Grand Union and Grand Union became a wholly-owned subsidiary of Capital.

On January 28, 1993, Grand Union sold $175,000,000 principal amount of 11.375% Senior Notes due 2000 (the "11.375% Senior Notes") in a private placement. Net proceeds of the sale of the 11.375% Senior Notes were used to repay $142,000,000 of indebtedness under the Term Loan and the remainder was used to repay indebtedness under the Revolving Credit Facility. An additional $20,856,000 of the Term Loan was repaid from the proceeds of the sale of the Southern Region on March 29, 1993. All of such repaid indebtedness under the Term Loan and under the Revolving Credit Facility had been incurred in connection with the Recapitalization.

During the 53 weeks ended April 3, 1993, the Company recorded $3,516,000 relating to expenses incurred in connection with the Recapitalization and extraordinary charges of $47,663,000 relating to early retirement of debt. The Company had an operating loss in the year ended April 3, 1993 and was in a net operating loss carryforward position and, accordingly, no tax benefit was recorded in connection with the extraordinary charges. The extraordinary charges are comprised of the following (column in thousands):

<TABLE>
<S> <C>

Premiums paid in connection with the Recapitalization	$24,086
Deferred financing fees written off in connection with the Recapitalization	16,407
Deferred financing fees written off in connection with the refinancing and prepayment of $142,000,000 of the term loan	6,252
Deferred financing fees written off in connection with the prepayment of $20,856,000 of the term loan resulting from the disposal of the Southern Region	918
	$47,663

</TABLE>

NOTE 5 - PROPERTY

Property, at cost, consists of the following:

<TABLE>
<CAPTION>

	April 3, 1993	April 2, 1994

	(in thousands)	
<S>	<C>	<C>
Property owned:		
Land	$18,875	$19,315
Buildings	51,165	53,686
Fixtures and equipment	207,508	248,230
Leasehold improvements	118,360	133,777
	395,908	455,008
Less: accumulated depreciation and amortization	125,534	158,277
Property owned, net	270,374	296,731
Property held under capital leases:		
Land and buildings	88,418	103,228
Equipment	12,831	16,905
	101,249	120,133
Less: accumulated amortization	11,444	16,310
Property held under capital leases, net	89,805	103,823
Property	$360,179	$400,554

</TABLE>

Depreciation and amortization of owned and leased property for the 52 weeks ended March 28, 1992, the 53 weeks ended April 3, 1993 and the 52 weeks ended April 2, 1994 was $49,853,000, $53,335,000 and $52,760,000, respectively.

NOTE 6 - RECEIVABLES AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Receivables at April 3, 1993 and April 2, 1994 are net of allowance for doubtful accounts of $605,000 and $809,000, respectively.

Accounts payable and accrued liabilities consist of the following:

<TABLE>
<CAPTION>

	April 3, 1993	April 2, 1994
	(in thousands)	
<S>	<C>	<C>
Accounts and drafts payable	$163,152	$136,707
Accrued liabilities:		
Payroll	23,992	25,073
Interest	25,709	27,258
Self insurance	19,696	15,480
Southern Region disposal	16,284	4,334
Taxes other than income taxes	9,555	9,036
Store closure reserves	4,762	4,003
Other	19,882	16,334
	$283,032	$238,225

</TABLE>

NOTE 7 - INCOME TAXES

The components of the income tax provision are as follows:

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
		(in thousands)	
<S>	<C>	<C>	<C>
Currently payable			

State	$10,973	$4,535	$ --
Federal	--	--	--
	10,973	4,535	--
Deferred, resulting from:			
Store closure provision	1,455	(9,243)	5,816
Accrued insurance	(183)	(717)	2,267
Deferred financing	(1,802)	(320)	554
Deferred compensation	(60)	1,258	(114)
Beneficial lease amortization	(3,093)	(2,488)	(2,054)
Effect of change in rate on temporary differences	--	--	(3,099)
Excess of book over tax depreciation	(2,692)	(14,240)	(4,171)
Postretirement benefits other than pension	--	--	(11,407)
Interest expense	--	(7,341)	(12,132)
Net operating loss	(13,811)	(27,884)	(13,121)
Write-off of deferred tax debits	16,592	--	--
Other	5,153	(2,908)	(451)
Deferred tax asset valuation allowance	--	63,883	37,912
	1,559	--	--
Total income tax provision	$12,532	$4,535	$ --

</TABLE>

The reconciliation of the income tax provision computed at the federal statutory rate to the reported income tax provision is as follows:

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
		(in thousands)	
<S>	<C>	<C>	<C>
Benefit computed at federal statutory tax rate	$(17,857)	$(105,021)	$(41,284)
(Increase) decrease in the benefit resulting from:			
Write-off of goodwill and beneficial leases from the disposal of the Southern Region	--	36,172	--
Effect of change in rate on temporary differences	--	--	(3,099)
Amortization of goodwill	6,231	6,011	5,486
State and local taxes, net of federal tax benefit	7,242	2,738	--
Deferred tax asset valuation allowance	--	63,883	37,912
Limitation on recognition of deferred tax debits	16,592	--	--
Alternative minimum tax	503	--	--
Other	(179)	752	985
Total income tax provision	$12,532	$4,535	$ --

</TABLE>

NOTE 7 - INCOME TAXES (CONTINUED)

As of April 2, 1994, the Company had a net operating loss carryforward of approximately $290,268,000 for tax purposes expiring in the years 2002 through 2009. The Recapitalization resulted in an "ownership change" of the Company within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended, as a consequence of which utilization of the existing net operating loss carryforward in post-change periods will be limited.

NOTE 8 - DEBT

Debt of the respective companies consists of the following:

<TABLE>
<CAPTION>

	April 3, 1993	April 2, 1994
	(in thousands)	
<S>	<C>	<C>
GRAND UNION:		
Bank Credit Agreement		

Term Loan	$39,144	$39,144
Revolving Credit Facility	--	25,000
11.25% Senior Notes	350,000	350,000
11.375% Senior Notes	175,000	175,000
Equipment mortgage notes	1,813	3,960
12.25% Senior Subordinated Notes	500,000	500,000
12.25% Senior Subordinated Notes, Series A	--	50,000
13% Senior Subordinated Notes	16,150	16,150
CAPITAL:		
15% Senior Zero Coupon Notes	129,366	150,482
16.50% Senior Subordinated Zero Coupon Notes	74,569	88,116
HOLDINGS:		
12% Junior Subordinated Notes	5,521	7,151
	1,291,563	1,405,003
Less: current maturities of long-term debt	466	914
Long-term debt	$1,291,097	$1,404,089

</TABLE>

The Term Loan and Revolving Credit Facility provide for interest at either a floating rate of 2% and 1.5%, respectively, per annum above the prime rate, as defined, or 3.5% and 3%, respectively, per annum above the LIBOR rate, as defined, at the option of Grand Union. As of April 2, 1994, borrowings under the Term Loan and the Revolving Credit Facility were at weighted interest rates of 7.32% and 7.75%, respectively. The Term Loan requires quarterly payments of approximately $9,786,000 from September 30, 1997 through June 30, 1998. In addition, the Bank Credit Agreement provides for mandatory prepayments of the Term Loan Facility or commitment reductions under the Revolving Credit Facility based on certain asset sales outside the ordinary course of business of Grand Union and its subsidiaries, the proceeds of certain debt and equity issuances and a percentage of Excess Cash Flow (as defined).

The Revolving Credit Facility provides for borrowings or issued letters of credit aggregating $100,000,000 through February 28, 1998. At April 2, 1994, there were $25,000,000 of borrowings outstanding and $42,646,000 of letters of credit issued under the Revolving Credit Facility. Grand Union is charged commitment fees of 1/2 of 1% per annum on the average unused portion of the Revolving Credit Facility.

The Bank Credit Agreement contains certain financial and other restrictive covenants with respect to Grand Union relating to, among other things, minimum financial performance and limitations on the incurrence of additional indebtedness, asset sales, capital expenditures, prepayment of other indebtedness and payment of dividends. In addition, in each fiscal year, there is a clean-down period whereby for a 30 consecutive day period selected by Grand Union, which commences on or after April 15 of each calendar year and terminates on or before June 29 of such calendar year, there can be no outstanding revolving loans in excess of $35,000,000.

The 11.25% Senior Notes, due July 15, 2000, and the 12.25% Senior Subordinated Notes and Series A Senior Subordinated Notes, both due July 15, 2002, require semi-annual interest payments each January 15 and July 15.

The 11.375% Senior Notes are due February 15, 1999 and require semi-annual interest payments each February 15 and August 15.

The 13% Senior Subordinated Notes (the "13% Notes") are due March 1998 and require semi-annual interest payments each March 31 and September 30.

Indebtedness under the Bank Credit Agreement, the 11.25% Senior Notes and the 11.375% Senior Notes is guaranteed by Capital and by Holdings on a pari passu basis and is secured by a pledge of substantially all of the assets of Grand Union (other than leasehold interests and assets secured by permitted liens). Capital's guarantee of the Bank Credit Agreement, the 11.25% Senior Notes and the 11.375% Senior Notes is secured by a pledge of the common stock of Grand Union and Holdings' guarantee of the Bank Credit Agreement, the 11.25% Senior Notes and the 11.375% Senior Notes is secured by a pledge of the common stock of Capital. Indebtedness under the Series A Senior Subordinated Notes is guaranteed by Capital on a pari passu basis with Capital's guarantee of the 12.25% Senior Subordinated Notes. Capital's guarantee of the Series A Senior Subordinated Notes is not secured.

Capital has outstanding $343,000,000 principal amount at maturity of Senior Zero Coupon Notes due July 15, 2004. The original issue discount of $226,855,000 is being amortized recognizing a yield to maturity of 15.71% per

annum. The carrying value represents the principal at maturity less the unamortized discount. On July 15, 1999, cash interest will begin accruing and is payable semi-annually on January 15 and July 15 at a rate of 15.00% on the unpaid principal amount. The Senior Zero Coupon Notes were issued with detachable warrants to purchase common stock of Holdings.

Capital has outstanding $745,000,000 principal amount at maturity of Senior Subordinated Zero Coupon Notes, due January 15, 2007. The original issue discount of $678,802,000 is being amortized recognizing a yield to maturity of 17.41% per annum. The carrying value represents the principal at maturity less the unamortized discount. The Senior Subordinated Zero Coupon Notes were issued with detachable warrants to purchase common stock of Holdings.

Interest on the 12% Junior Subordinated Notes (the "Junior Notes") is compounded semi-annually each March 1 and September 1. Based upon current restrictions, such interest is not payable until either maturity (March 1999) or redemption of the Junior Notes.

At April 2, 1994, the fair value of long-term debt, including the current maturities, of Grand Union, Capital and Holdings was approximately $1,405,000,000.

In connection with the Bank Credit Agreement, Grand Union entered into an interest rate protection agreement on $75,000,000 of its borrowings. The effect of the interest rate protection agreement is to limit LIBOR to 6.5% and 7.0% on $40,000,000 and $35,000,000 of borrowings, respectively, through April 1995. Grand Union is exposed to credit loss in the event of nonperformance by the other party to the interest rate protection agreement. Grand Union does not anticipate nonperformance by the counterparty.

In addition Grand Union entered into an interest rate swap agreement which converts $150,000,000 of fixed rate debt into variable rate debt. Under the terms of this agreement Grand Union receives a fixed rate of 4.53% on $150,000,000 and pays a floating rate based on three month LIBOR, as determined in three month intervals. The floating rate at April 2, 1994 was 3.5%. The net amount received or paid is included in interest expense. Grand Union is exposed to credit loss in the event of nonperformance by the other party to the swap agreement. Grand Union does not anticipate nonperformance by the counterparty.

NOTE 8 - DEBT (CONTINUED)

At April 2, 1994, the estimated fair value of the interest rate swap agreement was a liability of approximately $1,821,000; this liability has not been recorded on the books of the Company.

At April 2, 1994, the estimated fair value of the interest rate protection agreement was an asset of approximately $42,000; this asset has not been recorded on the books of the Company.

Maturities of long-term debt during each of the next five fiscal years are approximately $914,000, $1,000,000, $1,100,000, $45,518,000 and $217,873,000, respectively.

The Company was in compliance with the terms and restrictive covenants of its debt obligations as of April 2, 1994 and for the 52 weeks then ended.

NOTE 9 - PROPERTY LEASES

The Company operates principally in leased stores, distribution facilities and offices, and in most cases holds renewal options with varying terms. Many of the leases contain clauses which provide for increased rentals based upon increases in real estate taxes and lessors' operating expenses.

The following is a schedule by year of future minimum payments under capital leases together with the present value of net minimum lease payments as of April 2, 1994 (in thousands):

<TABLE>
<S> <C>

Years ended March:	
1995	$22,734
1996	21,301
1997	19,845
1998	18,984
1999	18,190
Later years	191,058
Total minimum lease payments	292,112
Less: estimated executory costs included in total minimum lease payments	847

Net minimum lease payments	291,265
Less: portion representing interest	164,026
Present value of net minimum lease payments	127,239
Less: current portion of capital lease obligations	7,099
Capital lease obligations	$120,140

</TABLE>

The minimum lease payments shown above do not include future minimum sublease rental income of $991,000 under non-cancelable subleases or payments for contingent rentals under certain store leases on the basis of sales in excess of stipulated amounts.

Contingent rentals incurred on capital leases for the 52 weeks ended March 28, 1992, for the 53 weeks ended April 3, 1993 and for the 52 weeks ended April 2, 1994 were $423,000, $358,000 and $313,000, respectively.

NOTE 9 - PROPERTY LEASES (CONTINUED)

The following is a schedule by year of future minimum rental payments, less minimum sublease rental income, under operating leases that have initial lease terms in excess of one year as of April 2, 1994 (in thousands):

<TABLE>
<S>
<C>

Years ended March:	
1995	$28,331
1996	28,075
1997	26,626
1998	25,303
1999	23,637
Later years	136,547
Total minimum payments	268,519
Less: sublease rental income	5,879
Net minimum rentals	$262,640

</TABLE>

Total rental expense for all operating leases is as follows:

<TABLE>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
		(in thousands)	
<S>	<C>	<C>	<C>
Minimum rentals	$37,003	$34,764	$26,512
Contingent rentals	4,029	3,963	3,658
	$41,032	$38,727	$30,170

</TABLE>

As of April 2, 1994, the Company is contingently liable to third parties arising from assignment of various leases, which resulted primarily from the disposals of unprofitable operations during the mid 1980s. The average remaining term of these leases is approximately three years, with varying rental terms. The Company is exposed to credit loss in the event of nonperformance by various assignees. The Company has not experienced and does not anticipate any material nonperformance by these assignees.

NOTE 10 - REDEEMABLE STOCK AND NONREDEEMABLE COMMON STOCK AND STOCKHOLDERS' DEFICIT

Changes in Redeemable Common Stock and Nonredeemable Common Stock and Stockholders' Deficit were as follows:

<TABLE>
<CAPTION>

		Nonredeemable Common Stock and Stockholders' Deficit		
	Redeemable Common Stock	Common Stock	Additional Paid-in-Capital	(Deficit)
		(in thousands)		
<S>	<C>	<C>	<C>	<C>
Balance at March 30, 1991	$12,358	$1	$ --	$(112,644)
Net loss	--	--	--	(65,053)
Pension adjustment	--	--	--	(259)
Accrued preferred stock dividends	--	--	--	(12,856)
Balance at March 28, 1992	12,358	1	--	(190,812)
Net loss	--	--	--	(313,421)
Capital contribution	--	--	5,004	--
Proceeds from the sale of warrants	--	--	1,187	--
Reclassification of redeemable common stock sold by management to third parties	(3,180)	--	3,180	--
Accrued preferred stock dividends	--	--	(9,371)	(5,252)
Notes receivable from management investors	--	--	--	(501)
Pension adjustment	--	--	--	(358)
Proceeds from sale of common stock to management investors	369	--	--	--
Balance at April 3, 1993	9,547	1	--	(510,344)
Net loss	--	--	--	(117,953)
Accrued preferred stock dividends	--	--	--	(16,011)
Pension adjustment	--	--	--	(456)
Reclassification of redeemable common stock purchased from management investors	(140)	--	--	140
Payments of notes receivable from former management investors	--	--	--	7
Balance at April 2, 1994	$9,407	$1	$ -	$(644,617)

</TABLE>

The redeemable common stock represents shares held by management investors, which are redeemable under certain limited circumstances at the option of the holder.

Prior to the Recapitalization, 75,000 shares of common stock of Holdings were issued and outstanding and 17,500 shares of common stock of Holdings were reserved for issuance pursuant to exercise of outstanding options and warrants.

The Recapitalization included the sale of shares of common stock and of options and warrants to purchase common stock held by Salomon Brothers Holding Company Inc, by the banks party to Grand Union's bank credit agreements which were terminated in connection with the Recapitalization and by certain members of management, as well as the purchase of shares of common stock and of warrants to purchase shares of common stock by various investment funds and institutional investors. Purchases and sales of Holdings common stock interests, including options and warrants, in connection with the Recapitalization (the "Stock Transactions") were made through a disbursement escrow account established for the purpose of effecting various transfers of interests in Holdings common stock (the "Equity Escrow"). Holdings issued 1,250 new warrants for proceeds of approximately $1,187,000 in connection with the Recapitalization. The Stock Transactions did not involve any payments by Grand Union or Holdings. Holdings received a capital contribution from the Equity Escrow of approximately $5,004,000

as a result of the net transfer of interests. As part of the Stock Transactions, the Company's Chairman transferred to the Equity Escrow an option, granted in connection with the acquisition of Grand Union by Holdings in July 1989, and a note payable to Holdings in the amount of approximately $3,563,000 in exchange for 8,229 shares of Holdings common stock. The note payable to Holdings has a maturity of 10 years, provides for interest equal to any cash dividends paid on the 8,229 shares of Holdings common stock and is secured by, and with recourse limited to, the 8,229 shares of Holdings common stock and any property (other than cash) distributed on or with respect to such shares. The note has been recorded as an offset to the attributed value of the common shares

issued.

At the time of the Recapitalization, Holdings issued 388 shares of common stock to certain members of Grand Union management, for which Holdings received cash proceeds of approximately $369,000. After giving effect to the Stock Transactions and the sale of such 388 shares to management investors, there were 75,388 shares of common stock of Holdings outstanding (including 26,719 shares of non-voting, Class B common stock) and 18,750 shares of common stock of Holdings are reserved for issuance pursuant to exercise of outstanding warrants which may be exercised, at a nominal price, at any time prior to July 23, 2007.

During the 52 weeks ended April 2, 1994, Holdings purchased 164 shares of common stock from former management investors for approximately $156,000 (of which $140,000 was carried as Redeemable Common Stock) and in related transactions was repaid $7,000 to fully satisfy notes receivable from these management investors.

Changes in Redeemable Preferred Stock were as follows:

<TABLE>
<CAPTION>

	Redeemable Preferred Stock			
	Series A Preferred Stock	Series B Preferred Stock	Series C Preferred Stock	Total
		(in thousands)		
<S>	<C>	<C>	<C>	<C>
Balance at March 30, 1991	$42,968	$7,903	$53,770	$104,641
Accrued preferred stock dividends	5,294	936	6,626	12,856
Preferred stock dividends	--	(941)	--	(941)
Balance at March 28, 1992	48,262	7,898	60,396	116,556
Accrued preferred stock dividends	6,071	955	7,597	14,623
Preferred stock dividends	-	(939)	--	(939)
Balance at April 3, 1993	54,333	7,914	67,993	130,240
Accrued preferred stock dividends	6,697	936	8,378	16,011
Preferred stock dividends	--	(939)	--	(939)
Balance at April 2, 1994	$61,030	$7,911	$76,371	$145,312

</TABLE>

The Company has outstanding at April 2, 1994 three classes of preferred stock. The Series A cumulative exchangeable redeemable preferred stock ("Series A preferred stock") has a $.01 par value; 500,000 shares authorized; and 351,745 shares issued and outstanding. The Series B cumulative redeemable convertible preferred stock ("Series B preferred stock") has a $.01 par value; 500,000 shares authorized; and 78,256 shares issued and outstanding. The Series C cumulative redeemable convertible preferred stock ("Series C preferred stock") has a $.01 par value; 500,000 shares authorized; and 440,771 shares issued and outstanding.

The Series A, Series B and Series C preferred stock each carry dividend rates of 12% per annum. At the discretion of the Company cash dividends are payable on the Series A, Series B and Series C preferred stock semi-annually each March 1 and September 1; however, no cash dividends may be declared or paid on the Series A, Series B or Series C preferred stock while the Bank Credit Agreement is outstanding or if such declaration or payment would violate the terms of indebtedness incurred to refinance the 13% Notes or the Bank Credit Agreement. So long as cash dividends are prohibited, dividends on the Series B preferred stock are payable in Junior Notes annually each March 1. Series B preferred stock, and accrued and unpaid dividends thereon, may

be converted at any time, at the holder's option, into shares of Series C preferred stock. Series C preferred stock, and accrued and unpaid dividends thereon, may be converted at any time, at the holder's option, into shares of Series B preferred stock; or the Series C preferred shares may be converted at any time, at the holder's option, into the same number of shares of Series B preferred stock and the accrued and unpaid dividends on such stock into a principal amount of Junior Notes. Holdings preferred stock has no voting rights except as required by law and except that holders of each series have a class vote as to any matter which would change the preferences, rights or powers of such series and the vote of all series of preferred stock, voting together, is

required to issue any prior ranking preferred stock.

The dividend rate on the Series A, Series B and Series C preferred stock increases from 12% to 20% as of July 14, 1996. The Company expects to redeem the Series A, Series B and Series C preferred stock on or before the date of the dividend step-up. Accordingly, accrued undeclared dividends have been recorded at a rate of 12% as a reduction in additional paid-in-capital or as an increase in stockholders' deficit, and as an increase in the respective preferred stock carrying values.

Series A preferred stock may be exchanged into Junior Notes at the sole option of the Company, in whole, or in part. Series A, Series B and Series C preferred stock may be redeemed at any time at the option of the Company, in whole, or in part. The redemption of Series A, Series B and Series C preferred stock must be in pro rata amounts. Series A, Series B and Series C preferred stock is redeemable at the holders' option under certain limited circumstances relating to change of control and, accordingly, outstanding amounts of these classes of preferred stock are shown as Redeemable stock in the accompanying Consolidated Balance Sheet. The redemption price of Series A, Series B and Series C preferred stock is one hundred dollars per share plus accrued and unpaid dividends as of the date of redemption. The liquidation preference of Series A, Series B and Series C preferred stock is one hundred dollars per share plus accrued and unpaid dividends.

Upon the liquidation or dissolution of the Company the priority of amounts payable to holders of preferred stock is as follows: (i) the amount of accrued and unpaid dividends on the Series B preferred stock, and any outstanding principal and accrued interest on Junior Notes; (ii) the amount of accrued and unpaid dividends on the Series A and Series C preferred stock; (iii) one hundred dollars per share for outstanding Series A and Series C preferred stock; and (iv) one hundred dollars per share for outstanding Series B preferred stock.

At April 2, 1994, the fair value of Holdings' redeemable preferred stock was approximately $98,378,000. The redeemable common stock of Holdings is neither traded nor a quoted security and an estimate of fair value has not been presented since it cannot be determined without incurring excessive costs.

NOTE 11 - PENSION PLANS

The Company's net periodic pension expense for the 52 weeks ended March 28, 1992, for the 53 weeks ended April 3, 1993 and for the 52 weeks ended April 2, 1994 was $1,661,000, $3,867,000 and $6,744,000, respectively, and included the following components:

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
		(in thousands)	
<S>	<C>	<C>	<C>
Service cost - benefits earned during the period	$5,627	$5,629	$5,212
Interest costs on projected benefit obligations	13,161	13,726	13,742
Return on plan assets	(19,165)	(21,504)	(9,068)
Net amortization and deferral	2,038	4,337	(7,610)
Charge relating to early retirement program	--	--	4,468
Curtailment loss	--	1,679	--
Net periodic pension expense	$1,661	$3,867	$6,744

</TABLE>

As a result of the disposal of the Southern Region and an early retirement program offered to certain employees, a net curtailment loss of approximately $1,679,000 was incurred for the 53 weeks ended April 3, 1993. During the 52 weeks ended April 2, 1994, the Company incurred a charge of $4,468,000 relating to an early retirement program offered to certain employees.

The actuarial present value of benefit obligations and the funded status of the Company's qualified pension plan as of April 3, 1993 and April 2, 1994 are as follows:

<TABLE>
<CAPTION>

	April 3,	April 2,

	1993	1994
	(in thousands)	
<S>	<C>	<C>
Actuarial present value of benefit obligations:		
Vested benefits	$156,921	$160,910
Nonvested benefits	4,160	4,503
Total benefits	$161,081	$165,413
Projected benefit obligations	$(181,021)	$(177,518)
Plan assets, primarily stocks and bonds, at fair value	196,259	181,337
Funded status	15,238	3,819
Unrecognized net loss	13,579	18,299
Unrecognized prior service cost	1,032	1,736
Pension asset	$29,849	$23,854

</TABLE>

NOTE 11 - PENSION PLANS (CONTINUED)

The actuarial present value of benefit obligations of the Company's unqualified and unfunded pension plan as of April 3, 1993 and April 2, 1994 is as follows:

<TABLE>
<CAPTION>

	April 3, 1993	April 2, 1994
	(in thousands)	
<S>	<C>	<C>
Actuarial present value of benefit obligations:		
Vested benefits	$5,654	$5,739
Nonvested benefits	180	624
Total benefits	$5,834	$6,363
Projected benefit obligations	$(6,432)	$(7,110)
Unrecognized net loss	1,595	2,033
Unrecognized prior service cost	--	(32)
Adjustment required to recognize minimum liability	(997)	(1,254)
Pension obligation	$(5,834)	$(6,363)

</TABLE>

The pension asset and pension obligation are included in Other assets and Other liabilities, respectively, in the accompanying Consolidated Balance Sheet.

Significant actuarial assumptions used in all Company sponsored plans were as follows:

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
<S>	<C>	<C>	<C>
Discount rates	8.0% - 8.8%	8.0% - 8.8%	7.0% - 8.0%
Rates of increase in future compensation	4.7% - 5.3%	4.9% - 5.3%	3.9% - 4.3%
Long-term rate of return on plan assets	9.8%	9.5%	9.5%

</TABLE>

NOTE 12 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Company provides certain health care and life insurance benefits for

substantially all of its full-time non-union employees and union employee groups. The Company's union employee groups are participants in multi-employer plans which require monthly contributions and which are not subject to the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("FAS No. 106"). In the fiscal years ended March 28, 1992 and April 3, 1993, the Company recognized $2,110,000 and $2,329,000, respectively, as an expense for postretirement health care and life insurance benefits for its non-union employees, as claims were paid (pay-as-you-go basis). The Company's postretirement plans currently are not funded. Additionally, at April 3, 1993, in connection with the disposition of the Southern Region, Grand Union provided approximately $2,920,000 relating to anticipated postretirement health care and life insurance benefits of Southern Region employees.

Effective April 4, 1993, the Company adopted FAS No. 106, which requires the Company to accrue the estimated cost of retiree benefit payments during the years each employee provides services. The Company recognized the cumulative effect of this obligation, an increase in accrued postretirement benefit costs of $30,308,000 and a decrease in net earnings of $30,308,000 ($402.03 per share), at April 4, 1993.

NOTE 12 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (CONTINUED)

The unfunded accumulated postretirement benefit obligation consists of the following at April 4, 1993, including amounts provided at April 3, 1993 in connection with the disposition of the Southern Region, and April 2, 1994:

<TABLE>
<CAPTION>

	April 4, 1993 (date of adoption)	April 2, 1994
	(in thousands)	
<S>	<C>	<C>
Retirees	$18,129	$17,050
Fully eligible active plan participants	5,807	2,411
Other active plan participants	9,292	15,645
Unrecognized net loss	--	(1,412)
	$33,228	$33,694

</TABLE>

Net postretirement benefit cost for the 52 weeks ended April 2, 1994 consisted of the following components (in thousands):

<TABLE>

<S>	<C>
Service cost - benefits earned during the period	$728
Interest cost on accumulated postretirement benefit obligation	2,571
	$3,299

</TABLE>

The assumed health care trend cost rate used in measuring the accumulated postretirement obligation as of April 4, 1993 was 15% for associates pre-age 65 and ranges from 12% to 15% for associates post-age 65 for 1993 decreasing each successive year by 1% until the respective trend rates reach 6.5% after which the trend rate remains constant. As of April 2, 1994, the rate used in measuring the accumulated postretirement obligation was 14% for associates pre-age 65 and 11% for associates post-age 65, decreasing each successive year by 1% until the respective trend rates reach 5% after which the trend rate remains constant. An increase of 1% in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation and the net postretirement health care cost by approximately $800,000 and $100,000, respectively.

Prior to January 1, 1994, Grand Union provided medical benefits which were, in part, dependent upon the health care cost rate. Effective January 1, 1994, Grand Union modified its postretirement health care benefits to provide benefits for all future retirees based on a service related flat dollar premium allowance. Accordingly, the health care trend rate will not be a significant factor in determining Grand Union's liability for future retirees under its postretirement health care arrangements. The modification to the plan did not have a material effect on the accumulated postretirement benefit obligation.

The assumed discount rate used in determining the accumulated postretirement benefit obligation was 8% and 7.5% at April 4, 1993 and April 2, 1994, respectively, and the interest cost component of the net periodic cost was 8%.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Company is party to a financial advisory agreement with Miller Tabak Hirsch + Co. ("MTH") under which MTH provides certain financial consulting and business management services to the Company through July 1997. During the 52 weeks ended March 28, 1992, the 53 weeks ended April 3, 1993 and the 52 weeks ended April 2, 1994 the Company paid $600,000, $825,000 and $900,000, respectively, to MTH.

NOTE 13 - RELATED PARTY TRANSACTIONS (CONTINUED)

In conjunction with the Recapitalization, Holdings, through Grand Union, made a $15,000,000 prepayment as called for under an agreement (the "Operating Agreement") between Grand Union and P&C Food Markets ("P&C Foods"), an affiliated company controlled by MTH, whereby Grand Union in July 1990 acquired the right to operate 13 P&C Foods' stores in New England under the Grand Union name until July 2000 for an average annual rent of approximately $10,700,000, with an option to extend the term of such operation for an additional five years. The prepayment results in a reduction of rent payments over the remaining life of the lease. In July 1990, P&C Foods also granted Grand Union an option (the "P&C Foods Purchase Option"), at a cost of $7,500,000, to purchase such stores at an amount defined in the Operating Agreement which approximates fair market value.

During the year ended April 2, 1994, Grand Union entered into a program to consolidate the purchasing and distribution of health and beauty care products and general merchandise with Penn Traffic. Under this program, Grand Union purchases health and beauty care ("HBC") products for both Grand Union and Penn Traffic, and Penn Traffic purchases general merchandise ("GM") products for both Penn Traffic and Grand Union. Grand Union's general merchandise warehouse in Montgomery, New York is used to store and distribute HBC and GM products to Grand Union stores and to certain of Penn Traffic's stores and wholesale customers. Under the arrangement, Penn Traffic owns the inventory of GM and HBC products located at the Montgomery warehouse and shares the cost of operating the warehouse in an amount proportionate to Penn Traffic's usage of the facility. In connection with this agreement, Penn Traffic purchased all of the HBC and GM inventories previously owned by Grand Union for approximately $12,821,000. During the year ended April 2, 1994, Grand Union purchased from vendors approximately $75,262,000 of HBC products under the agreement which amounts are reimbursable to Grand Union by Penn Traffic. Additionally, Grand Union purchased approximately $48,163,000 from Penn Traffic's inventory of HBC and GM products at cost. At April 2, 1994, Grand Union has recorded a net receivable of approximately $5,014,000 related to this agreement.

NOTE 14 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
		(in thousands)	
<S>	<C>	<C>	<C>
Cash paid for interest	$89,457	$115,612	$142,501
Cash paid for income taxes	8,969	3,380	--
Capital lease obligations incurred	11,810	22,146	24,522
Accrued dividends on preferred stock	12,856	14,623	16,011
Issuance of Junior Notes	941	939	939

</TABLE>

NOTE 15 - QUARTERLY FINANCIAL DATA (UNAUDITED)
<TABLE>
<CAPTION>

53 WEEKS ENDED APRIL 3, 1993:

	1st (a)	2nd	3rd	4th (b)

	(in thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Sales	$907,970	$660,947	$660,830	$604,240
Gross profit	253,800	187,243	183,176	177,287
Loss on disposal of the Southern Region	--	--	--	(198,000)
Loss before income taxes and extraordinary charges	(16,680)	(15,113)	(13,880)	(215,550)
Extraordinary charges	--	(40,493)	--	(7,170)
Net loss	(20,843)	(55,975)	(13,880)	(222,723)
Accrued preferred stock dividends	(4,253)	(3,275)	(3,369)	(3,726)
Net loss applicable to common stock	(25,096)	(59,250)	(17,249)	(226,449)
Net loss per share applicable to common stock	(334.61)	(785.93)	(228.80)	(3,009.33)

52 WEEKS ENDED APRIL 2, 1994:

	1st (a)	2nd	3rd	4th
	(in thousands, except per share data)			
Sales	$761,098	$559,769	$583,492	$572,980
Gross profit	215,102	159,614	171,145	165,175
Charge relating to early retirement program	--	--	--	(4,468)
Loss before income taxes and cumulative effect of accounting change	(28,457)	(16,546)	(16,933)	(25,709)
Cumulative effect of accounting change	(30,308)	--	--	--
Net loss	(58,765)	(16,546)	(16,933)	(25,709)
Accrued preferred stock dividends	(4,743)	(3,667)	(3,760)	(3,841)
Net loss applicable to common stock	(63,508)	(20,213)	(20,693)	(29,550)
Net loss per share applicable to common stock	(843.20)	(268.65)	(275.09)	(392.83)

<FN>
(a) Represents 16 weeks, all other quarters except footnote (b) are 12 weeks.
(b) Represents 13 weeks.
</TABLE>

Grand Union regularly records as reductions to cost of goods sold, and correspondingly deducts from payments to vendors, promotional allowances offered by vendors. During the 52 weeks ended April 2, 1994, Grand Union recognized that its level of repayments of vendor allowances was greater than that customarily experienced by it. Beginning in the second quarter of the year ended April 2, 1994, Grand Union modified its procedures relating to the recording and deduction of promotional allowances. These changes are expected to improve the consistency of inter-period income recognition by reducing required adjustments to previously deducted amounts. As a result of these changes, the Company estimates that it experienced increases in net loss of approximately $4,200,000 during the 12 weeks ended October 16, 1993, $1,400,000 during the 12 weeks ended January 8, 1994 and $600,000 during the 12 weeks ended April 2, 1994. Grand Union estimates that the impact of promotional allowance adjustments was to decrease net loss during the 16 weeks ended July 24, 1993 by $1,700,000. Accordingly, the estimated impact for the 52 weeks ended April 2, 1994 was an increase in net loss of approximately $4,500,000. The impact of promotional allowance adjustments was not material to prior years. Grand Union believes that such impact will be minimal for periods subsequent to April 2, 1994.

During the 12 weeks ended October 16, 1993, Grand Union recorded a $3,800,000 credit to operating and administrative expense resulting from a reduction in the Company's estimate of its required level of self insurance reserves.

FINANCIAL STATEMENTS SCHEDULES

GRAND UNION HOLDINGS CORPORATION
SCHEDULE II- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES
FOR THE YEARS ENDED MARCH 28, 1992, APRIL 3, 1993 AND APRIL 2, 1994

<TABLE>
<CAPTION>

Name of Debtor	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year Noncurrent
<S>	<C>	<C>	<C>	<C>
Year Ended March 28, 1992				
Joseph J. McCaig, President	$ -	$ -	$ -	$ -
Year Ended April 3, 1993				
Joseph J. McCaig, President	$ -	$227,676	$ -	$227,676

Year Ended April 2, 1994				
Joseph J. McCaig, President	$227,676	$ -	$ -	$227,676

</TABLE>

GRAND UNION HOLDINGS CORPORATION
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
	(in thousands except per share data)		
<S>	<C>	<C>	<C>
Administrative expense	$(15)	$ --	$(10)
Equity income (loss) of subsidiary before extraordinary charges and cumulative effect of accounting change	5,832	(237,777)	(86,944)
Recapitalization expense	--	(3,516)	--
Interest expense:			
Debt	(65,120)	(22,674)	(691)
Amortization of deferred financing fees	(5,718)	(1,789)	--
Loss before income taxes, extraordinary charges and cumulative effect of accounting change	(65,021)	(265,756)	(87,645)
Income tax provision	(32)	(2)	--
Loss before extraordinary charge and cumulative effect of accounting change	(65,053)	(265,758)	(87,645)
Extraordinary charge relating to early extinguishment of debt of subsidiary	--	(38,827)	--
Extraordinary charges relating to early extinguishment of debt	--	(8,836)	--
Cumulative effect of accounting change of subsidiary	--	--	(30,308)
Net loss	(65,053)	(313,421)	(117,953)
Accrued preferred stock dividends	(12,856)	(14,623)	(16,011)
Net loss applicable to common stock	$(77,909)	$(328,044)	$(133,964)
Weighted average number of common shares outstanding	75,000	75,249	75,258
Per Share Data:			
Loss applicable to common stock before extraordinary charge and cumulative effect of accounting change (after accrued preferred stock dividends)	$(1,038.79)	$(3,726.05)	$(1,377.34)
Extraordinary charge	--	$(633.40)	--
Cumulative effect of accounting change	--	--	$(402.72)
Net loss applicable to common stock	$(1,038.79)	$(4,359.45)	$(1,780.06)

</TABLE>

See accompanying notes to consolidated financial statements.

GRAND UNION HOLDINGS CORPORATION
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEET

<TABLE>
<CAPTION>

	April 3, 1993	April 2, 1994
	(in thousands)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and temporary cash investments	$611	$183
Receivables	--	269
Total current assets	$611	$452
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Long-term debt	$5,521	$7,151
Accumulated losses of subsidiary in excess of investment	365,646	483,354
Commitments and contingencies		
Redeemable stock:		
Common stock, $.01 par value	9,547	9,407
Preferred stock (liquidation preference $145,312,000 in aggregate)	130,240	145,312
Total redeemable stock	139,787	154,719
Nonredeemable common stock and stockholders' deficit:		
Class A common stock, $.01 par value; authorized 473,281 shares; issued and outstanding 48,669 and 48,505 shares (net of treasury shares) less 12,096 and 11,932 shares, respectively, shown as redeemable common stock	1	1
Class B common stock, $.01 par value; 26,719 shares authorized, issued and outstanding	--	--
Treasury stock; 164 shares of Class A common stock at cost	--	(156)
Accumulated deficit	(510,344)	(644,617)
Total nonredeemable common stock and stockholders' deficit	(510,343)	(644,772)
	$611	$452

</TABLE>

See accompanying notes to consolidated financial statements.

GRAND UNION HOLDINGS CORPORATION
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	52 Weeks Ended March 28, 1992	53 Weeks Ended April 3, 1993	52 Weeks Ended April 2, 1994
		(in thousands)	
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net loss	$(65,053)	$(313,421)	$(117,953)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:			
Cumulative effect of accounting change of subsidiary	--	--	30,308
Extraordinary charge of subsidiary	--	38,827	--
Extraordinary charge on early extinguishment of debt	--	8,836	--
Noncash interest	65,325	22,678	691
Equity in (income) loss of subsidiary	(5,832)	237,777	86,944
Amortization of deferred financing fees	5,718	1,789	--
Receivables	(111)	111	(269)
Accrued liabilities	(177)	--	--
Other	29	(1,873)	7

Net cash used for operating activities	(101)	(5,276)	(272)
FINANCING ACTIVITIES:			
Dividend from subsidiary	--	498,925	--
Capital contribution	--	5,004	--
Proceeds from issuance of warrants	--	1,187	--
Proceeds from issuance of common stock	--	369	--
Retirement of long-term debt	(10)	(500,000)	--
Purchase of redeemable Class A common stock	--	--	(156)
Net cash provided by (used for) financing activities	(10)	5,485	(156)
Increase (decrease) in cash and temporary cash investments	(111)	209	(428)
Cash and temporary cash investments at beginning of year	513	402	611
Cash and temporary cash investments at end of year	$402	$611	$183

</TABLE>

See accompanying notes to consolidated financial statements.

GRAND UNION HOLDINGS CORPORATION
SCHEDULE IV - INDEBTEDNESS TO
RELATED PARTIES - NONCURRENT
FOR THE YEARS ENDED MARCH 28, 1992, APRIL 3, 1993 AND APRIL 2, 1994

<TABLE>
<CAPTION>

Name of Debtor	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
<S>	<C>	<C>	<C>	<C>
Year Ended March 28, 1992				
Salomon Brothers Holding Company Inc	$155,962	$17,298	$ 5,435	$167,825
Year Ended April 3, 1993				
Salomon Brothers Holding Company Inc	$167,825	$22,765	$190,590	$ --
Year Ended April 2, 1994				
Salomon Brothers Holding Company Inc	$ --	$ --	$ --	$ --

</TABLE>

GRAND UNION HOLDINGS CORPORATION
SCHEDULE V - PROPERTY, PLANT & EQUIPMENT
FOR THE YEARS ENDED MARCH 28, 1992, APRIL 3, 1993 AND APRIL 2, 1994

<TABLE>
<CAPTION>

Classification -	Balance at Beginning of Year	Additions at Cost	Retirements	Other	Balance at End of Year
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Year Ended March 28, 1992					
Property owned:					
Land	$19,508	$26	$(752)	$1,149*	$19,931
Buildings	42,355	1,015	(2,370)	4,072*	45,072
Fixtures and equipment	209,142	21,541	(2,511)	--	228,172
Leasehold improvements	108,294	6,711	(2,360)	--	112,645
Property owned	$379,299	$29,293	$(7,993)	$5,221	$405,820
Property leased:					
Land and buildings	$103,613	$6,539	$(169)	$(5,221)*	$104,762
Equipment	2,273	5,271	--	--	7,544

Property leased	$105,886	$11,810	$(169)	$(5,221)	$112,306
Year Ended April 3, 1993					
Property owned:					
Land	$19,931	$250	$(1,306)	$ --	$18,875
Buildings	45,072	12,644	(6,551)	--	51,165
Fixtures and equipment	228,172	29,540	(50,204)	--	207,508
Leasehold improvements	112,645	15,654	(9,939)	--	118,360
Property owned	$405,820	$58,088	$(68,000)	$ --	$395,908
Property leased:					
Land and buildings	$104,762	$14,038	$(30,382)	$ --	$88,418
Equipment	7,544	8,108	(2,821)	--	12,831
Property owned	$112,306	$22,146	$(33,203)	$ --	$101,249
Year Ended April 2, 1994					
Property owned:					
Land	$18,875	$1,110	$(670)	$ --	$19,315
Buildings	51,165	4,426	(1,905)	--	53,686
Fixtures and equipment	207,508	42,340	(1,618)	--	248,230
Leasehold improvements	118,360	21,321	(5,904)	--	133,777
Property owned	$395,908	$69,197	$(10,097)	$ --	$455,008
Property leased:					
Land and buildings	$88,418	$19,311	$(4,501)	$ --	$103,228
Equipment	12,831	5,211	(1,137)	--	16,905
Property owned	$101,249	$24,522	$(5,638)	$ --	$120,133

<FN>
* Represents the buyout of a capital lease obligation.

</TABLE>

GRAND UNION HOLDINGS CORPORATION
SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION & AMORTIZATION
OF PROPERTY, PLANT & EQUIPMENT
FOR THE YEARS ENDED MARCH 28, 1992, APRIL 3, 1993 AND APRIL 2, 1994

<TABLE>
<CAPTION>

Classification	Balance at Beginning of Year	Additions	Retirements	Other	Balance at End of Year
<S>	<C>	<C>	(in thousands) <C>	<C>	<C>
Year Ended March 28, 1992					
Property owned:					
Buildings	$2,393	$1,409	$(169)	$1,091*	$4,724
Fixtures and equipment	50,069	29,966	(2,045)	--	77,990
Leasehold improvements	18,128	10,791	(992)	--	27,927
Property owned	$70,590	$42,166	$(3,206)	$1,091	$110,641
Property leased:					
Buildings	$10,403	$6,544	$(169)	$(1,091)*	$15,687
Equipment	671	1,143	--	--	1,814
Property leased	$11,074	$7,687	$(169)	$(1,091)	$17,501
Year Ended April 3, 1993					
Property owned:					
Buildings	$4,724	$1,684	$(501)	$ --	$5,907

Fixtures and equipment	77,990	31,849	(23,808)	--	86,031
Leasehold improvements	27,927	10,687	(5,018)	--	33,596
Property owned	$110,641	$44,220	$(29,327)	$ --	$125,534
Property leased:					
Buildings	$15,687	$8,170	$(12,670)	$ --	$11,187
Equipment	1,814	945	(2,502)	--	257
Property leased	$17,501	$9,115	$(15,172)	$ --	$11,444
Year Ended April 2, 1994					
Property owned:					
Buildings	$5,907	$3,162	$(249)	$ --	$8,820
Fixtures and equipment	86,031	29,565	(6,626)	--	108,970
Leasehold improvements	33,596	10,138	(3,247)	--	40,487
Property owned	$125,534	$42,865	$(10,122)	$ --	$158,277
Property leased:					
Buildings	$11,187	$6,282	$(3,892)	$ --	$13,577
Equipment	257	3,613	(1,137)	--	2,733
Property leased	$11,444	$9,895	$(5,029)	$ --	$16,310

<FN>
* Represents the buyout of a capital lease obligation.

</TABLE>

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the quarterly period ended January 7, 1995

Commission File Number 33-59438

THE GRAND UNION COMPANY

(Exact name of registrant as specified in its charter)

Delaware	22 - 1518276
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
201 Willowbrook Boulevard, Wayne, New Jersey	07470 - 0966
(Address of principal executive offices)	(Zip Code)

201-890-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X . No .

As of February 21, 1995, there were issued and outstanding 801.5 shares of the registrant's common stock.

THE GRAND UNION COMPANY
INDEX

All items which are not applicable or to which the answer is negative have been omitted from this report.

The financial statements and related notes of Grand Union have not been separately presented herein since such financial statements reflect the accounts of Grand Union Capital Corporation pushed down to the accounts of Grand Union.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

GRAND UNION CAPITAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)

<TABLE>
<CAPTION>

	12 Weeks Ended		40 Weeks Ended	
	January 7, 1995	January 8, 1994	January 7, 1995	January 8, 1994
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
Sales	$563,281	$583,492	$1,867,636	$1,904,359
Cost of sales	(413,757)	(412,347)	(1,327,601)	(1,358,498)
Gross profit	149,524	171,145	540,035	545,861
Operating and administrative expense	(127,947)	(127,436)	(420,106)	(408,815)
Depreciation and amortization	(21,204)	(18,285)	(67,224)	(59,369)

Provision for store closings and nonrecurring item	(10,630)	--	(10,630)	--
Restructuring costs	(1,882)	--	(1,882)	--
Interest expense:				
Debt:				
Obligations requiring current cash interest	(31,893)	(29,648)	(104,583)	(98,216)
Obligations requiring no current cash interest	(9,564)	(8,286)	(31,154)	(26,751)
Capital lease obligations	(4,735)	(3,283)	(14,507)	(10,955)
Amortization of deferred financing fees	(1,187)	(1,140)	(3,914)	(3,691)
Loss before income taxes and cumulative effect of accounting change	(59,518)	(16,933)	(113,965)	(61,936)
Income tax provision	--	--	--	--
Loss before cumulative effect of accounting change	(59,518)	(16,933)	(113,965)	(61,936)
Cumulative effect of accounting change	--	--	--	(30,308)
Net loss	(59,518)	(16,933)	(113,965)	(92,244)
Accrued preferred stock dividends of Grand Union Holdings Corporation	(6,469)	(3,760)	(18,173)	(12,170)
Net loss applicable to common stock	($65,987)	($20,693)	($132,138)	($104,414)
Other Data:				
Earnings before LIFO provision, depreciation and amortization, provision for store closings and nonrecurring item, restructuring costs, interest expense, income taxes and cumulative effect of accounting change (EBITDA)	$21,802	$43,509	$120,679	$137,654

</TABLE>

See accompanying notes to consolidated financial statements (unaudited).

GRAND UNION CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEET
(unaudited)

<TABLE>
<CAPTION>

	January 7, 1995	April 2, 1994
	(in thousands)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and temporary cash investments	$43,300	$44,294
Receivables	20,651	37,072
Inventories	187,671	206,063
Other current assets	16,865	17,444
Total current assets	268,487	304,873
Property, net	433,253	400,554
Goodwill, net	549,113	563,276
Beneficial leases, net	28,570	33,074
Deferred financing fees, net	45,257	48,721
Other assets	42,144	43,726
	$1,366,824	$1,394,224
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$919	$914
Current portion of obligations under capital leases	7,513	7,099
Accounts payable and accrued liabilities	263,863	238,225
Total current liabilities	272,295	246,238
Long-term debt	1,444,520	1,404,089

Obligations under capital leases	142,032	120,140
Other noncurrent liabilities	112,252	113,810
Commitments and contingencies		
Redeemable stock of Grand Union Holdings Corporation (liquidation preference $163,485,000 in aggregate)	172,892	154,719
Stockholder's deficit:		
Common stock, $.01 par value; authorized, issued and outstanding 1,000 shares	1	1
Treasury stock of Grand Union Holdings Corporation	(156)	(156)
Accumulated deficit	(777,012)	(644,617)
Total stockholder's deficit	(777,167)	(644,772)
	$1,366,824	$1,394,224

</TABLE>

See accompanying notes to consolidated financial statements (unaudited).

GRAND UNION CAPITAL CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

	40 Weeks Ended	
	January 7, 1995	January 8, 1994
	(in thousands)	
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net loss	($113,965)	($92,244)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Cumulative effect of accounting change	--	30,308
Depreciation and amortization	67,224	59,369
Noncash interest	31,154	26,751
Amortization of deferred financing fees	3,914	3,691
Net changes in assets and liabilities:		
Receivables	16,421	(14,643)
Inventories	18,392	31,915
Accounts payable and accrued liabilities	25,638	(20,364)
Other current assets	579	(408)
Other	1,660	(14,980)
Net cash provided by (used for) operating activities	51,017	9,395
INVESTMENT ACTIVITIES:		
Capital expenditures	(56,777)	(62,636)
Disposals of property	2,016	--
Net cash used for investment activities	(54,761)	(62,636)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	10,000	50,011
Obligations under capital leases discharged	(6,532)	(5,184)
Loan placement fees	--	(1,775)
Retirement of long-term debt	(718)	(360)
Purchase of Grand Union Holdings Corporation common stock	--	(156)
Net cash provided by financing activities	2,750	42,536
Decrease in cash and temporary cash investments	(994)	(10,705)
Cash and temporary cash investments at beginning of period	44,294	69,651
Cash and temporary cash investments at end of period	$43,300	$58,946

Supplemental disclosure of cash flow information:		
Cash paid for interest	$84,226	$74,587
Capital lease obligations incurred	28,838	12,863
Accrued dividends on preferred stock of Grand Union Holdings Corporation	18,173	12,170

</TABLE>

See accompanying notes to consolidated financial statements (unaudited).

GRAND UNION CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - BASIS OF ACCOUNTING

The accompanying interim consolidated financial statements of Grand Union Capital Corporation ("Capital" or the "Company") have not been audited by independent accountants. However, in the opinion of management the results of operations include all adjustments, which consist only of normal recurring adjustments, necessary for a fair presentation of operating results for the interim periods. The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As discussed in Note 2 below, subsequent to January 7, 1995, Grand Union Holdings Corporation ("Holdings"), Capital, a wholly-owned subsidiary of Holdings, and The Grand Union Company ("Grand Union"), a wholly-owned subsidiary of Capital, each filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that may result from the outcome of the bankruptcy proceedings.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended April 2, 1994. Operating results for the periods presented are not necessarily indicative of the results for the full fiscal year.

NOTE 2 - RESTRUCTURING

On November 29, 1994, Grand Union announced that it was not likely that it would be able to fund cash interest payments due in early calendar 1995, and that it intended to develop a capital restructuring plan. On December 21, 1994, Grand Union entered into a Limited Waiver and Agreement with the banks party to the Bank Credit Agreement which waived any event of default which might exist under the Bank Credit Agreement should Grand Union fail to make payments of interest due on January 16, 1995 in respect of Senior and Subordinated Notes of Grand Union. The Limited Waiver and Agreement also waived compliance with certain covenants in the Bank Credit Agreement, thereby permitting Grand Union to continue to make borrowings in the ordinary course under its revolving line of credit through February 15, 1995. On January 16, 1995, Grand Union announced that, consistent with its previously announced expectations, it had not made the interest payments due January 16 on certain of its outstanding debt obligations.

On January 24, 1995, Grand Union announced that it had reached an agreement in principle with Grand Union's bank lenders and with members of informal committees of holders of Grand Union's Senior Notes and Senior Subordinated Notes on the terms of a restructuring of Grand Union's capital structure. On January 25, 1995, as part of the implementation of such agreement, Grand Union filed with the United States Bankruptcy Court, District of Delaware (the "Bankruptcy Court"), a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code.

On January 30, 1995, Grand Union (as debtor and as debtor-in-possession) entered into a credit agreement (the "DIP Facility") with the banks party thereto and with Bankers Trust Company, as Agent, providing for borrowings of up to $150 million on a revolving credit basis. Borrowings under the DIP Facility are secured by liens upon substantially all of the assets of Grand Union (with certain exceptions). The DIP Facility provides for an interest rate of 1.375% above the prime rate (as defined) or 2.375% above the LIBOR rate (as defined). The DIP Facility also provides for a commitment fee equal to 0.5% of the average unused portion. In addition, up to $20 million of letters of credit may be issued under the DIP Facility at an annual cost equal to 2 5/8% of the letters of credit issued. The DIP Facility includes covenants restricting indebtedness, liens, sales of assets, dividends, capital expenditures and investments, and provides minimum cash flow requirements. On January 30, 1995, the Bankruptcy Court issued an order approving the DIP Facility on an interim basis. The

Bankruptcy Court issued an order of final approval for the DIP Facility on February 16, 1995. On that date, the Bankruptcy Court also issued a Final Cash Collateral Order which will allow Grand Union to use cash collateral to pay operating expenses in the ordinary course of business.

Grand Union filed its proposed plan of reorganization (the "Plan") and related disclosure statement with the Bankruptcy Court on February 6, 1995. The Plan contemplates a five-year revolving credit facility of at least $148 million and a seven-year term loan facility of at least $57 million, all on terms to be finalized with Grand Union's bank lenders. The new bank debt will be secured by a lien on substantially all of the assets of Grand Union. The Plan provides that holders of Grand Union's existing Senior Notes will receive new nine-year senior notes in a principal amount equal to the principal amount of Senior Notes presently outstanding ($525 million), plus an amount equal to the accrued interest on the existing Senior Notes through September 1, 1995. The term sheet describing the new senior notes (the "Term Sheet") filed as part of the Plan states that the new senior notes will bear interest at the rate of 12% per annum, or 11.75% per annum if the new senior notes are secured by a second lien on Grand Union's assets. Grand Union believes that it is unlikely that the new senior notes will be secured by a second lien. In addition, there is a dispute as to whether the Term Sheet should be interpreted to provide for interest to begin to accrue on the new senior notes on (i) the earlier of the effective date of the Plan and September 1, 1995, or (ii) September 1, 1995. Recognizing that there is no difference in the interpretation if the effective date of the Plan is on or after September 1, 1995, the Plan provides that Grand Union can delay consummation of the Plan until September 1, 1995, even if all conditions to consummation of the Plan are satisfied or waived by Grand Union earlier.

The Plan also provides that the holders of Grand Union's existing Senior Subordinated Notes ($566 million principal amount currently outstanding) will exchange their Senior Subordinated Notes for 100% of the common equity of Grand Union. The existing common stock of Grand Union (which constitutes the principal asset of Capital, and indirectly of Holdings) would be cancelled. The Plan provides only for securities issued by Grand Union and consequently makes no provision for the 15% Senior Zero Coupon Notes and 16.50% Senior Subordinated Zero Coupon Notes issued by Capital or the 12% Junior Subordinated Notes and various classes of redeemable and nonredeemable common and preferred stock of Holdings.

Grand Union hopes to achieve completion of the restructuring, including confirmation of the Plan by the Bankruptcy Court, within 90 to 120 days of the date of filing of the bankruptcy proceedings. However, consummation of the Plan will be subject to a number of contingencies, including receipt of requisite creditor approvals. There can be no assurance as to whether the restructuring will be consummated, or whether it will be consummated as contemplated by the Plan.

On February 6, 1995, an involuntary Chapter 11 petition was filed in the Bankruptcy Court against Capital, by entities purporting to be holders of Capital's Senior Zero Coupon Notes and Senior Subordinated Zero Coupon Notes. On February 16, 1995, Capital commenced a voluntary Chapter 11 case in the Bankruptcy Court by consenting to the entry of an order for relief on that involuntary Chapter 11 petition. Following the entry of an order for relief, Capital expects to file a Plan of Reorganization and a Disclosure Statement within the time period provided by applicable law.

On February 16, 1995, Holdings filed a voluntary Chapter 11 petition in the Bankruptcy Court. Holdings expects to file a Plan of Reorganization and a Disclosure Statement within the time period provided by applicable law.

During the 12 weeks ended January 7, 1995, Grand Union recorded $1.9 million of professional fees and expenses incurred in connection with the restructuring of its debt. The costs associated with the restructuring, including advisory, accounting and legal fees, will increase net loss during the remainder of Grand Union's current fiscal year and during the fiscal year ended March 30, 1996.

NOTE 3 - STORE CLOSINGS AND NONRECURRING ITEM

During the 12 weeks ended January 7, 1995, Grand Union established a provision for store closings and a nonrecurring item totaling $10.6 million. The provision includes a charge of $14.6 million relating to the closure of fourteen stores principally consisting of the remaining book value of store fixed assets, store closing costs and estimated carrying costs through expected dates of disposition. Additionally, Grand Union realized $4.0 million of proceeds from the termination of a warehouse sublease.

NOTE 4 - INTANGIBLES

Grand Union periodically reassesses the appropriateness of both the carrying value and remaining life of goodwill. Based on its assessment of the enterprise value of Grand Union after the restructuring, Grand Union believes that the carrying value and useful life of goodwill continue to be appropriate.

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

RESULTS OF OPERATIONS

The following table sets forth certain statement of operations data:

<TABLE>
<CAPTION>

	12 Weeks Ended		40 Weeks Ended	
	January 7, 1995	January 8, 1994	January 7, 1995	January 8, 1994
	(dollars in millions)			
<S>	<C>	<C>	<C>	<C>
Sales	$563.3	$583.5	$1,867.6	$1,904.4
Gross profit	149.5	171.1	540.0	545.9
Operating and administrative expense	127.9	127.4	420.1	408.8
Depreciation and amortization	21.2	18.3	67.2	59.4
Provision for store closings and nonrecurring item	10.6	--	10.6	--
Restructuring costs	1.9	--	1.9	--
Interest expense	47.4	42.4	154.2	139.6
Cumulative effect of accounting change	--	--	--	30.3
Net loss	59.5	16.9	114.0	92.2
EBITDA	21.8	43.5	120.7	137.7
LIFO provision (benefit)	0.2	(0.2)	0.8	0.6
Sales percentage decrease (increase)	3.5%	(0.7)%	1.9%	2.8%
Gross profit as a percentage of sales	26.5	29.3	28.9	28.7
Operating and administrative expense as a percentage of sales	22.7	21.8	22.5	21.5
EBITDA as a percentage of sales	3.9	7.5	6.5	7.2

</TABLE>

Sales for the 12 and 40 weeks ended January 7, 1995 decreased $20.2 million and $36.7 million, or 3.5% and 1.9%, as compared to the 12 and 40 weeks ended January 8, 1994, respectively. Sales declined in both the 12 and 40 week periods of the current year due to the continuing effects of competitor store openings and weak economic conditions, particularly in the Northern Region, and increased emphasis on value-oriented products in the Northern Region, partially offset by increased sales from newly built or renovated stores. Additionally, approximately $7.5 million of the sales decline in both the 12 and 40 week periods resulted from the closure or sale of fourteen stores during the third quarter. Sales comparisons for the 40 week periods are also affected by the timing of Easter (the first quarter of the current fiscal year did not include the pre-Easter holiday shopping period, while the first quarter of the prior fiscal year included the pre-holiday period) and by the effect of the work stoppage experienced during the first quarter of the prior fiscal year. Existing store sales, influenced by the factors mentioned above (other than the store closures), decreased 3.2% and 4.2% for the 12 and 40 weeks ended January 7, 1995, respectively.

The decrease in gross profit, as a percentage of sales, for the 12 weeks ended January 7, 1995 resulted from increased product procurement costs related to Grand Union's announcement on November 29, 1994 that it was undertaking to restructure its debt, Grand Union's inability to make investments in lower cost forward buy inventory due to liquidity constraints and the marketing program introduced in the Northern Region during the second quarter of the current fiscal year. For the 40 weeks ended January 7, 1995, the gross profit rate reflected lower overall product procurement costs than the prior year, despite the higher product procurement costs in the third quarter, and increases in the sales mix of higher margin private label, general merchandise, bakery and produce products.

The increase in operating and administrative expense, as a percentage of sales, for the 12 and 40 weeks ended January 7, 1995 resulted primarily from increases, as a percentage of sales, in store labor and fringe benefits, utilities and occupancy costs. In addition to the factors mentioned above, the comparison of insurance expense for the 40 weeks ended January 7, 1995 to the prior year period is influenced by the reduction of self-insurance reserves of $3.8 million in the 40 weeks ended January 8, 1994.

Depreciation and amortization increased $2.9 million and $7.8 million for the 12 and 40 weeks ended January 7, 1995, respectively, as a result of Grand

Union's capital expenditure program.

During the 12 weeks ended January 7, 1995, Grand Union established a provision for store closings and a nonrecurring item totaling $10.6 million. The provision includes a charge of $14.6 million relating to the closure of fourteen stores principally consisting of the remaining book value of store fixed assets, store closing costs and estimated carrying costs through expected dates of disposition. Additionally, Grand Union realized $4.0 million of proceeds from the termination of a warehouse sublease.

Grand Union incurred professional fees and expenses of $1.9 million during the 12 weeks ended January 7, 1995 in connection with the restructuring of its debt. The costs associated with the restructuring, including advisory, accounting and legal fees, will increase net loss during the remainder of Grand Union's current fiscal year and during the fiscal year ended March 30, 1996.

Interest expense increased $5.0 million and $14.6 million for the 12 and 40 weeks ended January 7, 1995, respectively, primarily due to the increased level of debt outstanding.

During the 40 weeks ended January 8, 1994, Grand Union recorded a $30.3 million charge as the cumulative effect of an accounting change relating to the adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". This charge represents the portion of future retiree benefit costs related to service already rendered by both active and retired employees up to the date of adoption.

EBITDA (earnings before LIFO provision, depreciation and amortization, provision for store closings and nonrecurring item, restructuring costs, interest expense, income taxes and cumulative effect of accounting change) was $21.8 million or 3.9% of sales and $120.7 million or 6.5% of sales for the 12 and 40 weeks ended January 7, 1995, respectively, compared to $43.5 million or 7.5% of sales and $137.7 million or 7.2% of sales for the 12 and 40 weeks ended January 8, 1994, respectively. EBITDA was significantly affected during the 12 and 40 weeks ended January 7, 1995 by increased product procurement costs resulting from Grand Union's restructuring announcement, low levels of forward buy inventories due to liquidity constraints and the marketing program introduced earlier in the fiscal year in the Northern Region. These factors are expected to continue to affect the operations of Grand Union during the remainder of Grand Union's current fiscal year. EBITDA during the 40 weeks ended January 8, 1994 was reduced by an estimated $8.0 million as a result of lost sales, product losses and other costs experienced during the 22-day work stoppage in May 1993.

Grand Union anticipates that EBITDA for the current fiscal year ending April 1, 1995 will be approximately $140 million. EBITDA for the current fiscal year may be further reduced by additional declines in promotional allowances and other vendor support which had formerly been, but is not currently, available to Grand Union. This estimate of EBITDA for the current fiscal year does not consider any non-recurring income or expense such as that resulting from store closings, employee separation costs, lease cancellations or items of income or expense arising from or attributable to the restructuring process.

During the 12 weeks ended October 15, 1994, Grand Union commenced a new marketing program in certain of its Northern Region markets. The program includes both lower everyday prices and stronger feature programs. Grand Union believes it must continue and extend these investments in its store operations. Although these investments adversely affect gross profit in periods in which they are made, and there is no assurance that they will succeed in improving gross profit over the long term, Grand Union's believes that they are necessary in order to preserve and expand Grand Union's sales base.

Due to Grand Union's reduced operating cash flow, Grand Union has reduced its investment in forward buy inventory. This reduction of Grand Union's forward buy inventory adversely affected Grand Union's gross profit during the third quarter and will continue to adversely affect Grand Union's gross profit in future periods until its investment in forward buy inventory can be restored.

LIQUIDITY AND CAPITAL RESOURCES

Resources used to finance significant expenditures for the 40 weeks ended January 7, 1995 and January 8, 1994 are reflected in the following table:

<TABLE>
<CAPTION>

	40 Weeks Ended

	January 7, 1995	January 8, 1994
	(in millions)	
<S>	<C>	<C>
Resources used for:		
Capital expenditures	$56.8	$62.6
Debt and capital lease repayments	7.3	5.5
Loan placement fees	--	1.8
Purchase of Grand Union Holdings Corporation common stock	--	0.2
	$64.1	$70.1
Financed by:		
Operating activities, including cash and temporary cash investments	$52.1	$20.1
Debt incurred	10.0	50.0
Property disposals	2.0	--
	$64.1	$70.1

</TABLE>

During the 40 weeks ended January 7, 1995, funds for capital expenditures and scheduled debt repayments (principally capitalized leases) were obtained from cash provided by operating activities, borrowings under the Revolving Credit Facility and from property disposals. During the 40 weeks ended January 8, 1994, funds for capital expenditures, debt repayments and loan placement fees were obtained from cash provided by operating activities and from proceeds of the sale of $50 million principal amount of Senior Subordinated Notes, Series A.

On October 18, 1993, Grand Union acquired five supermarket locations on Long Island from Foodarama Supermarkets, Inc. for consideration of approximately $16.1 million, plus the value of the inventory at the stores (approximately $2 million). The acquisition was financed through the application of a portion of the proceeds of the sale to institutional investors of the 12 1/4% Senior Subordinated Notes, Series A on October 18, 1993.

During the 12 weeks ended January 7, 1995, Grand Union recorded $1.9 million of professional fees and expenses incurred in connection with the restructuring of its debt. The costs associated with the restructuring, including advisory, accounting and legal fees, will increase net loss during the remainder of Grand Union's current fiscal year and during the fiscal year ended March 30, 1996.

On November 29, 1994, Grand Union announced that it was not likely that it would be able to fund cash interest payments due in early calendar 1995, and that it intended to develop a capital restructuring plan. On December 21, 1994, Grand Union entered into a Limited Waiver and Agreement with the banks party to the Bank Credit Agreement which waived any event of default which might exist under the Bank Credit Agreement should Grand Union fail to make payments of interest due on January 16, 1995 in respect of Senior and Subordinated Notes of Grand Union. The Limited Waiver and Agreement also waived compliance with certain covenants in the Bank Credit Agreement, thereby permitting Grand Union to continue to make borrowings in the ordinary course under its revolving line of credit through February 15, 1995. On January 16, 1995, Grand Union announced that, consistent with its previously announced expectations, it had not made the interest payments due January 16 on certain of its outstanding debt obligations.

On January 24, 1995, Grand Union announced that it had reached an agreement in principle with Grand Union's bank lenders and with members of informal committees of holders of Grand Union's Senior Notes and Senior Subordinated Notes on the terms of a restructuring of Grand Union's capital structure. On January 25, 1995, as part of the implementation of such agreement, Grand Union filed with the United States Bankruptcy Court, District of Delaware (the "Bankruptcy Court"), a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code.

On January 30, 1995, Grand Union (as debtor and as debtor-in-possession) entered into a credit agreement (the "DIP Facility") with the banks party thereto and with Bankers Trust Company, as Agent, providing for borrowings of up to $150 million on a revolving credit basis. Borrowings under the DIP Facility are secured by liens upon substantially all of the assets of Grand Union (with certain exceptions). The DIP Facility provides for an interest rate of 1.375% above the prime rate (as defined) or 2.375% above the LIBOR rate (as defined). The DIP Facility also provides for a commitment fee equal to 0.5% of the average unused portion. In addition, up to $20 million of letters of credit may be issued under the DIP Facility at an annual cost equal to 2 5/8% of the

letters of credit issued. The DIP Facility includes covenants restricting indebtedness, liens, sales of assets, dividends, capital expenditures and investments, and provides minimum cash flow requirements. On January 30, 1995, the Bankruptcy Court issued an order approving the DIP Facility on an interim basis. The Bankruptcy Court issued an order of final approval for the DIP Facility on February 16, 1995. On that date, the Bankruptcy Court also issued a Final Cash Collateral Order which will allow Grand Union to use cash collateral to pay operating expenses in the ordinary course of business.

Grand Union filed its proposed plan of reorganization and related disclosure statement with the Bankruptcy Court on February 6, 1995. The Plan contemplates a five-year revolving credit facility of at least $148 million and a seven-year term loan facility of at least $57 million, all on terms to be finalized with Grand Union's bank lenders. The new bank debt will be secured by a lien on substantially all of the assets of Grand Union. The Plan provides that holders of Grand Union's existing Senior Notes will receive new nine-year senior notes in a principal amount equal to the principal amount of Senior Notes presently outstanding ($525 million), plus an amount equal to the accrued interest on the existing Senior Notes through September 1, 1995. The term sheet describing the new senior notes (the "Term Sheet") filed as part of the Plan states that the new senior notes will bear interest at the rate of 12% per annum, or 11.75% per annum if the new senior notes are secured by a second lien on Grand Union's assets. Grand Union believes that it is unlikely that the new senior notes will be secured by a second lien. In addition, there is a dispute as to whether the Term Sheet should be interpreted to provide for interest to begin to accrue on the new senior notes on (i) the earlier of the effective date of the Plan and September 1, 1995, or (ii) September 1, 1995. Recognizing that there is no difference in the interpretation if the effective date of the Plan is on or after September 1, 1995, the Plan provides that Grand Union can delay consummation of the Plan until September 1, 1995, even if all conditions to consummation of the Plan are satisfied or waived by Grand Union earlier.

The Plan also provides that the holders of Grand Union's existing Senior Subordinated Notes ($566 million principal amount currently outstanding) will exchange their Senior Subordinated Notes for 100% of the common equity of Grand Union. The existing common stock of Grand Union (which constitutes the principal asset of Capital, and indirectly of Holdings) would be cancelled. The Plan provides only for securities issued by Grand Union and consequently makes no provision for the 15% Senior Zero Coupon Notes and 16.50% Senior Subordinated Zero Coupon Notes issued by Capital or the 12% Junior Subordinated Notes and various classes of redeemable and nonredeemable common and preferred stock of Holdings.

Grand Union hopes to achieve completion of the restructuring, including confirmation of the Plan by the Bankruptcy Court, within 90 to 120 days of the date of filing of the Bankruptcy proceedings. However, consummation of the Plan will be subject to a number of contingencies, including receipt of requisite creditor approvals. There can be no assurance as to whether the restructuring will be consummated, or whether it will be consummated as contemplated by the Plan.

On February 6, 1995, an involuntary Chapter 11 petition was filed in the Bankruptcy Court against Capital, by entities purporting to be holders of Capital's Senior Zero Coupon Notes and Senior Subordinated Zero Coupon Notes. On February 16, 1995, Capital commenced a voluntary Chapter 11 case in the Bankruptcy Court by consenting to the entry of an order for relief on that involuntary Chapter 11 petition. Following the entry of an order for relief, Capital expects to file a Plan of Reorganization and a Disclosure Statement within the time period provided by applicable law.

On February 16, 1995, Holdings filed a voluntary Chapter 11 petition in the Bankruptcy Court. Holdings expects to file a Plan of Reorganization and a Disclosure Statement within the time period provided by applicable law.

At January 7, 1995, there was $35.0 million of borrowings outstanding and $41.6 million of letters of credit outstanding under Grand Union's Revolving Credit Facility. As of January 25, 1995, the date of filing of Grand Union's Chapter 11 petition, there were $54.0 million of borrowings under the Revolving Credit Facility. No further amounts can be borrowed under the Revolving Credit Facility.

During the 40 weeks ended January 7, 1995, Grand Union opened four replacement stores and completed the remodeling of eight stores. Capital expenditures, including capitalized leases other than real estate leases, for the year ending April 1, 1995 are expected to be approximately $70 million. Grand Union's capital expenditures during the current fiscal year have been financed through funds generated from operations, borrowings under the revolving credit facility and equipment leases. Prior to the completion of the restructuring, in order to improve liquidity, Grand Union's capital

expenditures have been curtailed.

During the 12 weeks ended January 7, 1995, Grand Union closed eleven stores and sold an additional three stores. Three additional stores are expected to be closed by the end of the current fiscal year.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On January 24, 1995, Grand Union announced that it had reached an agreement in principle with Grand Union's bank lenders and with members of informal committees of holders of Grand Union's Senior Notes and Senior Subordinated Notes on the terms of a restructuring of Grand Union's capital structure. On January 25, 1995, as part of the implementation of such agreement, Grand Union filed with the United States Bankruptcy Court, District of Delaware (the "Bankruptcy Court"), a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, styled IN RE: THE GRAND UNION COMPANY ALSO d/b/a BIG STAR, Chapter 11 Case No. 95-84 (PJW).

On January 30, 1995, the Bankruptcy Court approved on an interim basis a credit agreement entered into between Grand Union and the banks party thereto and Bankers Trust Company, as Agent (the "DIP Facility"). The Bankruptcy Court issued an order of final approval for the DIP Facility on February 16, 1995. On that date, the Bankruptcy Court also issued a Final Cash Collateral Order which will allow Grand Union to use cash collateral to pay operating expenses in the ordinary course of business.

On February 6, 1995, Grand Union filed its proposed plan of reorganization (the "Plan") and related disclosure statement with the Bankruptcy Court. See Note 2 Restructuring to the Financial Statements included elsewhere herein for a description of the terms of the Plan.

Consummation of the Plan will be subject to a number of contingencies, including receipt of requisite creditor approvals. There can be no assurance as to whether the restructuring will be consummated, or whether it will be consummated as contemplated by the Plan.

On February 6, 1995, an involuntary Chapter 11 petition, styled IN RE: GRAND UNION CAPITAL CORPORATION, Chapter 11 Case No. 95-130 (PJW), was filed in the Bankruptcy Court against Capital, by entities purporting to be holders of Capital's Senior Zero Coupon Notes and Senior Subordinated Zero Coupon Notes. On February 16, 1995, Capital commenced a voluntary Chapter 11 case in the Bankruptcy Court by consenting to the entry of an order for relief on that involuntary Chapter 11 petition. Following the entry of an order for relief, Capital expects to file a Plan of Reorganization and a Disclosure Statement within the time period provided by applicable law.

On February 16, 1995, Holdings filed a voluntary Chapter 11 petition, styled IN RE: GRAND UNION HOLDINGS CORPORATION, Chapter 11 Case (PJW), in the Bankruptcy Court. Holdings expects to file a Plan of Reorganization and a Disclosure Statement within the time period provided by applicable law.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Grand Union did not make interest payments of $19,687,500 on its outstanding Senior Notes and of $33,687,500 on its outstanding Senior Subordinated Notes which were due on January 16, 1995. Such interest payments were subject to a thirty-day grace period. As of February 21, 1995, the amount of interest in arrears on the outstanding Senior Notes is $23,678,938 and the amount of interest in arrears on the outstanding Senior Subordinated Notes is $40,517,294. As a result of Grand Union's pending bankruptcy proceeding, the automatic stay provisions of the United States Bankruptcy Code preclude the holders from enforcing remedies with respect to the occurrence of an event of default.

ITEM 5. OTHER INFORMATION.

Gary D. Hirsch, Chairman of the Board of Directors of Grand Union, and Martin A. Fox, Vice President and Assistant Secretary and a Director of Grand Union, have informed Grand Union that they intend to resign all of their positions with Grand Union upon consummation of the restructuring.

ITEM 6.

(a) Exhibits

Exhibit Number	Description of document
2.1	Chapter 11 Plan of Reorganization of The Grand Union Company, filed by Grand Union with the United States Bankruptcy Court, District of Delaware, on February 6, 1995. (Exhibits to the Plan have been omitted in reliance on Item 601(b)(2) of Regulation S-K. Grand Union agrees to furnish supplementally to the Commission a copy of any omitted exhibit upon request.)
10.23	Credit Agreement, dated as of January 30, 1995, as amended through February 15, 1995, among The Grand Union Company, as debtor and debtor-in-possession under Chapter 11 of Title 11 of the United States Code entitled to Bankruptcy, the Banks party thereto and Bankers Trust Company, as Agent.
27.1	Financial Data Schedule.

(b) On December 21, 1994, Grand Union filed a report on Form 8-K relating to the Limited Waiver and Agreement dated as of December 6, 1994, among Grand Union Holdings Corporation, Grand Union Capital Corporation, The Grand Union Company, the lending institutions party to the Credit Agreement dated as of July 14, 1992, and Bankers Trust Company, as Agent.

On January 24, 1995, Grand Union filed a report on Form 8-K relating to a press release issued with respect to an agreement in principle with certain holders of Grand Union debt as to a restructuring of that indebtedness and containing an outline of the proposed restructuring terms.

On January 25, 1995, Grand Union filed a report on Form 8-K relating to a press release issued by Grand Union stating what certain indebtedness and interest expense of Grand Union will be, assuming the successful completion of the proposed restructuring as contemplated by the Plan.

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.

THE GRAND UNION COMPANY
(Registrant)

Date: February 21, 1995

/s/ Kenneth R. Baum
Kenneth R. Baum
Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)

Exhibit T3E2

IN THE UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

In re:

THE GRAND UNION COMPANY,	Chapter 11
also d/b/a Big Star,	Case No. 95-84 (PJW)

Debtor.

ORDER APPROVING DISCLOSURE STATEMENT,
ESTABLISHING VOTING PROCEDURES AND
SETTING CONFIRMATION HEARING

The Grand Union Company, the above-captioned debtor and debtor in possession (the "Debtor"), having filed with the Clerk of this Court, on March 22, 1995, its First Amended Disclosure Statement for First Chapter 11 Plan of Reorganization of the Grand Union Company (the "First Amended Disclosure Statement"), and this Court having held a hearing on April 6, 1995 (the "Hearing"), to consider whether the First Amended Disclosure Statement contains adequate information, in accordance with section 1125 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"); and the Objections (as defined below) having been filed and/or received by the Debtor; and the Debtor, having filed with the Court on April 19, 1995, its Second Amended Chapter 11 Plan of Reorganization, dated April 19, 1995 (including all exhibits, the "Second Amended Plan") and an accompanying Disclosure Statement, in order to conform the First Amended Disclosure Statement, as the same was amended, modified or supplemented on the record at the Hearing or to incorporate certain revisions to the Plan (including all appendices and attachments thereto, the "Second Amended Disclosure Statement"); and the Court having prescribed the form and scope of notice with respect to the Hearing; and the Court having considered the First Amended Disclosure Statement, the Second Amended Disclosure Statement and all amendments and modifications thereto, the Objections, the responses filed with the Court, the statements and arguments of counsel, and the record of the Hearing; and after due deliberation and sufficient cause appearing therefor, it is:

FOUND, that:

1. Due and proper notice of the Hearing and all adjournments thereof has been

given, as evidenced by affidavits of service filed with this Court, and no other or further notice is required;

2. Objections to the adequacy of the information contained in the First Amended Disclosure Statement were filed by, among others, U.S. Trust, Connecticut Department of Revenue Services, New Jersey Self-Insurers Guaranty Association, Valla Irene Boyd, J. Lucarelli & Sons, Inc., Frama Holding, United Food & Commercial Workers Union, Azemma Caradoni, State Street Bank & Trust Company, the Securities and Exchange Commission, the Informal Committee of Senior Noteholders, American Express Travel Related Services Company, Inc., James A. Klein Enterprises, the Pension Benefit Guaranty Corporation, the Official Committee of Unsecured Creditors of Grand Union Capital Corporation (the "Capital Committee"), and Bankers Trust Company, as the agent for certain banks (collectively, including those not listed herein, the "Objections"), and each Objection was withdrawn or resolved;

3. The Second Amended Disclosure Statement, as the same may be amended pursuant to the terms of this Order (the "Final Disclosure Statement"), contains "adequate information," as that term is defined in section 1125 of the Bankruptcy Code, with respect to the Second Amended Plan (as amended, supplemented or modified on the record at the hearing or pursuant to the terms of this Order, the "Plan");

4. The claims classified in Classes 3 and 6, as designated and defined in the Plan (collectively, the "Unimpaired Classes"), are not impaired within the meaning of section 1124 of the Bankruptcy Code;

5. The claims classified in Class 11 and the interests classified in Class 12, as designated and defined in the Plan (collectively, the "Rejecting Classes"), are Impaired and will not receive or retain any property under the Plan on account of such claims or interests; and

6. The claims classified in Classes 1, 2, 4, 5, 7, 8, 9 and 10 as designated and defined in the Plan (collectively, the "Voting Impaired Classes") are Impaired; and it is therefore

ORDERED, ADJUDGED AND DECREED THAT:

A. Approval of Disclosure Statement

1. The Final Disclosure Statement hereby is approved as containing "adequate information" within the meaning of section 1125 of the Bankruptcy Code, and any Objections which have not been withdrawn or resolved are hereby overruled; and

2. The Debtor hereby is authorized and empowered to solicit acceptances of the Plan in accordance with this Order.

B. Voting Procedures and Solicitation of Votes

3. Unless otherwise ordered by this Court, for purposes of voting on the Plan, the determination of which claims are entitled to be voted and the amount and classification of such claims that will be used to tabulate acceptances and rejections of the Plan by the holders thereof (collectively, the "Holders") shall be exclusively as follows:

(a) Validity of Ballots. Only ballots which meet each of the following requirements shall be counted by the balloting agent, Bankruptcy Services, Inc. ("BSI"): (i) the ballot is received by BSI (by mail, hand, overnight courier or otherwise) on or before 5:00 pm., on May 24, 1995 (the "Voting Deadline"); (ii) the Holder or its authorized agent has signed the ballot properly; and (iii) the ballot has been marked properly as accepting or rejecting the Plan. Ballots marked as both accepting and rejecting the Plan, other than summary ballots completed by the Intermediaries (as hereinafter defined), shall not be counted. Ballots which have not been marked as accepting or rejecting the Plan shall not be counted.

(b) Receipt of Ballots. For the purpose of voting on the Plan: (i) BSI will be deemed to be in constructive receipt of any ballot timely delivered to any post office box (or equivalent) which BSI (or its authorized agent) establishes to receive ballots cast in connection with the Plan; (ii) any ballots BSI receives by mail or overnight courier on the day of the Voting Deadline shall be deemed to have been received prior to the Voting Deadline; (iii) any ballot postmarked prior to the Voting Deadline but received after the day of the Voting Deadline shall be deemed late and shall not be counted, unless the Court orders otherwise; (iv) ballots BSI receives via facsimile shall be accepted only if (A) they are received on the day of the Voting Deadline, and (B) the signed original ballot is sent to BSI by overnight courier and received by BSI on or before the first business day after the day of the Voting Deadline; (v) the signature of the person executing each ballot shall be presumed to be genuine and duly authorized; (vi) for cause shown, the Court, after notice and a hearing, may permit a Holder to change or withdraw an acceptance or rejection; and (vii) if a Holder sends in multiple ballots for the same claim, the first ballot BSI receives is the ballot that governs, unless the Court orders otherwise.

(c) Classification of Claims and Allowance For Voting Purposes. Each claim shall be classified in the class of the Plan into which such claim appropriately falls based upon the priority and status asserted in the proof of claim underlying such claim (the "Proof") or, in the absence thereof, as listed in the Debtor's Schedules of Assets and Liabilities (as may be amended from time to time, the "Schedules") or subparagraph (g) of this paragraph 3, as applicable. Subject to subparagraphs (d)-(k) of this paragraph 3, each claim for which a proof of claim has been filed (or has been deemed filed pursuant to section

1111(a) of the Bankruptcy Code and Bankruptcy Rule 3003) shall be allowed, for voting purposes, as follows:

(i) where the claim previously has been allowed by Order of this Court pursuant to section 502 of the Bankruptcy Code, the amount of the claim for voting purposes shall be equal to the amount allowed in such Order;

(ii) where the claim is deemed allowed by operation of the Plan, the amount of the claim for voting purposes shall be equal to the amount allowed in the Plan; and

(iii) where the claim previously has not been allowed by Order of this Court pursuant to section 502 of the Bankruptcy Code or by operation of the Plan, and

(A) no proof of claim has been filed on or before the deadline for filing proofs of claim in this case (the "Bar Date") or otherwise deemed timely filed by an Order of this Court, the amount of such claim for voting purposes will be equal to the amount listed, if any, in respect of such claim in the Schedules to the extent such claim is not listed as contingent, unliquidated or disputed; or

(B) where a proof of claim has been filed on or prior to the Bar Date, or has been filed after the Bar Date but deemed filed timely by Order of this Court, the amount of each claim for voting purposes will be the amount asserted in the proof of claim.

(d) Multiple Claims. Any Holder with claims in more than one class will receive a ballot for each class of claims in which such Holder is entitled to vote. Any Holder with more than one claim against the Debtor in the same class shall receive only one ballot for such claims; however, such ballot will be counted for the aggregate dollar amount of all claims in such class.

(e) Disputed Claims.

(i) General. Subject to the provisions of clause (ii) of this subparagraph (e), no claim against which an objection has been filed shall be counted unless such claim has been allowed temporarily for the purpose of accepting or rejecting the Plan. For the purpose of this subparagraph, an objection shall include pleadings filed seeking, inter alia, to estimate or fix and allow the claim of any creditor. The allowance of a disputed claim for voting purposes shall be subject to the other provisions of this paragraph 3.

(ii) Voting Amount of Certain Disputed Claims. Notwithstanding any other provision in this subparagraph (e), (1) if a motion (or stipulation) has been filed seeking to reduce and allow or fix and allow a claim and no pleadings objecting to the proposed allowed amount of such claim or seeking temporary allowance thereof for voting purposes have been filed, then such claim shall be counted for voting purposes in the amount to which the motion or stipulation seeks to reduce and allow or fix and allow

such claim; and (2) if an objection is filed to a claim, then that claim shall be counted for voting purposes only to the extent not objected to.

(iii) Classification. To the extent a motion or objection challenges, or a stipulation proposes to amend, the alleged classification of a particular claim, such claim shall be counted in the class asserted in the proof of claim (or, in the absence thereof, the Schedules) in an amount determined pursuant to this paragraph 3.

(f) Contingent Claims. Subject to subparagraph (j) of this paragraph 3, if a claim has been asserted as a contingent claim, then the Holder of such claim shall not be entitled to vote the contingent amount of such claim.

(g) Unliquidated Claims. To the extent a claim has been filed asserting an unliquidated amount, the Holder of such claim shall be entitled to vote and shall be treated as if such Holder was the Holder of a liquidated claim in the amount of one ($1.00) dollar in the appropriate class; provided, however, that any portion of such unliquidated claim also asserted as a contingent claim shall vote only in accordance with subparagraph (f) of this paragraph 3; provided further that any claim which is asserted as partially unliquidated (that is, for a fixed amount plus certain unspecified amounts) shall be treated as a claim for only the liquidated amount asserted. Notwithstanding the foregoing, to the extent a proof of

claim asserts more than one claim and (1) any of such claims are unliquidated (in whole or in part), and (2) such claims are within the same class, then such claims shall be allowed for voting purposes in the appropriate class or classes in an amount equal to the greater of $1.00 and the aggregate liquidated amount of such claims in such class. The allowance of an unliquidated claim for voting purposes shall in all respects be subject to the other provisions of this Order.

(h) Record Holders. A Ballot shall only be counted with respect to any claim to the extent such ballot is received from the record holder of such claim. For purposes of voting on the Plan only, each of the banks or financial institutions (or their successors or assigns) (collectively, the "Existing Banks") that is a party to the Credit Agreement, dated July 14, 1992, as amended, shall be treated as an Intermediary with respect to any participations such Existing Bank has granted, provided that the Summary Ballot of such Existing Bank shall be counted as a single vote in favor of the Plan to the extent it contains one or more acceptances of the Plan (in the aggregate amount of such acceptances) and/or as single vote against the Plan to the extent it contains one or more rejections of the plan (in an aggregate amount of such rejections) (i.e., each such master ballot may contain, at most, one each of a vote accepting the Plan and a vote rejecting the Plan).

(i) Stipulations and Motions Temporarily Allowing Claims for Voting Purposes.

Pursuant to Bankruptcy Rule 3018(a), due and proper notice of all motions, stipulations and orders seeking to allow temporarily claims for voting purposes (collectively, the "3018 Motions") shall have been given if the 3018 Motion is served in a manner so as to be received by counsel to the Debtor, counsel to the official committee of unsecured creditors (the "Creditors' Committee"), the United States Trustee for the District of Delaware (the "U.S. Trustee") and the Holder of the claim not less than 5 business days prior to the date for presentment of an order approving such motion (the "Presentment Date"). Objections to any 3018 Motion shall be filed with this Court and served on the foregoing persons not less than 1 business day prior to the Presentment Date. If an objection is filed, then the Court will determine whether a hearing will be held.

(k) Transferred Claims. The holder of a claim which was transferred prior to the Record Date (as defined below), but which transfer is not reflected in the Court's records as of the Record Date, may seek to have such transferred claim allowed, and be recognized as the holder thereof, for voting purposes pursuant to the provisions of this paragraph 3.

4. The Debtor and/or BSI (and/or their respective agents) shall serve (1) all known holders of claims against and interests in the Debtor as of the date of entry of this Order (such date being the "Record Date" to identify, for voting and notification purposes only, both record and beneficial holders of claims and interests), (2) all entities which have filed (but not withdrawn) a notice of appearance in the Debtor's chapter 11 case, (3) each member of the Creditors' Committee and counsel to the Creditor's Committee, (4) the U.S. Trustee, (5) the Securities and Exchange Commission, (6) the Delaware office of the Internal Revenue Service, (7) the United States Attorney, (8) the Pension Benefit Guaranty Corporation, as defined in the Plan, (9) the Indenture Trustees (as defined in the Plan), (10) each member of the Capital Committee and counsel to the Capital Committee, (11) counsel to the Informal Committee of Certain Holders of Senior Notes and (12) all registered beneficial owners of the Debtor's claims and interests and any registered proxy agent, brokerage firm, agent, custodian, servicing agent or other authorized nominee other than an Indenture Trustee or Capital Indenture Trustee (as defined in the Plan) for beneficial holders that are not registered owners of claims and interests, as of the Record Date, on or before April 26, 1995, by regular mail, overnight delivery or by hand, copies of the following documents (collectively, the "Solicitation Package"): (a) the Final Disclosure Statement (including the Plan as annexed thereto as Exhibit "A"); (b) this Order, without exhibits; (c) the "Notice of Hearing to Consider Confirmation and Fixing Time For Filing Acceptances or Rejections Thereto," substantially in the form of notice annexed hereto as Exhibit "A"; and (d) a ballot or ballots, if applicable; provided, however, that with respect to any Solicitation packages which the Debtor mails to the required address that are returned as undeliverable, no efforts need be undertaken to remail such materials;

5. Within 3 business days after the Record Date, each Indenture Trustee, Capital Indenture Trustee or Registrar shall provide BSI with a list containing the names, addresses and holdings of the respective holders

of record as of the Record Date for their respective issuance. Notwithstanding anything to the contrary herein, the persons and entities listed on such list shall be deemed to be the record holders of the claims evidenced by the relevant security;

6. Each record holder of a claim as of the Record Date that is not also the beneficial holder thereof as of the Record Date (each, other than the Indenture Trustees and a Capital Indenture Trustee, a "First Level Intermediary") is directed to: (a) send by first class mail, overnight delivery or by hand, on or before April 28, 1995, the appropriate Solicitation Package to the beneficial owners of claims (or any other holder represented, directly or indirectly, by such record holder that, as of the Record Date, is not the beneficial holder thereof (collectively, with the First Level Intermediaries, the "Intermediaries")) for which it holds claims; or (b) provide to BSI, on or before April 25, 1995, two sets of labels containing the names and addresses of the beneficial owners of claims for which such First Level Intermediary holds claims so that BSI may make the appropriate mailings. Each First Level Intermediary shall, as soon as practicable, but by no later than 5:00 p.m. (Eastern time) on April 25, 1995, request of BSI or its designee sufficient copies of the Solicitation Package to be sent by such Intermediary to the beneficial owners of claims or other Intermediaries that it represents to the extent such Intermediary has elected option (a) of this paragraph. The Debtor is authorized and directed to reimburse each Intermediary for its reasonable and actual expenses associated with the distribution of the Solicitation Packages without further order of this Court;

7. Each First Level Intermediary is directed to: (i) tabulate the votes that it receives from the beneficial owners and other Intermediaries that it represents; (ii) set out the result of such votes on a Summary Ballot (the form of which will be sent to each Intermediary that represents claimants in a Voting Impaired Class with the Solicitation Packages by the balloting agent), and return such Summary Ballot, together with a copy of each underlying ballot, so that they are received by BSI by the Voting Deadline and (iii) deliver to BSI by the Voting Deadline an affidavit certifying that the First Level Intermediary has complied with the requirements of this Order. If a First Level Intermediary fails to comply with any of the foregoing, BSI shall attempt to resolve any such defect with the relevant First Level Intermediary within 2 business days after the Voting Deadline. If by such date BSI and the First Level Intermediary are unable to resolve such differences, then the Summary Ballot and the underlying ballots shall be counted for purposes of determining whether a Plan has been accepted or rejected only in the manner ordered by the Court;

8. Beneficial owners of claims or interests who hold their claims or interests through an Intermediary must send their ballot to their Intermediary by such date as to allow the Intermediary to send the Summary Ballot comprising

such vote to BSI so that it is received by the Voting Deadline;

9. Beneficial owners of claims or interests who are record holders of such claims or interests must send their ballot to BSI so that it is received by the Voting Deadlines in order for such ballot to be counted; and

10. The forms of ballot annexed hereto as Exhibit "B" hereby are approved.

C. Classes of Claims Entitled to Vote

11. The holders of claims classified in the Unimpaired Classes are not entitled to vote to accept or reject the Plan and are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code;

12. The holders of claims and interests classified in the Rejecting Classes are not entitled to vote to accept or reject the Plan and are deemed not to have accepted the Plan under section 1126(g) of the Bankruptcy Code; and

13. The holders of claims classified in the Voting Impaired Classes are entitled to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code and in accordance with this Order.

D. Confirmation Hearing

14. The hearing to consider confirmation of the Plan (the "Confirmation Hearing") shall be held at the United States Bankruptcy Court, Marine Midland Plaza, 824 Market Street, Wilmington, Delaware 19801, on May 31, 1995 at 10:00 a.m. Eastern time, or as soon thereafter as counsel can be heard, and may be adjourned from time to time without further notice, other than by announcement of the adjourned date or dates at the Confirmation Hearing;

15. In accordance with Bankruptcy Rule 2002(b), notice of the Confirmation Hearing shall be deemed adequate and sufficient, if, in addition to the notice otherwise prescribed herein, the Debtor publishes a notice of the Confirmation Hearing, substantially in the form of the notice annexed hereto as Exhibit "A," once in each of The Wall Street Journal (national edition), The New York Times (national edition), The Albany Times-Union and The Bergen Record on or before April 28, 1995, and in Supermarket News on or before May 8, 1995;

16. All objections to the confirmation of the Plan must: (a) be in writing; (b) state with particularity the grounds for the objection and identify the section or sections of the Plan to which such objection relates; and (c) be filed with this Court and served in a manner so as to be received on or before May 24, 1995 at 4:30 p.m. (Eastern time) by: (1) The Grand Union Company, 201 Willowbrook Boulevard, Wayne, NJ 07470-0966, Attn: Mr. Francis E. Nicastro; (2) Willkie Farr & Gallagher, One Citicorp Center, 153 East 53rd Street, New York, NY 10022, Attn: Barry N. Seidel, Esq.; (3) Young, Conaway, Stargatt & Taylor,

P.O. Box 391, Wilmington, Delaware, 19899-0391, Attn: James L. Patton, Esq.; (4) Ropes & Gray, One International Place, Boston, MA 02110-2624, Attn: William F. McCarthy, Esq.; (5) Pepper Hamilton & Schaetz, 100 Renaissance Center, Suite 3600, Detroit, MI 48243, Attn: Stuart Hertzberg, Esq.; (6) Stroock & Stroock & Lavan, Seven Hanover Square, New York, NY 10004, Attn: Daniel H. Golden, Esq.; (7) Skadden, Arps, Slate, Meagher & Flom, 333 West Wacker Drive, Suite 2100, Chicago, IL 60606, Attn: John Wm. Butler, Jr., Esq.; and (8) Donovan Leisure Newton & Irvine, 30 Rockefeller Plaza, New York, NY 10112, Attn: John J. McCann, Esq., and (9) Marcus Montgomery Wolfson P.C., 53 Wall Street, New York, New York 10005, Attn: Peter D. Wolfson, Esq., and

17. Any party who wishes to object to confirmation of the Plan but fails to file and serve such objection in accordance with this Order will be barred from objecting to confirmation of the Plan and will not be heard at the Confirmation Hearing.

E. Miscellaneous

18. The Debtor is authorized to make non-substantive changers to the Final Disclosure Statement and related documents without further Order of this Court, including, without limitation, changes to correct typographical and grammatical errors and to insert updated financial and other information, including financial statements, if any, and to make conforming changes among the Final Disclosure Statement, the Plan, appendices and exhibits to the Final Disclosure Statement and the Plan, and other material in the Solicitation Package prior to the mailing of the Solicitation Package;

19. For purposes of determining the record holder of claim for distributions under the Plan, the record date shall be the day of the Voting Deadline;

20. The Debtor hereby is authorized and empowered to take such steps, incur and pay such costs and expenses, execute such documents and do such things as may be reasonably necessary to implement the provisions of this Order; and

21. This Court shall retain jurisdiction to hear all such matters as may be related to, or arise from, this Order and/or the Solicitation Package.

Dated: Wilmington, Delaware
April 19, 1995

/S/ Honorable Peter J. Walsh

UNITED STATES BANKRUPTCY JUDGE

Exhibit T3E3

IN THE UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

In re:

THE GRAND UNION COMPANY, also d/b/a Big Star	Chapter 11 Case No. 95-84 (PJW)

Debtor.

NOTICE OF HEARING TO CONSIDER CONFIRMATION OF AND TIME FIXED FOR VOTING ON THE SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION FILED BY THE GRAND UNION COMPANY

PLEASE TAKE NOTICE that on January 25, 1995 (the "Filing Date"), The Grand Union Company (the "Debtor") filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").

PLEASE TAKE FURTHER NOTICE that the United States Bankruptcy Court for the District of Delaware: (i) approved the disclosure statement (the "Disclosure Statement") for the Second Amended Chapter 11 Plan Of Reorganization Filed By The Grand Union Company, dated April 19, 1995 (the "Plan") as containing "adequate information" within the meaning of section 1125 of the Bankruptcy Code; and (ii) authorized the Debtor to solicit acceptances or rejections of the Plan.

PLEASE TAKE FURTHER NOTICE that on May 31, 1995 at 10:00 a.m., or as soon thereafter as counsel can be heard, a hearing (the "Confirmation Hearing") to consider confirmation of the Plan will be held before the Honorable Peter J. Walsh, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, Marine Midland Plaza, 824 Market Street, Wilmington, Delaware 19801 (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that objections to the confirmation of the Plan must be in writing, state with particularity the grounds for the objection, identify the section or sections of the Plan to which such objection relates, and be filed with the Bankruptcy Court and served in a manner so as to be received on or before May 24, 1995 at 4:30 p.m. (Eastern time) by: (1) The Grand Union Company, 201 Willowbrook Boulevard, Wayne, NJ 07470-0966, Attn: Mr. Francis E. Nicastro; (2) Willkie Farr & Gallagher, One Citicorp Center, 153 East 53rd Street, New York, NY 10022, Attn: Barry N. Seidel, Esq.; (3) Young, Conaway, Stargatt & Taylor, P.O. Box 391, Wilmington, Delaware 19899-0391, Attn: James L. Patton, Esq.; (4) Ropes & Gray, One International Place, Boston,

MA 02110-2624, Attn: William F. McCarthy, Esq.; (5) Pepper Hamilton & Scheetz, 100 Renaissance Center, Suite 3600, Detroit, MI 48243, Attn: Stuart Hertzberg, Esq.; (6) Stroock & Stroock & Lavan, Seven Hanover Square, New York, NY 10004, Attn: Daniel H. Golden, Esq.; (7) Skadden, Arps, Slate, Meagher & Flom, 333 West Wacker Drive, Suite 2100, Chicago, IL 60606, Attn: John Wm. Butler, Jr., Esq.; (8) Donovan Leisure Newton & Irvine, 30 Rockefeller Plaza, New York, NY 10112, Attn: John J. McCann, Esq; and (9) Marcus Montgomery Wolfson P.C., 53 Wall Street, New York, New York 10005, Attn: Peter D. Wolfson, Esq.

PLEASE TAKE FURTHER NOTICE that any party who files and serves an objection to confirmation of the Plan other than in accordance with provisions of the immediately preceding paragraph of this Notice will be barred from objecting to the Plan and will not be heard at the Confirmation Hearing.

PLEASE TAKE FURTHER NOTICE that the Motion, the Plan and the Disclosure Statement have been filed with the Clerk of the Bankruptcy Court (the "Clerk") and may be examined at the Clerk's office during regular business hours.

PLEASE TAKE FURTHER NOTICE that May 24, 1995, at 5:00 p.m. (the "Voting Deadline") is fixed as the deadline for voting to accept or reject the Plan. Such date is also the record date for determining the holders of claims for distributions under the Plan. BALLOTS ACCEPTING OR REJECTING THE PLAN MUST BE DELIVERED BY THE RECORD HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTOR TO BANKRUPTCY SERVICES, INC. (A) BY MAIL, TO: BANKRUPTCY SERVICES, INC., GRAND UNION BALLOT PROCESSING, P.O. BOX 5159, FDR STATION, NEW YORK, NEW YORK 10150; OR (B) BY COURIER OR BY HAND, TO: BANKRUPTCY SERVICES, INC., GRAND UNION BALLOT PROCESSING, 400 PARK AVENUE, 9TH FLOOR, NEW YORK, NEW YORK 10022, SO THAT SUCH BALLOTS ARE RECEIVED ON OR BEFORE THE VOTING DEADLINE. IF YOU HAVE RECEIVED A BALLOT FROM A PROXY AGENT, BROKERAGE FIRM, AGENT, CUSTODIAN, SERVICING AGENT OR OTHER AUTHORIZED NOMINEE (COLLECTIVELY, THE "INTERMEDIARIES"), YOU MUST RETURN YOUR BALLOT TO SUCH INTERMEDIARY BY SUCH DATE AS TO ALLOW THE INTERMEDIARY TO SEND THE SUMMARY BALLOT COMPRISING SUCH VOTE TO BSI SO THAT IT IS RECEIVED BY THE VOTING DEADLINE IN ORDER FOR SUCH BALLOT TO BE COUNTED.

PLEASE TAKE FURTHER NOTICE that if you believe you are the holder of a claim or interest in an impaired class under the Plan and entitled to vote to accept or reject the Plan, but did not receive a ballot, please contact Bankruptcy Services, Inc., Grand Union Ballot Processing, 400 Park Avenue, New York, New York 10022, or telephone (212) 527-0727.

PLEASE TAKE FURTHER NOTICE that a creditor that holds a claim against the Debtor for goods provided prior to the Filing Date by such creditor to the Debtor for resale to the general public in the ordinary course of business (a "Trade Claim"), and who files an objection to the Plan, is deemed to have voted to reject the Plan and may be required to file, on or before ten (10) days from the date such objections are filed, proofs of claim respecting such Trade Claims pursuant to the Order of this Court, dated April 6, 1995, establishing the last date for filing claims in this case. To receive a copy of such Order, please telephone Bankruptcy Services, Inc. at (212) 527-0727.

PLEASE TAKE FURTHER NOTICE that any holder of a Senior Zero Note Claim (as defined in the Plan) or a Junior Zero Note Claim (as defined in the Plan) that objects to confirmation of the Plan and does not withdraw such objection before the commencement of the Confirmation Hearing will not receive a distribution under the Plan on account of such Senior Zero Note Claim or Junior Zero Note Claim.

PLEASE TAKE FURTHER NOTICE that all inquiries concerning the Debtor, the Plan, the Disclosure Statement and voting, including delivery of the ballots to the Balloting Agent, Bankruptcy Services Inc., or the Intermediary, should be directed to the Bankruptcy Services, Inc., at (212) 527-0727.

PLEASE TAKE FURTHER NOTICE that the Confirmation Hearing may be adjourned from time to time without further notice to creditors or other parties in interest other than by an announcement of such adjournment in Court at the Confirmation Hearing.

Dated: Wilmington, Delaware
April 19, 1995

/S/ HONORABLE PETER J. WALSH

UNITED STATES BANKRUPTCY JUDGE

Exhibit T3E4

UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

- ----------

In re:

THE GRAND UNION COMPANY,	Chapter 11
also d/b/a Big Star,	Case No. 95-84 (PJW)
Debtor.	

- ----------

BALLOT FOR VOTING ON SECOND AMENDED PLAN OF REORGANIZATION, DATED APRIL 19, 1995, SUBMITTED BY THE GRAND UNION COMPANY (THE "PLAN")
CLASS 4-SENIOR NOTE CLAIMS
11-1/4% SENIOR NOTES DUE 2000
11-3/8% SENIOR NOTES DUE 1999

NAME & ADDRESS

On April 19, 1995, the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") approved the disclosure statement filed by The Grand Union Company (the "Proponent") and authorized the Proponent to solicit acceptances or rejections of the Plan, a copy of which is attached as an exhibit to the disclosure statement. This ballot is being provided for voting on the Plan.

The Plan may be confirmed by the Bankruptcy Court, and thereby made binding on you, if the plan is accepted by the holders of at least 2/3 in dollar amount and more than 1/2 in number of claims actually voting in each voting class of claims. The votes of the claims actually voted in your class will bind those who do not vote. If the requisite acceptances are not obtained for the Plan, the Bankruptcy Court nevertheless may confirm the Plan if at least one impaired class of claims has accepted the Plan and the Bankruptcy Court finds that such Plan accords fair and equitable treatment to, and does not discriminate unfairly against, the class(es) rejecting it.

TO HAVE YOUR VOTE ON THE PLAN COUNT YOU MUST COMPLETE AND RETURN THIS BALLOT. PLEASE COMPLETE SECTIONS A THROUGH C BELOW.

A. VOTE TO ACCEPT OR REJECT THE PLAN (mark the appropriate box with an "X")

ACCEPT	REJECT
----------	----------

B. Under the penalties of perjury, the undersigned certifies that:

(1) Claimant's correct taxpayer identification number is:
Social Security Number - - , or
Employer Identification Number - , and

(2) Please check the Appropriate Box(es). Claimant is not subject to backup withholding because:
~ (a) Claimant is exempt from backup withholding, or
~ (b) Claimant has not been notified by the Internal Revenue Service ("IRS") that Claimant is subject to backup withholding as a result of a failure to

report all interest or dividends, or
~ (c) the IRS has notified Claimant that Claimant is no longer subject to backup withholding.

(3) Claimant is the beneficial owner of the Claim and the Claim is held of record by . The undersigned further certifies that if the Claimant did not fill in the name of the registered holder or nominee in the previous sentence, that Claimant is the holder of record of the Claim voted hereby.

(4) Claimant has provided the information specified in the following table for all additional Claims for which Claimant has submitted additional Ballots (please use additional sheets of paper if necessary):

Account Number	Registered Holder or Nominee	Claim Amount
- ---------	---------------	---------
- ---------	---------------	---------

C. Dated:
Print or type name of Claimant:
Signed:
[If appropriate] By:
as:

IF YOU ARE BOTH THE RECORD HOLDER AND THE ONLY BENEFICIAL OWNER OF THE CLAIM(S) FOR WHICH YOU ARE SUBMITTING THIS BALLOT, RETURN THIS BALLOT SO THAT IT IS RECEIVED ON OR BEFORE 5:00 P.M., EASTERN TIME, ON MAY 24, 1995:

If by courier or by hand to:

Bankruptcy Services, Inc.
Grand Union Ballot Processing
400 Park Avenue
New York, New York 10022

If by U.S. mail to:

Bankruptcy Services, Inc.
Grand Union Ballot Processing
PO Box 5159
New York, New York 10150

IF YOU ARE THE BENEFICIAL HOLDER BUT NOT THE RECORD HOLDER, PLEASE REFER TO PARAGRAPH 4 OF THE "VOTING INFORMATION AND INSTRUCTIONS", PRINTED BELOW.

VOTING INFORMATION AND INSTRUCTIONS

1. TO HAVE YOUR VOTES COUNT, YOU MUST INDICATE ACCEPTANCE OR REJECTION OF THE PLAN IN THE COLUMNS INDICATED ON THE REVERSE SIDE AND SIGN AND RETURN THIS BALLOT TO THE ADDRESS INDICATED ON THE ENCLOSED PRE-ADDRESSED ENVELOPE. ORIGINAL BALLOTS MUST BE RECEIVED NO LATER THAN 5:00 P.M., EASTERN TIME, ON MAY 24, 1995 (THE "VOTING DEADLINE"). IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT MAY NOT BE COUNTED. ANY BALLOT WHICH IS MARKED AS BOTH ACCEPTING AND REJECTING THE PLAN, OTHER THAN SUMMARY BALLOTS COMPLETED BY INTERMEDIARIES, SHALL NOT BE COUNTED FOR ANY PURPOSE CONCERNING THE PLAN. BALLOTS WHICH HAVE NOT BEEN MARKED AS ACCEPTING OR REJECTING THE PLAN SHALL NOT BE COUNTED FOR PURPOSES OF TABULATING VOTES FOR THE PLAN. ANY BALLOT WHICH IS NOT SIGNED SHALL NOT BE COUNTED FOR VOTING PURPOSES.

2. To have this ballot counted, you must observe the procedures set forth in the Order Approving Disclosure Statement, Establishing Voting Procedures and Setting Confirmation Hearing, dated April 19, 1995 (the "Voting Procedures Order"). Such order is contained in the solicitation materials sent to you. The procedures set forth on this ballot are intended to summarize a few of the key voting rules. Reference to the Voting Procedures Order is still necessary for the specific voting rules.

3. For cause shown, the Bankruptcy Court may permit a creditor to change or withdraw an acceptance or rejection.

4. If you are both the record holder and the only beneficial owner of the Claim indicated on the reverse side of this Ballot, you need only complete this Ballot and return it to the Balloting Agent no later than the Voting Deadline. If you are the beneficial owner but not the record holder of the Claim

indicated on the reverse side of this Ballot and not an Intermediary (a proxy agent, brokerage firm, agent, custodian or other authorized nominee), then in order for your vote to count you should complete this Ballot and send it to your Intermediary by such date as to allow your Intermediary to send the Summary Ballot comprising your claim to Bankruptcy Services, Inc. ("BSI") so that it is received by the Voting Deadline. A ballot received directly from you with respect to such Claim shall not be counted for voting purposes. If you are the record holder but not the beneficial owner of the Claim indicated on the reverse side of this Ballot (i.e., an Intermediary), you should contact BSI at (212) 527-0727 to request sufficient solicitation packages and beneficial owner ballots to send to all beneficial owners of the Claim.

5. Your signature is required in order for your vote to be counted. If your claim is held by a partnership, the ballot should be executed in the name of the partnership by a general partner. If the claim is held by a corporation, then the ballot must be executed by an officer. If you are signing in a representative capacity for either of the above, or in another representative capacity, also indicate your title after your signature.

6. If you have claims other than in the class indicated on the ballot, then you may receive more than one ballot. IF YOU RECEIVE MORE THAN ONE BALLOT, THEN YOU SHOULD ASSUME THAT EACH BALLOT IS FOR A CLAIM IN A SEPARATE CLASS AND SHOULD COMPLETE AND RETURN ALL OF THEM.

7. No claim against which an objection has been filed shall be counted unless, after notice and hearing, the Bankruptcy Court has temporarily or otherwise allowed such claim in such amount as the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan.

8. To the extent a claim has been filed asserting an unliquidated claim, the Holder of such claim shall be entitled to vote and shall be treated as if such Holder was the Holder of a liquidated claim in the amount of one dollar in the appropriate class, unless, after notice and a hearing, the Bankruptcy Court has temporarily or otherwise allowed such claim in such other amount as the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan. To the extent a claim has been filed asserting a contingent claim, any vote by the Holder of such claim shall not be counted. Any claim which is asserted as partially unliquidated (that is, for a fixed amount plus certain unspecified amounts) shall be treated as a claim for only the liquidated amount asserted unless otherwise ordered by the Bankruptcy Court.

9. This Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan. HOLDERS SHOULD NOT SURRENDER CERTIFICATES REPRESENTING THEIR SECURITIES AT THIS TIME, AND NEITHER THE PROPONENT NOR THE BALLOTING AGENT WILL ACCEPT DELIVERY OF ANY SUCH CERTIFICATES TRANSMITTED TOGETHER WITH THIS BALLOT.

10. This ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or an admission by the Proponent of the validity of a claim.

11. If you have any questions regarding this ballot or election procedures or the voting procedures, please call: Bankruptcy Services, Inc. at (212) 527-0727.

UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

- ----------

In re:

THE GRAND UNION COMPANY, also d/b/a Big Star,	Chapter 11 Case No. 95-84 (PJW)
Debtor.	

- ----------

BALLOT FOR VOTING ON SECOND AMENDED PLAN OF REORGANIZATION, DATED APRIL 19, 1995, SUBMITTED BY THE GRAND UNION COMPANY (THE "PLAN")
CLASS 4-SENIOR NOTE CLAIMS
11-1/4% SENIOR NOTES DUE 2000
11-3/8% SENIOR NOTES DUE 1999

On April 19, 1995, the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") approved the disclosure statement filed by The Grand Union Company (the "Proponent") and authorized the Proponent to solicit acceptances or rejections of the Plan, a copy of which is attached as an exhibit to the disclosure statement. This ballot is being provided for voting on the Plan.

The Plan may be confirmed by the Bankruptcy Court, and thereby made binding on you, if the plan is accepted by the holders of at least 2/3 in dollar amount and more than 1/2 in number of claims actually voting in each voting class of claims. The votes of the claims actually voted in your class will bind those who do not vote. If the requisite acceptances are not obtained for the Plan, the Bankruptcy Court nevertheless may confirm the Plan if at least one impaired class of claims has accepted the Plan and the Bankruptcy Court finds that such Plan accords fair and equitable treatment to, and does not discriminate unfairly against, the class(es) rejecting it.

TO HAVE YOUR VOTE ON THE PLAN COUNT YOU MUST COMPLETE AND RETURN THIS BALLOT. PLEASE COMPLETE SECTIONS A THROUGH C BELOW.

A. VOTE TO ACCEPT OR REJECT THE PLAN (mark the appropriate box with an "X")

ACCEPT	REJECT
----------	----------

B. Under the penalties of perjury, the undersigned certifies that:

(1) Claimant's correct taxpayer identification number is:
Social Security Number - - , or
Employer Identification Number - , and

(2) Please check the Appropriate Box(es). Claimant is not subject to backup withholding because:

~ (a) Claimant is exempt from backup withholding, or

~ (b) Claimant has not been notified by the Internal Revenue Service ("IRS") that Claimant is subject to backup withholding as a result of a failure to report all interest or dividends, or

~ (c) the IRS has notified Claimant that Claimant is no longer subject to backup withholding.

(3) Claimant is the beneficial owner of the Claim and the Claim is held of record by . The undersigned further certifies that if the Claimant did not fill in the name of the registered holder or nominee in the previous sentence, that Claimant is the holder of record of the Claim voted hereby.

(4) Claimant has provided the information specified in the following table for all additional Claims for which Claimant has submitted additional Ballots (please use additional sheets of paper if necessary):

Account Number	Registered Holder or Nominee	Claim Amount
- ---------	---------------	---------
- ---------	---------------	---------

C. Dated:
Print or type name of Claimant:
Signed:
[If appropriate] By:
as:

IF YOU ARE BOTH THE RECORD HOLDER AND THE ONLY BENEFICIAL OWNER OF THE CLAIM(S) FOR WHICH YOU ARE SUBMITTING THIS BALLOT, RETURN THIS BALLOT SO THAT IT IS RECEIVED ON OR BEFORE 5:00 P.M., EASTERN TIME, ON MAY 24, 1995:

If by courier or by hand to:
Bankruptcy Services, Inc.
Grand Union Ballot Processing
400 Park Avenue
New York, New York 10022

If by U.S. mail to:
Bankruptcy Services, Inc.
Grand Union Ballot Processing
PO Box 5159
New York, New York 10150

IF YOU ARE THE BENEFICIAL HOLDER BUT NOT THE RECORD HOLDER, PLEASE REFER TO PARAGRAPH 4 OF THE "VOTING INFORMATION AND INSTRUCTIONS", PRINTED BELOW.

VOTING INFORMATION AND INSTRUCTIONS

1. TO HAVE YOUR VOTES COUNT, YOU MUST INDICATE ACCEPTANCE OR REJECTION OF THE PLAN IN THE COLUMNS INDICATED ON THE REVERSE SIDE AND SIGN AND RETURN THIS BALLOT TO THE ADDRESS INDICATED ON THE ENCLOSED PRE-ADDRESSED ENVELOPE. ORIGINAL BALLOTS MUST BE RECEIVED NO LATER THAN 5:00 P.M., EASTERN TIME, ON MAY 24, 1995 (THE "VOTING DEADLINE"). IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT MAY NOT BE COUNTED. ANY BALLOT WHICH IS MARKED AS BOTH ACCEPTING AND REJECTING THE PLAN, OTHER THAN SUMMARY BALLOTS COMPLETED BY INTERMEDIARIES, SHALL NOT BE COUNTED FOR ANY PURPOSE CONCERNING THE PLAN. BALLOTS WHICH HAVE NOT BEEN MARKED AS ACCEPTING OR REJECTING THE PLAN SHALL NOT BE COUNTED FOR PURPOSES OF TABULATING VOTES FOR THE PLAN. ANY BALLOT WHICH IS NOT SIGNED SHALL NOT BE COUNTED FOR VOTING PURPOSES.

2. To have this ballot counted, you must observe the procedures set forth in the Order Approving Disclosure Statement, Establishing Voting Procedures and Setting Confirmation Hearing, dated April 19, 1995 (the "Voting Procedures Order"). Such order is contained in the solicitation materials sent to you. The procedures set forth on this ballot are intended to summarize a few of the key voting rules. Reference to the Voting Procedures Order is still necessary for the specific voting rules.

3. For cause shown, the Bankruptcy Court may permit a creditor to change or

withdraw an acceptance or rejection.

4. If you are both the record holder and the only beneficial owner of the Claim indicated on the reverse side of this Ballot, you need only complete this Ballot and return it to the Balloting Agent no later than the Voting Deadline. If you are the beneficial owner but not the record holder of the Claim indicated on the reverse side of this Ballot and not an Intermediary (a proxy agent, brokerage firm, agent, custodian or other authorized nominee), then in order for your vote to count you should complete this Ballot and send it to your Intermediary by such date as to allow your Intermediary to send the Summary Ballot comprising your claim to Bankruptcy Services, Inc. ("BSI") so that it is received by the Voting Deadline. A ballot received directly from you with respect to such Claim shall not be counted for voting purposes. If you are the record holder but not the beneficial owner of the Claim indicated on the reverse side of this Ballot (i.e., an Intermediary), you should contact BSI at (212) 527-0727 to request sufficient solicitation packages and beneficial owner ballots to send to all beneficial owners of the Claim.

5. Your signature is required in order for your vote to be counted. If your claim is held by a partnership, the ballot should be executed in the name of the partnership by a general partner. If the claim is held by a corporation, then the ballot must be executed by an officer. If you are signing in a representative capacity for either of the above, or in another representative capacity, also indicate your title after your signature.

6. If you have claims other than in the class indicated on the ballot, then you may receive more than one ballot. IF YOU RECEIVE MORE THAN ONE BALLOT, THEN YOU SHOULD ASSUME THAT EACH BALLOT IS FOR A CLAIM IN A SEPARATE CLASS AND SHOULD COMPLETE AND RETURN ALL OF THEM.

7. No claim against which an objection has been filed shall be counted unless, after notice and hearing, the Bankruptcy Court has temporarily or otherwise allowed such claim in such amount as the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan.

8. To the extent a claim has been filed asserting an unliquidated claim, the Holder of such claim shall be entitled to vote and shall be treated as if such Holder was the Holder of a liquidated claim in the amount of one dollar in the appropriate class, unless, after notice and a hearing, the Bankruptcy Court has temporarily or otherwise allowed such claim in such other amount as the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan. To the extent a claim has been filed asserting a contingent claim, any vote by the Holder of such claim shall not be counted. Any claim which is asserted as partially unliquidated (that is, for a fixed amount plus certain unspecified amounts) shall be treated as a claim for only the liquidated amount asserted unless otherwise ordered by the Bankruptcy Court.

9. This Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan. HOLDERS SHOULD NOT SURRENDER CERTIFICATES REPRESENTING THEIR SECURITIES AT THIS TIME, AND NEITHER THE PROPONENT NOR THE BALLOTING AGENT WILL ACCEPT DELIVERY OF ANY SUCH

CERTIFICATES TRANSMITTED TOGETHER WITH THIS BALLOT.

10. This ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or an admission by the Proponent of the validity of a claim.

11. If you have any questions regarding this ballot or election procedures or the voting procedures, please call: Bankruptcy Services, Inc. at (212) 527-0727.

Exhibit T3E5

UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

- ----------

In re:

THE GRAND UNION COMPANY,	Chapter 11
also d/b/a Big Star,	Case No. 95-84 (PJW)

Debtor.

- ----------

SUMMARY BALLOT FOR VOTING ON SECOND AMENDED PLAN OF REORGANIZATION, DATED APRIL 19, 1995, SUBMITTED BY THE GRAND UNION COMPANY (THE "PLAN")
CLASS 4-SENIOR NOTE CLAIMS

NAME & ADDRESS:

On April 19, 1995, the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") approved the disclosure statement filed by The Grand Union Company (the "Proponent") and authorized the Proponent to solicit acceptances or rejections of the Plan, a copy of which is attached as an exhibit to the disclosure statement. This ballot is being provided for voting on the Plan.

The Plan may be confirmed by the Bankruptcy Court, and thereby made binding on you, if the plan is accepted by the holders of at least 2/3 in dollar amount and more than 1/2 in number of claims actually voting in each voting class of claims. The votes of the claims actually voted in your class will bind those who do not vote. If the requisite acceptances are not obtained for the Plan, the Bankruptcy Court nevertheless may confirm the Plan if at least one impaired class of claims has accepted the Plan and the Bankruptcy Court finds that such Plan accords fair and equitable treatment to, and does not discriminate unfairly against, the class(es) rejecting it.

TO HAVE YOUR VOTE ON THE PLAN COUNT YOU MUST COMPLETE AND RETURN THIS BALLOT. PLEASE COMPLETE SECTIONS A THROUGH C BELOW.

A. This summary ballot is provided for voting on the Plan. The undersigned certifies that as of April 19, 1995, the record date for voting on the Plan, it is the participant, broker, agent, custodian or other authorized nominee for holders of claims in the above-referenced class, for which voting instructions have been received from the beneficial owners (or their duly authorized agents or nominees) of such claims for which it is duly authorized to act.

As instructed by the beneficial owners of the claims set forth above, the undersigned transmits the following votes of such beneficial owners:

11-1/4% SENIOR NOTES DUE 2000	11-3/8% SENIOR NOTES DUE 1999
Acceptances:	Acceptance:
_____	_____
Number	Number
$ _____	$ _____
Face Amount	Face Amount
Rejections:	Rejections:
_____	_____
Number	Number
$ _____	$ _____
Face Amount	Face Amount

B. Under the penalties of perjury, the undersigned certifies that:

(1) Claimant's correct taxpayer identification number is:
Social Security Number - - , or
Employer Identification Number - , and

(2) Please check the Appropriate Box(es). Claimant is not subject to backup withholding because:

~ (a) Claimant is exempt from backup withholding, or

~ (b) Claimant has not been notified by the Internal Revenue Service ("IRS") that Claimant is subject to backup withholding as a result of a failure to report all interest or dividends, or

~ (c) the IRS has notified Claimant that Claimant is no longer subject to backup withholding.

C. Dated:
Print or type name of Claimant:

Signed:
[If appropriate] By:
as:

RETURN THIS BALLOT SO THAT IT IS RECEIVED ON OR BEFORE 5:00 P.M., EASTERN TIME, ON MAY 24, 1995 TO:

If by courier or by hand, to:
Bankruptcy Services, Inc.
Grand Union Ballot Processing
400 Park Avenue
New York, New York 10022

If by U.S. mail, to:
Bankruptcy Services, Inc.
Grand Union Ballot Processing
PO Box 5159
New York, New York 10150

VOTING INFORMATION AND INSTRUCTIONS

1. PARTICIPANTS, BROKERS, AGENTS, CUSTODIANS OR OTHER AUTHORIZED NOMINEES VOTING ON BEHALF OF MORE THAN ONE BENEFICIAL ACCOUNT MUST FILL OUT THIS SUMMARY BALLOT INDICATING THE TOTAL NUMBER OF CLAIMS VOTING TO ACCEPT OR REJECT THE PLAN. FOR YOUR VOTE TO BE COUNTED, YOU MUST SIGN AND RETURN THIS SUMMARY BALLOT IN THE ENCLOSED PRE-ADDRESSED ENVELOPE. BALLOTS MUST BE RECEIVED NO LATER THAN 5:00 P.M., EASTERN TIME, ON MAY 24, 1995 (THE "VOTING DEADLINE"). IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT MAY NOT BE COUNTED. ANY BALLOT WHICH IS MARKED AS BOTH ACCEPTING AND REJECTING THE PLAN, OTHER THAN SUMMARY BALLOTS COMPLETED BY INTERMEDIARIES, SHALL NOT BE COUNTED FOR ANY PURPOSE CONCERNING THE PLAN. BALLOTS WHICH HAVE NOT BEEN MARKED AS ACCEPTING OR REJECTING THE PLAN SHALL NOT BE COUNTED FOR PURPOSES OF TABULATING VOTES FOR THE PLAN. ANY BALLOT WHICH IS NOT SIGNED SHALL NOT BE COUNTED FOR VOTING PURPOSES.

2. To have this ballot counted, you must observe the procedures set forth in the Order Approving Disclosure Statement, Establishing Voting Procedures and Setting Confirmation Hearing, dated April 19, 1995 (the "Voting Procedures Order"). Such order is contained in the solicitation materials sent to you. The procedures set forth on this ballot are intended to summarize a few of the key voting rules. Reference to the Voting Procedures Order is still necessary for the specific voting rules.

3. No fees, commissions or remuneration will be payable to any participant, broker, nominee, dealer, agent or custodian for soliciting ballots to accept or reject the Plan. The Debtor will, upon request, reimburse you and each participant soliciting ballots for reasonable and customary copying, mailing and handling expenses incurred by you in forwarding the ballots and other

enclosed materials.

4. Your signature is required in order for your vote to be counted. Please sign your full name, indicate your title, the full name of your institution and its full address.

5. If you have claims in more than one class, you may receive more than one ballot. In addition, you may receive both summary ballots for you to vote on behalf of more than one beneficial account and non-summary ballots for you to vote on your own behalf. IF YOU RECEIVE MORE THAN ONE BALLOT, YOU SHOULD ASSUME THAT EACH BALLOT IS FOR A CLAIM IN A SEPARATE CLASS AND SHOULD COMPLETE AND RETURN ALL OF THEM.

6. No claim against which an objection has been filed shall be counted unless, after notice and hearing, the Bankruptcy Court has temporarily or otherwise allowed such claim in such amount as the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan.

7. To the extent a claim has been filed asserting an unliquidated claim, the Holder of such claim shall be entitled to vote and shall be treated as if such Holder was the Holder of a liquidated claim in the amount of one dollar in the appropriate class, unless, after notice and a hearing, the Bankruptcy Court has temporarily or otherwise allowed such claim in such other amount as the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan. To the extent a claim has been filed asserting a contingent claim, any vote by the Holder of such claim shall not be counted. Any claim which is asserted as partially unliquidated (that is, for a fixed amount plus certain unspecified amounts) shall be treated as a claim for only the liquidated amount asserted unless otherwise ordered by the Bankruptcy Court.

8. This ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or an admission by the Proponent of the validity of a claim.

9. This Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan. HOLDERS SHOULD NOT SURRENDER CERTIFICATES REPRESENTING THEIR SECURITIES AT THIS TIME, AND NEITHER THE PROPONENT NOR THE BALLOTING AGENT WILL ACCEPT DELIVERY OF ANY SUCH CERTIFICATES TRANSMITTED TOGETHER WITH THIS BALLOT.

10. Nothing contained herein or in the enclosed documents shall render you or any other person the agent of the Debtor, or authorize you or any other person to use any document or make any statement on behalf of the Debtor with respect to the Plan, except for the statements contained in the documents enclosed herewith.

11. If you have any questions regarding this ballot or election procedures or the voting procedures, please call: Bankruptcy Services, Inc. at (212) 527-0727.

UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

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In re:

THE GRAND UNION COMPANY,	Chapter 11
also d/b/a Big Star,	Case No. 95-84 (PJW)

Debtor.

- ----------

SUMMARY BALLOT FOR VOTING ON SECOND AMENDED PLAN OF REORGANIZATION, DATED APRIL 19, 1995, SUBMITTED BY THE GRAND UNION COMPANY (THE "PLAN")
CLASS 4-SENIOR NOTE CLAIMS

On April 19, 1995, the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") approved the disclosure statement filed by The Grand Union Company (the "Proponent") and authorized the Proponent to solicit acceptances or rejections of the Plan, a copy of which is attached as an exhibit to the disclosure statement. This ballot is being provided for voting on the Plan.

The Plan may be confirmed by the Bankruptcy Court, and thereby made binding on you, if the plan is accepted by the holders of at least 2/3 in dollar amount and more than 1/2 in number of claims actually voting in each voting class of claims. The votes of the claims actually voted in your class will bind those who do not vote. If the requisite acceptances are not obtained for the Plan, the Bankruptcy Court nevertheless may confirm the Plan if at least one impaired class of claims has accepted the Plan and the Bankruptcy Court finds that such Plan accords fair and equitable treatment to, and does not discriminate unfairly against, the class(es) rejecting it.

TO HAVE YOUR VOTE ON THE PLAN COUNT YOU MUST COMPLETE AND RETURN THIS BALLOT. PLEASE COMPLETE SECTIONS A THROUGH C BELOW.

A. This summary ballot is provided for voting on the Plan. The undersigned certifies that as of April 19, 1995, the record date for voting on the Plan, it is the participant, broker, agent, custodian or other authorized nominee for holders of claims in the above referenced class, for which voting instructions have been received from the beneficial owners (or their duly authorized agents

or nominees) of such claims for which it is duly authorized to act.

As instructed by the beneficial owners of the claims set forth above, the undersigned transmits the following votes of such beneficial owners:

11-1/4% SENIOR NOTES DUE 2000	11-3/8% SENIOR NOTES DUE 1999
Acceptances:	Acceptance:
_____ Number	_____ Number
$ _____ Face Amount	$ _____ Face Amount
Rejections:	Rejections:
_____ Number	_____ Number
$ _____ Face Amount	$ _____ Face Amount

B. Under the penalties of perjury, the undersigned certifies that:

(1) Claimant's correct taxpayer identification number is:
Social Security Number - - , or
Employer Identification Number - , and

(2) Please check the Appropriate Box(es). Claimant is not subject to backup withholding because:

~ (a) Claimant is exempt from backup withholding, or

~ (b) Claimant has not been notified by the Internal Revenue Service ("IRS") that Claimant is subject to backup withholding as a result of a failure to report all interest or dividends, or

~ (c) the IRS has notified Claimant that Claimant is no longer subject to backup withholding.

C. Dated:
Print or type name of Claimant:
Signed:
[If appropriate] By:
as:

RETURN THIS BALLOT SO THAT IT IS RECEIVED ON OR BEFORE 5:00 P.M., EASTERN TIME, ON MAY 24, 1995 TO:

If by courier or by hand, to:
Bankruptcy Services, Inc.
Grand Union Ballot Processing
400 Park Avenue
New York, New York 10022

If by U.S. mail, to:
Bankruptcy Services, Inc.
Grand Union Ballot Processing
PO Box 5159
New York, New York 10150

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