



Associated Grocers of Maine, Inc.  
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May 2, 2011

To: Customers of Associated Grocers of Maine, Inc.

From: James C. Ebbert, Court-Appointed Receiver for Associated Grocers of Maine, Inc.

Re: Associated Grocers of Maine, Inc. Receivership

As many of you have heard or read, certain events transpired last week regarding Associated Grocers of Maine, Inc. (“AGM” or the “Company”). One of the Company’s two secured lenders, Savings Bank of Maine, commenced litigation against the Company in the Superior Court of (Kennebec County) Maine (the “Court”). In connection with that litigation, the Court issued an order (the “Order”) appointing me as Receiver for the assets pledged as collateral for the Bank’s loans to the Company. The Order was entered on April 27, 2011, and a copy of the Order is attached hereto.

AGM has outstanding loans with two secured lenders. It appears that all of the Company’s assets have been pledged to one or both of these lenders. Given the condition of the business at the time the Receiver was appointed, the Company’s business is not viable. Neither of the two secured lenders is willing to advance additional funds and the Company’s financial condition does not allow for any alternative financing. Consequently, a decision has been made to orderly liquidate the Company’s assets so as to maximize the value of those assets for **all** creditors.

This decision was not made lightly in view of the impact it would have on the Company’s employees, vendors, customers and shareholders. Decisions such as these are always difficult to make, but they must be made with a realistic understanding of the situation.

#### **Accounts Receivable and the “Reserve or Capital Accounts”**

One of the most difficult issues for customers surrounds the relationship between their outstanding accounts receivable (“AR”) and their Reserve or Capital Accounts (“CA”). AGM’s AR consists of unpaid (open) customer invoices. The CA represents accounting balances on the Company’s books indicating the amount of an individual customer’s premium payments for goods, the so-called “1% factor”. Over the years some customers requested the Company to retain more than 1% and to credit it to their CA. Others made direct cash contributions to the Company for credit to their CA. Unfortunately, the open invoices and CAs have different legal standings. A customer’s AR cannot be off-set against the balance in its CA.

**Accounts Receivable.** It must be understood by all customers that all open balances must be paid in the normal course of business. These are assets of the Company and serve as collateral for the outstanding loans of the two secured lenders. If not paid voluntarily, the Receiver is prepared to use all available legal remedies to collect the open balances.

**Reserve or Capital Accounts.** The CAs are not segregated monies held by the Company. The by-laws of the Company did not provide for any such segregation, only that an accounting be kept of an individual customer’s “contributions” through the 1% premium paid. The same analysis attaches to any amounts contributed in excess of the 1%.

#### **Distribution of Proceeds from Liquidation of Assets**

Once the assets have been liquidated, the Receiver will distribute the proceeds in accordance with the order of priority established by the Uniform Commercial Code as in effect in the State of Maine as of the date of the Order.

**Questions.** The Receiver understands that these developments have been upsetting to all of the Company’s constituents. At the same time, I am requesting that you continue to treat all of the former employees and those who have remained to assist in the liquidation of assets with courtesy and respect. The current situation is not the fault of any one individual.

Questions regarding the workings of the Receivership should be directed to the Receiver at [jebbert@auroramp.com](mailto:jebbert@auroramp.com). Questions should not be directed to either of the two secured lenders.

Thank you.