

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

In re Townsends, Inc., et al. <sup>1</sup>

Case Nos. 10-14092 through 10-14096 (Jointly Administered)  
Reporting Period 2/1/11-2/27/11

**MONTHLY OPERATING REPORT #3**

| <b>REQUIRED DOCUMENTS</b>  | <b>Form No.</b> | <b>Document Attached</b> | <b>Explanation Attached</b> | <b>Affidavit/ Supplement Attached</b> |
|--|-----------------|--------------------------|-----------------------------|---------------------------------------|
| Schedule of Cash Receipts and Disbursements                      | MOR-1           | X                        |                             |                                       |
| Bank Reconciliation (or copies of debtor's bank reconciliations) | MOR-1a          | X                        |                             |                                       |
| Schedule of Professional Fees Paid                               | MOR-1b          | X                        |                             |                                       |
| Copies of bank statements  |                 |                          | See Note 16                 |                                       |
| Cash disbursements journals                                      |                 |                          | See Note 16                 |                                       |
| Statement of Operations  | MOR-2           | X                        |                             |                                       |
| Balance Sheet  | MOR-3           | X                        |                             |                                       |
| Status of Postpetition Taxes                                     | MOR-4           | X                        |                             |                                       |
| Copies of IRS Form 6123 or payment receipt                       |                 |                          | See Note 16                 |                                       |
| Copies of tax returns filed during reporting period              |                 |                          | See Note 16                 |                                       |
| Summary of Unpaid Postpetition Debts                             | MOR-4           | X                        |                             |                                       |
| Listing of aged accounts payable                                 | MOR-4           | X                        |                             |                                       |
| Accounts Receivable Reconciliation and Aging                     | MOR-5           | X                        |                             |                                       |
| Debtor Questionnaire   | MOR-5           | X                        |                             | See page 17                           |

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature of Debtor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Joint Debtor

\_\_\_\_\_  
Date

/s/ Dalton T. Edgecomb  
\_\_\_\_\_  
Signature of Authorized Individual\*

March 31, 2011  
\_\_\_\_\_  
Date

Dalton T. Edgecomb  
\_\_\_\_\_  
Printed Name of Authorized Individual

Chief Restructuring Officer  
\_\_\_\_\_  
Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

1. The Debtors, followed by the last four digits of their respective taxpayer identification numbers, are as follows: Townsends, Inc. (0681); Townsend Farms, Inc. (5263); Townsends of Arkansas, Inc. (5644); Townsend Farms of Arkansas, Inc. (0027); and Crestwood Farms LLC (7388), c/o 22855 DuPont Boulevard, Georgetown, DE 19947.

**TOWNSENDS, INC., ET AL.**  
**(DEBTORS-IN-POSSESSION)**  
**NOTES TO MONTHLY OPERATING REPORT**  
**MONTH ENDING FEBRUARY 27, 2011**  
**(UNAUDITED)**

**Reservation of Rights**

1. Nothing contained in this Monthly Operating Report shall constitute a waiver of any of the Debtors' rights or an admission with respect to their Chapter 11 cases, including, but not limited to, matters involving objections to claims, substantive consolidation, equitable subordination, defenses, characterization or re-characterization of contracts, assumption or rejection of contracts under the provisions of chapter 3 of title 11 of the United States Code (the "Bankruptcy Code") and/or causes of action under the provisions of Chapter 5 of the Bankruptcy Code or any other relevant applicable laws to recover assets or avoid transfers.
2. The Debtors reserve all rights to supplement or amend any financial statements contained in this Monthly Operating Report.

**Basis for Presentation**

3. Pursuant to the Order (A) Approving the Sale of Certain of the Debtors' Assets and (B) Approving the Assumption and Assignment of Contracts and Leases to Omtron, Ltd., dated February 18, 2011 (the "Omtron Asset Sale") and the Order (A) Approving the Sale of Certain of the Debtors' Assets and (B) Approving the Assumption and Assignment of Contracts and Leases to Peco Foods, Inc. dated February 17, 2011 (the "Peco Asset Sale", together, the "Asset Sales"), the Debtors sold virtually all of their assets in two transactions which closed on February 25, 2011. The accounting adjustments relating to the sale of these assets as reflected in these statements for the month ending February 27, 2011, are preliminary in nature and subject to final adjustment. Per footnote 2, the Debtors reserve all rights to supplement or amend any financial statements contained in this Monthly Operating Report, which could include supplements or amendments as a result of these transactions.
4. The amounts reflected in the financial statements contained herein are unaudited.
5. The financial statements contained herein were not intended to reconcile to any financial statements otherwise prepared or distributed by the Debtors.
6. The Monthly Operating Report is limited in scope, covers a limited time period, and has been prepared solely for the purpose of complying with the monthly reporting requirements of the Bankruptcy Court and the United States Trustee.

7. The information presented herein has not been subject to all procedures that would typically be applied to financial information presented in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), such as test of asset impairment.
8. The results of operations herein are not necessarily indicative of results which may be expected from any other period or for the full year and may not necessarily reflect the combined results of operations, financial position and cash flows of the Debtors in the future.
9. Intercompany transactions and balances among and between the Debtors have been eliminated in the presentation of the Balance Sheet and the Statement of Operations.
10. As part of the financial statements contained herein, the Debtors make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of this report, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### **Effects of the Bankruptcy Cases**

11. The financial statements contained in this Monthly Operating Report do not include the effects of all current or future claims relating to the cases. As of the date of this Monthly Operating Report, it is not possible to determine the extent of claims filed and to be filed, whether such claims will be disputed and whether they will be subject to discharge in the Chapter 11 cases. It is also not possible at this time to determine whether to establish any additional liabilities in respect of claims. Certain pre-petition trade accounts payable and debt balances are subject to further review and possible reclassification. Pre-petition liabilities may be subject to compromise or other treatment under the Debtors' Chapter 11 cases.
12. The Debtors may reject pre-petition executory contracts and unexpired leases, with the approval of the U.S. Bankruptcy Court. Damages resulting from rejection of executory contracts and unexpired leases are treated as pre-petition general unsecured claims and will be classified as liabilities subject to compromise.
13. Any differences between claim amounts listed by the Debtors in their Schedules of Assets and Liabilities (as may be amended) and claims filed by creditors will be investigated and, if necessary, the U.S. Bankruptcy Court will make the final determination as to the amount, nature and validity of claims. The determination of how liabilities will ultimately be settled and treated cannot be made until the U.S. Bankruptcy Court approves a Chapter 11 plan of reorganization. Accordingly, the ultimate amount of such liabilities is not determinable at this time.
14. ASC-852 requires pre-petition liabilities of the debtor that are subject to compromise to be reported at the claim amounts expected to be allowed, even if they may be settled for

lesser amounts. The amounts currently classified as liabilities subject to compromise may be subject to future adjustments depending on U.S. Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, if any, the values of any collateral securing such claims, or other events.

15. Amounts classified as secured represent the total balance of debt which may be secured without consideration as to the value of the underlying collateral. Inclusion of amounts in this category does not represent a concession or admission by the Debtors as to the appropriate classification, amount, or recognition of any underlying claim related to these amounts.
16. Copies of bank statements, journals, tax returns and other documentation are maintained at the Debtors' corporate accounting office.

### **Accounting Practices**

17. It is the Debtors' practice to close each month on the last Sunday of that month. Accordingly, this Monthly Operating Report covers the period from February 1, 2011 through Sunday, February 27, 2011.
18. The below list is a summary description of certain of the Debtors' accounting practices and is not intended to be complete or comprehensive:
  - a. Cash – Outstanding checks against the operating accounts are not relieved from Accounts Payable until cleared. Payroll accounts are shown on the balance sheet net of Payroll Expense.
  - b. Accrued Expenses – It is the Debtors' customary practice to pay certain expenses as they come due without recording an accrued expense related thereto. Some of the expenses treated in this manner include accrued vacation pay and flexible spending account payments. At February 27, 2011, accrued expenses included a \$2 million reserve against the Peco Joint Escrow Account for expected purchase price adjustments (see below).

### **Subsequent Events**

19. On March 3, 2011, the Debtor-In-Possession financing was repaid in full out of the proceeds of the Asset Sales. On March 4, 2011, \$40 million was repaid to the pre-petition secured lenders out of the proceeds of the Asset Sales.
20. Per Section 2.7 of the Asset Purchase Agreement between Peco Foods, Inc. and certain of the Debtors, the Purchase Price is to be reduced based on the results of the physical inventory count. It is expected that this adjustment will be in excess of the \$2 million held in escrow. The exact amount of the adjustment is currently in discussion.

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**TOWNSENDS, INC.**  
**(\$000)**

|                                       | BANK ACCTS      |                 |                |                 | CURRENT PERIOD   |                 | CUMULATIVE FILING TO DATE |                  |
|---------------------------------------|-----------------|-----------------|----------------|-----------------|------------------|-----------------|---------------------------|------------------|
|                                       | ESCROW*         | OPER**          | PAYROLL        | CDA             | ACTUAL           | PROJECTED       | ACTUAL                    | PROJECTED        |
| <b>Cash Beginning of Month</b>        | <b>\$0</b>      | <b>\$2,131</b>  | <b>\$466</b>   | <b>\$0</b>      | <b>\$2,597</b>   | <b>\$3,619</b>  | <b>\$2,245</b>            | <b>\$5,700</b>   |
| <b>RECEIPTS:</b>                      |                 |                 |                |                 |                  |                 |                           |                  |
| Accounts Receivable                   | -               | 40,207          | -              | -               | 40,207           | 42,254          | 91,407                    | 97,196           |
| Proceeds from Asset Sales             | 26,367          | 49,030          | -              | -               | 75,397           | -               | 75,397                    | -                |
| Loans and Advances (Interco)          | -               | -               | -              | -               | -                | -               | -                         | -                |
| Loans and Advances (DIP Loan)         | -               | 5,500           | -              | -               | 5,500            | 3,370           | 12,000                    | 12,000           |
| Pending Transfer for Uncleared Checks | -               | -               | -              | 3,219           | 3,219            | -               | 8,194                     | -                |
| Transfers (From DIP accounts)         | -               | -               | 5,374          | 32,437          | 37,811           | -               | 92,851                    | -                |
| <b>TOTAL RECEIPTS</b>                 | <b>\$26,367</b> | <b>\$94,737</b> | <b>\$5,374</b> | <b>\$35,656</b> | <b>\$162,134</b> | <b>\$45,624</b> | <b>\$279,849</b>          | <b>\$109,196</b> |
| <b>DISBURSEMENTS:</b>                 |                 |                 |                |                 |                  |                 |                           |                  |
| Payroll Related Items                 | -               | \$0             | \$2,875        | \$0             | \$2,875          | \$2,980         | \$8,274                   | \$8,564          |
| Grain                                 | -               | -               | -              | -               | -                | -               | -                         | -                |
| Other Feed Ingredients                | -               | -               | -              | -               | -                | -               | -                         | -                |
| Grower Payments                       | -               | -               | -              | -               | -                | -               | -                         | -                |
| Distribution                          | -               | -               | -              | 994             | 994              | 767             | 1,929                     | 1,909            |
| Packaging Supplies                    | -               | -               | -              | 604             | 604              | 538             | 1,540                     | 1,307            |
| Utilities                             | -               | -               | -              | 466             | 466              | 51              | 803                       | 781              |
| Fuel Costs                            | -               | -               | -              | 158             | 158              | 197             | 324                       | 370              |
| Co-Packaging                          | -               | -               | -              | 110             | 110              | 115             | 377                       | 273              |
| Leases                                | -               | -               | -              | 108             | 108              | 113             | 318                       | 301              |
| Broker Commission                     | -               | -               | -              | 370             | 370              | 412             | 956                       | 1,042            |
| Capital Expenditure Payables          | -               | -               | -              | -               | -                | -               | -                         | -                |
| Other Operating Payments              | -               | -               | -              | -               | -                | -               | -                         | -                |
| Contract Services                     | -               | -               | -              | 403             | 403              | -               | 679                       | -                |
| Insurance                             | -               | -               | -              | 73              | 73               | -               | 200                       | -                |
| Temporary Services                    | -               | -               | -              | 61              | 61               | -               | 115                       | -                |
| Freezers                              | -               | -               | -              | 698             | 698              | -               | 1,030                     | -                |
| Live Poultry Supplies & Services      | -               | -               | -              | -               | -                | -               | -                         | -                |
| Other                                 | -               | -               | -              | 2,376           | 2,376            | 1,487           | 3,353                     | 3,457            |
| Loans and Advances (Interco)          | -               | -               | 2,900          | 28,736          | 31,636           | 33,878          | 81,379                    | 87,597           |
| Transfers (To DIP Accounts)           | -               | 42,855          | -              | -               | 42,855           | -               | 99,490                    | -                |
| Professional Fees                     | -               | -               | -              | 432             | 432              | 2,321           | 557                       | 2,443            |
| DIP Loan Interest                     | -               | -               | -              | -               | -                | -               | -                         | 117              |
| Working Capital Contingency           | -               | -               | -              | 22              | 22               | 1,162           | 225                       | 1,513            |
| US Trustee Quarterly Fees             | -               | -               | -              | -               | -                | -               | 10                        | -                |
| Court Costs                           | -               | -               | -              | 45              | 45               | 90              | 90                        | 90               |
| <b>TOTAL DISBURSEMENTS</b>            | <b>\$0</b>      | <b>\$42,855</b> | <b>\$5,775</b> | <b>\$35,656</b> | <b>\$84,286</b>  | <b>\$44,111</b> | <b>\$201,649</b>          | <b>\$109,764</b> |
| <b>NET CASH FLOW</b>                  | <b>26,367</b>   | <b>51,882</b>   | <b>(401)</b>   | <b>-</b>        | <b>77,848</b>    | <b>1,513</b>    | <b>78,200</b>             | <b>(568)</b>     |
| <b>CASH-END OF MONTH</b>              | <b>\$26,367</b> | <b>\$54,013</b> | <b>\$65</b>    | <b>\$0</b>      | <b>\$80,445</b>  | <b>\$5,132</b>  | <b>\$80,445</b>           | <b>\$5,132</b>   |

**DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES:(FROM CURRENT MONTH ACTUAL COLUMN)**

|  |                 |
|--|-----------------|
| <b>TOTAL DISBURSEMENTS</b>   | <b>\$84,286</b> |
| Less transfers to debtor in possession accounts                      | (42,855)        |
| Less transfers to intercompany                                       | (31,636)        |
| Plus estate disbursements made by outside sources                    | -               |
| <b>TOTAL DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES</b> | <b>\$9,795</b>  |

\*Escrow Account includes Morris Nichols Arshnt &amp; Tunnell LLP escrow account and Joint Escrow Account held by debtors and Peco Foods.

\*\*Operating Account includes debtor's Operating Account, Lockbox, Export Collections and Utility Escrow Account.

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
TOWNSEND FARMS, INC.  
(\$000)**

|                                       | BANK ACCTS* |              |                 | CURRENT PERIOD  |                 | CUMULATIVE FILING TO DATE |                 |
|---------------------------------------|-------------|--------------|-----------------|-----------------|-----------------|---------------------------|-----------------|
|                                       | OPER        | PAYROLL      | CDA             | ACTUAL          | PROJECTED       | ACTUAL                    | PROJECTED       |
| <b>Cash Beginning of Month</b>        | \$0         | \$0          | \$0             | \$0             | \$0             | \$0                       | \$0             |
| <b>RECEIPTS:</b>                      |             |              |                 |                 |                 |                           |                 |
| Accounts Receivable                   | -           | -            | -               | -               | -               | -                         | -               |
| Loans and Advances (Interco)          | -           | 144          | 11,867          | 12,011          | 13,472          | 31,889                    | 34,847          |
| Loans and Advances (DIP Loan)         | -           | -            | -               | -               | -               | -                         | -               |
| Pending Transfer for Uncleared Checks | -           | -            | -               | -               | -               | -                         | -               |
| Transfers (From DIP accounts)         | -           | -            | -               | -               | -               | -                         | -               |
| <b>TOTAL RECEIPTS</b>                 | <b>\$0</b>  | <b>\$144</b> | <b>\$11,867</b> | <b>\$12,011</b> | <b>\$13,472</b> | <b>\$31,889</b>           | <b>\$34,847</b> |
| <b>DISBURSEMENTS:</b>                 |             |              |                 |                 |                 |                           |                 |
| Payroll Related Items                 | \$0         | \$144        | \$0             | \$144           | \$150           | \$348                     | \$375           |
| Grain                                 | -           | -            | 6,326           | 6,326           | 8,100           | 17,506                    | 21,100          |
| Other Feed Ingredients                | -           | -            | 2,143           | 2,143           | 2,572           | 6,294                     | 6,531           |
| Grower Payments                       | -           | -            | 1,941           | 1,941           | 1,700           | 4,866                     | 4,600           |
| Distribution                          | -           | -            | 84              | 84              | 50              | 169                       | 100             |
| Packaging Supplies                    | -           | -            | -               | -               | -               | -                         | -               |
| Utilities                             | -           | -            | 104             | 104             | 10              | 155                       | 300             |
| Fuel Costs                            | -           | -            | 43              | 43              | 50              | 163                       | 161             |
| Co-Packaging                          | -           | -            | -               | -               | -               | -                         | -               |
| Leases                                | -           | -            | 34              | 34              | 40              | 74                        | 80              |
| Broker Commission                     | -           | -            | -               | -               | -               | -                         | -               |
| Capital Expenditure Payables          | -           | -            | -               | -               | -               | -                         | -               |
| Other Operating Payments              |             |              |                 |                 |                 |                           |                 |
| Contract Services                     | -           | -            | 57              | 57              | -               | 95                        | -               |
| Insurance                             | -           | -            | 9               | 9               | -               | 18                        | -               |
| Temporary Services                    | -           | -            | 26              | 26              | -               | 62                        | -               |
| Freezers                              | -           | -            | -               | -               | -               | -                         | -               |
| Live Poultry Supplies & Services      | -           | -            | 448             | 448             | -               | 1,011                     | -               |
| Other                                 | -           | -            | 652             | 652             | 800             | 1,115                     | 1,600           |
| Loans and Advances (Interco)          | -           | -            | -               | -               | -               | -                         | -               |
| Transfers (To DIP Accounts)           | -           | -            | -               | -               | -               | -                         | -               |
| Professional Fees                     | -           | -            | -               | -               | -               | -                         | -               |
| DIP Loan Interest                     | -           | -            | -               | -               | -               | -                         | -               |
| Pre-Petition Debt Service             | -           | -            | -               | -               | -               | -                         | -               |
| US Trustee Quarterly Fees             | -           | -            | -               | -               | -               | 13                        | -               |
| Court Costs                           | -           | -            | -               | -               | -               | -                         | -               |
| <b>TOTAL DISBURSEMENTS</b>            | <b>\$0</b>  | <b>\$144</b> | <b>\$11,867</b> | <b>\$12,011</b> | <b>\$13,472</b> | <b>\$31,889</b>           | <b>\$34,847</b> |
| <b>NET CASH FLOW</b>                  | <b>-</b>    | <b>-</b>     | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>                  | <b>-</b>        |
| <b>CASH-END OF MONTH</b>              | <b>\$0</b>  | <b>\$0</b>   | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>                | <b>\$0</b>      |

**DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)**

|  |                 |
|--|-----------------|
| <b>TOTAL DISBURSEMENTS</b>   | \$12,011        |
| Less transfers to debtor in possession accounts                      | -               |
| Less transfers to intercompany                                       | -               |
| Plus estate disbursements made by outside sources                    | -               |
| <b>TOTAL DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES</b> | <b>\$12,011</b> |

\*Townsend Farms, Inc. has no bank accounts. Receipts and Disbursements flow through Townsends, Inc.'s bank accounts.

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**TOWNSENDS OF ARKANSAS, INC.**  
(\$000)

|                                       | BANK ACCTS |                |                | CURRENT PERIOD |                | CUMULATIVE FILING TO DATE |                 |
|---------------------------------------|------------|----------------|----------------|----------------|----------------|---------------------------|-----------------|
|                                       | OPER       | PAYROLL        | CDA            | ACTUAL         | PROJECTED      | ACTUAL                    | PROJECTED       |
| <b>Cash Beginning of Month</b>        | <b>\$0</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>                | <b>\$0</b>      |
| <b>RECEIPTS:</b>                      |            |                |                |                |                |                           |                 |
| Accounts Receivable                   | -          | -              | -              | -              | -              | -                         | -               |
| Loans and Advances (Interco)          | -          | 2,146          | 3,293          | 5,439          | 4,652          | 12,779                    | 12,316          |
| Loans and Advances (DIP Loan)         | -          | -              | -              | -              | -              | -                         | -               |
| Pending Transfer for Uncleared Checks | -          | -              | -              | -              | -              | -                         | -               |
| Transfers (From DIP accounts)         | -          | -              | -              | -              | -              | -                         | -               |
| <b>TOTAL RECEIPTS</b>                 | <b>\$0</b> | <b>\$2,146</b> | <b>\$3,293</b> | <b>\$5,439</b> | <b>\$4,652</b> | <b>\$12,779</b>           | <b>\$12,316</b> |
| <b>DISBURSEMENTS:</b>                 |            |                |                |                |                |                           |                 |
| Payroll Related Items                 | \$0        | \$2,146        | \$0            | \$2,146        | \$2,150        | \$5,654                   | \$5,700         |
| Grain                                 | -          | -              | -              | -              | -              | -                         | -               |
| Other Feed Ingredients                | -          | -              | -              | -              | -              | -                         | -               |
| Grower Payments                       | -          | -              | -              | -              | -              | -                         | -               |
| Distribution                          | -          | -              | 735            | 735            | 552            | 1,432                     | 1,532           |
| Packaging Supplies                    | -          | -              | 503            | 503            | 500            | 1,200                     | 1,231           |
| Utilities                             | -          | -              | 272            | 272            | 50             | 470                       | 580             |
| Fuel Costs                            | -          | -              | 75             | 75             | 125            | 352                       | 336             |
| Co-Packaging                          | -          | -              | -              | -              | -              | -                         | -               |
| Leases                                | -          | -              | 70             | 70             | 125            | 247                       | 250             |
| Broker Commission                     | -          | -              | 76             | 76             | 100            | 296                       | 369             |
| Capital Expenditure Payables          | -          | -              | -              | -              | -              | -                         | -               |
| Other Operating Payments              | -          | -              | -              | -              | -              | -                         | -               |
| Contract Services                     | -          | -              | 229            | 229            | -              | 380                       | -               |
| Insurance                             | -          | -              | 55             | 55             | -              | 102                       | -               |
| Temporary Services                    | -          | -              | -              | -              | -              | -                         | -               |
| Freezers                              | -          | -              | 285            | 285            | -              | 630                       | -               |
| Live Poultry Supplies & Services      | -          | -              | -              | -              | -              | -                         | -               |
| Other                                 | -          | -              | 993            | 993            | 1,050          | 2,009                     | 2,318           |
| Loans and Advances (Interco)          | -          | -              | -              | -              | -              | -                         | -               |
| Transfers (To DIP Accounts)           | -          | -              | -              | -              | -              | -                         | -               |
| Professional Fees                     | -          | -              | -              | -              | -              | -                         | -               |
| DIP Loan Interest                     | -          | -              | -              | -              | -              | -                         | -               |
| Pre-Petition Debt Service             | -          | -              | -              | -              | -              | -                         | -               |
| US Trustee Quarterly Fees             | -          | -              | -              | -              | -              | 7                         | -               |
| Court Costs                           | -          | -              | -              | -              | -              | -                         | -               |
| <b>TOTAL DISBURSEMENTS</b>            | <b>\$0</b> | <b>\$2,146</b> | <b>\$3,293</b> | <b>\$5,439</b> | <b>\$4,652</b> | <b>\$12,779</b>           | <b>\$12,316</b> |
| <b>NET CASH FLOW</b>                  | <b>-</b>   | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>                  | <b>-</b>        |
| <b>CASH-END OF MONTH</b>              | <b>\$0</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>                | <b>\$0</b>      |

**DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)**

|  |                |
|--|----------------|
| <b>TOTAL DISBURSEMENTS</b>   | <b>\$5,439</b> |
| Less transfers to debtor in possession accounts                      | -              |
| Less transfers to intercompany                                       | -              |
| Plus estate disbursements made by outside sources                    | -              |
| <b>TOTAL DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES</b> | <b>\$5,439</b> |

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
TOWNSEND FARMS OF ARKANSAS, INC.  
(\$000)**

|                                       | BANK ACCTS* |            |                 | CURRENT PERIOD  |                 | CUMULATIVE FILING TO DATE |                 |
|---------------------------------------|-------------|------------|-----------------|-----------------|-----------------|---------------------------|-----------------|
|                                       | OPER        | PAYROLL    | CDA             | ACTUAL          | PROJECTED       | ACTUAL                    | PROJECTED       |
| <b>Cash Beginning of Month</b>        | \$0         | \$0        | \$0             | \$0             | \$0             | \$0                       | \$0             |
| <b>RECEIPTS:</b>                      |             |            |                 |                 |                 |                           |                 |
| Accounts Receivable                   | -           | -          | -               | -               | -               | -                         | -               |
| Loans and Advances (Interco)          | -           | -          | 11,749          | 11,749          | 13,850          | 31,288                    | 35,458          |
| Loans and Advances (DIP Loan)         | -           | -          | -               | -               | -               | -                         | -               |
| Pending Transfer for Uncleared Checks | -           | -          | -               | -               | -               | -                         | -               |
| Transfers (From DIP accounts)         | -           | -          | -               | -               | -               | -                         | -               |
| <b>TOTAL RECEIPTS</b>                 | <b>\$0</b>  | <b>\$0</b> | <b>\$11,749</b> | <b>\$11,749</b> | <b>\$13,850</b> | <b>\$31,288</b>           | <b>\$35,458</b> |
| <b>DISBURSEMENTS:</b>                 |             |            |                 |                 |                 |                           |                 |
| Payroll Related Items                 | \$0         | \$0        | \$0             | \$0             | \$0             | \$0                       | \$0             |
| Grain                                 | -           | -          | 6,451           | 6,451           | 8,680           | 17,432                    | 22,032          |
| Other Feed Ingredients                | -           | -          | 1,420           | 1,420           | 2,260           | 5,411                     | 6,070           |
| Grower Payments                       | -           | -          | 2,338           | 2,338           | 1,910           | 5,400                     | 4,840           |
| Distribution                          | -           | -          | 39              | 39              | 25              | 131                       | 100             |
| Packaging Supplies                    | -           | -          | -               | -               | -               | -                         | -               |
| Utilities                             | -           | -          | 92              | 92              | 10              | 106                       | 175             |
| Fuel Costs                            | -           | -          | 31              | 31              | 25              | 135                       | 111             |
| Co-Packaging                          | -           | -          | -               | -               | -               | -                         | -               |
| Leases                                | -           | -          | 38              | 38              | 40              | 82                        | 80              |
| Broker Commission                     | -           | -          | -               | -               | -               | -                         | -               |
| Capital Expenditure Payables          | -           | -          | -               | -               | -               | -                         | -               |
| Other Operating Payments              |             |            |                 |                 |                 |                           |                 |
| Contract Services                     | -           | -          | 149             | 149             | -               | 200                       | -               |
| Insurance                             | -           | -          | -               | -               | -               | -                         | -               |
| Temporary Services                    | -           | -          | 8               | 8               | -               | 74                        | -               |
| Freezers                              | -           | -          | -               | -               | -               | -                         | -               |
| Live Poultry Supplies & Services      | -           | -          | 302             | 302             | -               | 732                       | -               |
| Other                                 | -           | -          | 881             | 881             | 900             | 1,575                     | 2,050           |
| Loans and Advances (Interco)          | -           | -          | -               | -               | -               | -                         | -               |
| Transfers (To DIP Accounts)           | -           | -          | -               | -               | -               | -                         | -               |
| Professional Fees                     | -           | -          | -               | -               | -               | -                         | -               |
| DIP Loan Interest                     | -           | -          | -               | -               | -               | -                         | -               |
| Pre-Petition Debt Service             | -           | -          | -               | -               | -               | -                         | -               |
| US Trustee Quarterly Fees             | -           | -          | -               | -               | -               | 10                        | -               |
| Court Costs                           | -           | -          | -               | -               | -               | -                         | -               |
| <b>TOTAL DISBURSEMENTS</b>            | <b>\$0</b>  | <b>\$0</b> | <b>\$11,749</b> | <b>\$11,749</b> | <b>\$13,850</b> | <b>\$31,288</b>           | <b>\$35,458</b> |
| <b>NET CASH FLOW</b>                  | <b>-</b>    | <b>-</b>   | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>                  | <b>-</b>        |
| <b>CASH-END OF MONTH</b>              | <b>\$0</b>  | <b>\$0</b> | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>                | <b>\$0</b>      |

**DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)**

|  |                 |
|--|-----------------|
| <b>TOTAL DISBURSEMENTS</b>   | \$11,749        |
| Less transfers to debtor in possession accounts                      | -               |
| Less transfers to intercompany                                       | -               |
| Plus estate disbursements made by outside sources                    | -               |
| <b>TOTAL DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES</b> | <b>\$11,749</b> |

\*Townsend Farms of Arkansas, Inc. has no bank accounts. Receipts and Disbursements flow through Townsends, Inc.'s bank accounts.



**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
CRESTWOOD FARMS LLC  
(\$000)**

|                                       | BANK ACCTS |         |         | CURRENT PERIOD |           | CUMULATIVE FILING TO DATE |           |
|---------------------------------------|------------|---------|---------|----------------|-----------|---------------------------|-----------|
|                                       | OPER       | PAYROLL | CDA     | ACTUAL         | PROJECTED | ACTUAL                    | PROJECTED |
| <b>Cash Beginning of Month</b>        | \$0        | \$0     | \$0     | \$0            | \$0       | \$0                       | \$0       |
| <b>RECEIPTS:</b>                      |            |         |         |                |           |                           |           |
| Accounts Receivable                   | -          | -       | -       | -              | -         | -                         | -         |
| Loans and Advances (Interco)          | -          | 610     | 1,827   | 2,437          | 1,904     | 5,423                     | 4,976     |
| Loans and Advances (DIP Loan)         | -          | -       | -       | -              | -         | -                         | -         |
| Pending Transfer for Uncleared Checks | -          | -       | -       | -              | -         | -                         | -         |
| Transfers (From DIP accounts)         | -          | -       | -       | -              | -         | -                         | -         |
| <b>TOTAL RECEIPTS</b>                 | \$0        | \$610   | \$1,827 | \$2,437        | \$1,904   | \$5,423                   | \$4,976   |
| <b>DISBURSEMENTS:</b>                 |            |         |         |                |           |                           |           |
| Payroll Related Items                 | \$0        | \$610   | \$0     | \$610          | \$624     | \$1,625                   | \$1,649   |
| Grain                                 | -          | -       | -       | -              | -         | -                         | -         |
| Other Feed Ingredients                | -          | -       | -       | -              | -         | -                         | -         |
| Grower Payments                       | -          | -       | -       | -              | -         | -                         | -         |
| Distribution                          | -          | -       | -       | -              | -         | -                         | -         |
| Packaging Supplies                    | -          | -       | 309     | 309            | 275       | 637                       | 635       |
| Utilities                             | -          | -       | 108     | 108            | 25        | 223                       | 275       |
| Fuel Costs                            | -          | -       | -       | -              | -         | -                         | -         |
| Co-Packaging                          | -          | -       | -       | -              | -         | -                         | -         |
| Leases                                | -          | -       | 17      | 17             | 50        | 292                       | 275       |
| Broker Commission                     | -          | -       | -       | -              | -         | -                         | -         |
| Capital Expenditure Payables          | -          | -       | -       | -              | 30        | 22                        | 92        |
| Other Operating Payments              |            |         |         |                |           |                           |           |
| Contract Services                     | -          | -       | 224     | 224            | -         | 450                       | -         |
| Insurance                             | -          | -       | 14      | 14             | -         | 24                        | -         |
| Temporary Services                    | -          | -       | 56      | 56             | -         | 97                        | -         |
| Freezers                              |            |         |         |                |           |                           |           |
| Live Poultry Supplies & Services      |            |         |         |                |           |                           |           |
| Other                                 | -          | -       | 1,099   | 1,099          | 900       | 2,048                     | 2,050     |
| Loans and Advances (Interco)          | -          | -       | -       | -              | -         | -                         | -         |
| Transfers (To DIP Accounts)           | -          | -       | -       | -              | -         | -                         | -         |
| Professional Fees                     | -          | -       | -       | -              | -         | -                         | -         |
| DIP Loan Interest                     | -          | -       | -       | -              | -         | -                         | -         |
| Pre-Petition Debt Service             | -          | -       | -       | -              | -         | -                         | -         |
| US Trustee Quarterly Fees             | -          | -       | -       | -              | -         | 5                         | -         |
| Court Costs                           | -          | -       | -       | -              | -         | -                         | -         |
| <b>TOTAL DISBURSEMENTS</b>            | \$0        | \$610   | \$1,827 | \$2,437        | \$1,904   | \$5,423                   | \$4,976   |
| <b>NET CASH FLOW</b>                  | -          | -       | -       | -              | -         | -                         | -         |
| <b>CASH-END OF MONTH</b>              | \$0        | \$0     | \$0     | \$0            | \$0       | \$0                       | \$0       |

**DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)**

|  |         |
|--|---------|
| <b>TOTAL DISBURSEMENTS</b>   | \$2,437 |
| Less transfers to debtor in possession accounts                      | -       |
| Less transfers to intercompany                                       | -       |
| Plus estate disbursements made by outside sources                    | -       |
| <b>TOTAL DISBURSEMENTS FOR CALCULATING US TRUSTEE QUARTERLY FEES</b> | \$2,437 |

**BANK RECONCILIATIONS**  
**Continuation Sheet for MOR-1**

The following lists all of the Debtors' bank accounts and the corresponding bank statement balances. Each account has been reconciled for the period ending 2/27/11.

| <u>Account Holder</u> <sup>1</sup> | <u>Acct Type</u>                         | <u>Bank</u>          | <u>Account#</u> | <u>Balance</u>   |
|------------------------------------|--|----------------------|-----------------|------------------|
| Townsends, Inc.                    | CDA Account                              | PNC                  | 1024865804      | \$0.00           |
| Townsends, Inc.                    | Operating Account                        | PNC                  | 5797139466      | \$56,644,734.10  |
| Townsends, Inc.                    | Lockbox                                  | Wachovia/Wells Fargo | 2100011480151   | \$0.00           |
| Townsends, Inc.                    | Export Collections Account               | US Bank              | 103674007309    | \$1,000.00       |
| Townsends, Inc.                    | Utility Escrow Account                   | PNC                  | 5797414034      | \$209,620.63     |
| Townsends, Inc.                    | Payroll Account (NC) <sup>2</sup>        | PNC                  | 5797009012      | \$672,310.13     |
| Townsends, Inc.                    | Payroll Account (DE) <sup>2</sup>        | PNC                  | 5797175184      | \$0.00           |
| Townsends, Inc.                    | Payroll Account (Exec) <sup>2</sup>      | PNC                  | 5797143561      | \$0.00           |
| Townsends of Arkansas, Inc.        | Payroll Account (AR) <sup>2</sup>        | PNC                  | 5797002953      | \$548,360.42     |
| Crestwood Farms LLC                | Payroll Account (CW) <sup>2</sup>        | Suntrust             | 1000036313293   | \$229,741.76     |
| Townsends, Inc.                    | Joint Escrow Account (Peco) <sup>3</sup> | Suntrust             | 7938941         | \$2,000,000.00   |
| Morris Nichols Arsht & Tunnell LLP | Escrow Account <sup>4</sup>              | Wilmington Trust     | 10420164        | \$ 24,366,006.42 |

## Notes:

- Townsend Farms, Inc. and Townsend Farms of Arkansas, Inc. do not have bank accounts.
- Payroll accounts are reported on the balance sheet net of accrued payroll expense.
- The Joint Escrow Account held at Suntrust was established to hold the Inventory Deposit per Section 2.6 of the Peco Food, Inc. Asset Purchase Agreement, to fund any potential deficiencies under the Purchase Price Adjustment per Section 2.7.
- As of 2/27/11, Morris Nichols held certain proceeds in escrow from the Omtron transaction:

|  |                         |                                   |
|--|-------------------------|-----------------------------------|
| 503(b)(9) Pool <sup>4</sup>              | \$ 15,600,000.00        |                                   |
| Balance of Proceeds of Sale <sup>5</sup> | 8,593,801.42            | transferred to Debtors on 3/4/11  |
| Tax Escrow                               | 138,500.00              |                                   |
| Contract Cure Amounts                    | 33,705.00               | transferred to Debtors on 3/22/11 |
|  | <u>\$ 24,366,006.42</u> |                                   |

In re Townsends, Inc., et al.

Case Nos. 10-14092 through 10-14096

Jointly Administered

Reporting Period

2/1/11-2/27/11

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID  
TOWNSENDS, INC. AND SUBSIDIARIES**

| Payee                            | Period Covered    | Amount Approved | Payor           | Check      |           | Amount Paid |           | Year-To-Date |           |
|----------------------------------|-------------------|-----------------|-----------------|------------|-----------|-------------|-----------|--------------|-----------|
|                                  |                   |                 |                 | Number     | Date      | Fees        | Expenses  | Fees         | Expenses  |
| Donlin Recano                    | 2/1/2011          | 13,042.00       | Townsends, Inc. | 1010629709 | 2/3/2011  | -           | 13,042.00 | 41,606.34    | 37,058.55 |
| Greenberg Traurig                | 01/01/11-01/31/11 | 154,090.87      | Townsends, Inc. | 1010630525 | 2/24/2011 | 147,775.00  | 6,315.87  | 147,775.00   | 6,315.87  |
| Greenberg Traurig                | 12/20/10-12/31/10 | 73,212.76       | Townsends, Inc. | Wire       | 2/25/2011 | 71,810.00   | 1,402.76  | 219,585.00   | 7,718.63  |
| Huron Consulting Group           | 12/19/10-12/31/10 | 114,827.01      | Townsends, Inc. | Wire       | 2/15/2011 | 111,828.60  | 2,998.41  | 111,828.60   | 2,998.41  |
| Morris, Nichols, Arsht & Tunnell | 12/19/10-12/31/10 | 68,562.15       | Townsends, Inc. | Wire       | 2/15/2011 | 59,506.40   | 9,055.75  | 59,506.40    | 9,055.75  |
| Miller Advertising Agency        | 02/01/11-02/28/11 | 6,439.50        | Townsends, Inc. | Wire       | 2/23/2011 | -           | 6,439.50  | -            | 6,439.50  |
| Qorval                           | 01/01/11-01/31/11 | 14,730.80       | Townsends, Inc. | 1010630488 | 2/24/2011 | 12,792.50   | 1,938.33  | 12,792.50    | 1,938.33  |

**STATEMENT OF OPERATIONS**  
**TOWNSENDS, INC. AND SUBSIDIARIES**  
**2/1/11 - 2/27/11**  
**(\$000)**

|  | Townsends,<br>Inc. | Townsend<br>Farms, Inc. | Townsends of<br>Arkansas, Inc. | Townsend<br>Farms of<br>Arkansas, Inc. | Crestwood<br>Farms LLC | Consolidating<br>Entries | Consolidated      |
|--|--------------------|-------------------------|--------------------------------|--|------------------------|--------------------------|-------------------|
| <b>REVENUES</b>  |                    |                         |                                |  |                        |                          |                   |
| Poultry Revenue  | \$20,469           | \$0                     | \$15,139                       | \$0                                    | \$0                    |                          | \$35,608          |
| Miscellaneous Sale Revenue   | 112                | 145                     | 314                            | 157                                    | -                      |                          | 728               |
| Less: Allowances and Commissions                                   | (439)              | -                       | (89)                           | -                                      | -                      |                          | (528)             |
| Net Revenue  | 20,142             | 145                     | 15,364                         | 157                                    | -                      |                          | 35,808            |
| <b>COST OF GOODS SOLD</b>  |                    |                         |                                |  |                        |                          |                   |
| Cost of Goods Sold   | 22,419             | 1,758                   | 15,423                         | 2,065                                  | (65)                   |                          | 41,600            |
| Gross Profit (Loss)  | (2,277)            | (1,613)                 | (59)                           | (1,908)                                | 65                     |                          | (5,792)           |
| <b>SELLING, GENERAL &amp; ADMINISTRATIVE EXPENSES</b>              |                    |                         |                                |  |                        |                          |                   |
| Administrative Expenses  | 807                | -                       | (1,037)                        | -                                      | -                      |                          | (230)             |
| Sales Expenses   | (200)              | -                       | (45)                           | -                                      | -                      |                          | (245)             |
| Total Selling, General & Administrative Expenses                   | 607                | -                       | (1,082)                        | -                                      | -                      |                          | (475)             |
| Net Profit (Loss) Before Other Income & Expenses                   | (1,670)            | (1,613)                 | (1,141)                        | (1,908)                                | 65                     |                          | (6,267)           |
| <b>OTHER INCOME AND EXPENSES</b>                                   |                    |                         |                                |  |                        |                          |                   |
| Franchise Tax Expense  | (15)               | -                       | -                              | -                                      | (2)                    |                          | (17)              |
| Other Income-Equity in Earnings of Subsidiaries                    | (23,371)           |                         | (528)                          |  |                        | 23,899                   | -                 |
| Net Profit (Loss) Before Extraordinary<br>and Reorganization Items | (25,056)           | (1,613)                 | (1,669)                        | (1,908)                                | 63                     | 23,899                   | (6,284)           |
| <b>EXTRAORDINARY ITEMS</b>   |                    |                         |                                |  |                        |                          |                   |
| Gain/(Loss) on Sale of Assets                                      | (24,165)           | (6,607)                 | 11,258                         | 1,392                                  | (24,778)               |                          | (42,900)          |
| <b>REORGANIZATION ITEMS</b>  |                    |                         |                                |  |                        |                          |                   |
| Professional Fees (accrued estimate)                               | (1,835)            |                         |                                |  |                        |                          | (1,835)           |
| U.S. Trustee Quarterly Fees (accrued estimate)                     | (16)               | (12)                    | (9)                            | (12)                                   | (4)                    |                          | (53)              |
| Total Reorganization Expenses                                      | (1,851)            | (12)                    | (9)                            | (12)                                   | (4)                    |                          | (1,888)           |
| <b>Net Profit (Loss)</b>   | <b>(\$51,072)</b>  | <b>(\$8,232)</b>        | <b>\$9,580</b>                 | <b>(\$528)</b>                         | <b>(\$24,719)</b>      | <b>\$23,899</b>          | <b>(\$51,072)</b> |

In re Townsends, Inc., et al.

Case Nos. 10-14092 through 10-14096  
(Jointly Administered)  
Reporting Period 2/1/11-2/27/11

**BALANCE SHEET**  
**TOWNSENDS, INC. AND SUBSIDIARIES**  
2/1/11 - 2/27/11  
(\$000)

|  | Townsends,<br>Inc. | Townsend<br>Farms, Inc. | Townsends of<br>Arkansas, Inc. | Townsend<br>Farms of<br>Arkansas, Inc. | Crestwood<br>Farms LLC | Consolidating<br>Entries | Consolidated    |
|--|--------------------|-------------------------|--------------------------------|--|------------------------|--------------------------|-----------------|
| <b>ASSETS</b>                                  |                    |                         |                                |  |                        |                          |                 |
| <b>CURRENT ASSETS</b>                          |                    |                         |                                |  |                        |                          |                 |
| Unrestricted Cash and Equivalents              | \$57,089           | \$0                     | \$0                            | \$0                                    | \$0                    |                          | \$57,089        |
| Cash Held in Escrow                            | 26,367             | -                       | -                              | -                                      | -                      |                          | 26,367          |
| Restricted Cash and Cash Equivalents           | 210                | -                       | -                              | -                                      | -                      |                          | 210             |
| Miscellaneous Receivables                      | 208                | -                       | -                              | -                                      | -                      |                          | 208             |
| Inventories                                    | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| Prepaid Expenses                               | 579                | 72                      | 398                            | 17                                     | 23                     |                          | 1,089           |
| <b>TOTAL CURRENT ASSETS</b>                    | <b>84,453</b>      | <b>72</b>               | <b>398</b>                     | <b>17</b>                              | <b>23</b>              |                          | <b>84,963</b>   |
| <b>PROPERTY AND EQUIPMENT</b>                  |                    |                         |                                |  |                        |                          |                 |
| Land   | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| Buildings                                      | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| Equipment                                      | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| Trademarks                                     | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| Vehicles                                       | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| Less Contributions in Aid                      | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| Less Accumulated Depreciation                  | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| <b>TOTAL PROPERTY &amp; EQUIPMENT</b>          | <b>-</b>           | <b>-</b>                | <b>-</b>                       | <b>-</b>                               | <b>-</b>               |                          | <b>-</b>        |
| <b>OTHER ASSETS</b>                            |                    |                         |                                |  |                        |                          |                 |
| Security Deposits                              | 682                | -                       | 277                            | -                                      | 72                     |                          | 1,031           |
| Goodwill                                       | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| <b>TOTAL OTHER ASSETS</b>                      | <b>682</b>         | <b>-</b>                | <b>277</b>                     | <b>-</b>                               | <b>72</b>              |                          | <b>1,031</b>    |
| <b>INVESTMENT IN SUBSIDIARIES</b>              |                    |                         |                                |  |                        |                          |                 |
| Investment in Townsend Farms, Inc.             | (1,299)            | -                       | -                              | -                                      | -                      | 1,299                    | -               |
| Investment in Townsends of Arkansas, Inc.      | 14,509             | -                       | -                              | -                                      | -                      | (14,509)                 | -               |
| Investment in Townsend Farms of Arkansas, Inc. | -                  | -                       | 149,609                        | -                                      | -                      | (149,609)                | -               |
| Investment in Crestwood Farms LLC              | (38,814)           | -                       | -                              | -                                      | -                      | 38,814                   | -               |
| <b>TOTAL INVESTMENT IN SUBSIDIARIES</b>        | <b>(25,604)</b>    | <b>-</b>                | <b>149,609</b>                 | <b>-</b>                               | <b>-</b>               | <b>(124,005)</b>         | <b>-</b>        |
| <b>TOTAL ASSETS</b>                            | <b>\$59,531</b>    | <b>\$72</b>             | <b>\$150,284</b>               | <b>\$17</b>                            | <b>\$95</b>            | <b>(\$124,005)</b>       | <b>\$85,994</b> |

In re Townsends, Inc., et al.

Case Nos. 10-14092 through 10-14096  
 (Jointly Administered)  
 Reporting Period 2/1/11-2/27/11

**BALANCE SHEET**  
**TOWNSENDS, INC. AND SUBSIDIARIES**  
 2/1/11 - 2/27/11  
 (\$000)

|   | Townsends,<br>Inc. | Townsend<br>Farms, Inc. | Townsends of<br>Arkansas, Inc. | Townsend<br>Farms of<br>Arkansas, Inc. | Crestwood<br>Farms LLC | Consolidating<br>Entries | Consolidated    |
|---|--------------------|-------------------------|--------------------------------|--|------------------------|--------------------------|-----------------|
| <b>LIABILITIES AND OWNER EQUITY</b>                           |                    |                         |                                |  |                        |                          |                 |
| <b>LIABILITIES NOT SUBJECT TO COMPROMISE (Post-Petition)</b>  |                    |                         |                                |  |                        |                          |                 |
| Accounts Payable  | \$5,169            | \$194                   | \$639                          | \$646                                  | (\$38)                 |                          | \$6,610         |
| Accrued Expenses  | 5,439              | 535                     | 731                            | 178                                    | 289                    |                          | 7,172           |
| DIP Financing   | 12,000             | -                       | -                              | -                                      | -                      |                          | 12,000          |
| Other Postpetition Liabilities - Workers Comp Liability       | 92                 | -                       | -                              | -                                      | -                      |                          | 92              |
| Other Postpetition Liabilities - Noncurrent Pension Liability | -                  | -                       | -                              | -                                      | -                      |                          | -               |
| Other Postpetition Liabilities                                | 1                  | -                       | -                              | -                                      | -                      |                          | 1               |
| <b>TOTAL POST-PETITION LIABILITIES</b>                        | <b>22,701</b>      | <b>729</b>              | <b>1,370</b>                   | <b>824</b>                             | <b>251</b>             |                          | <b>25,875</b>   |
| <b>LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)</b>       |                    |                         |                                |  |                        |                          |                 |
| Secured Debt  | 81,243             | -                       | -                              | -                                      | 700                    |                          | 81,943          |
| Priority Debt   | 1,397              | 3,497                   | 1,273                          | 8,927                                  | 931                    |                          | 16,025          |
| Unsecured Debt  | 13,849             | 1,368                   | 2,654                          | 2,403                                  | 1,536                  |                          | 21,810          |
| <b>TOTAL PRE-PETITION LIABILITIES</b>                         | <b>96,489</b>      | <b>4,865</b>            | <b>3,927</b>                   | <b>11,330</b>                          | <b>3,167</b>           |                          | <b>119,778</b>  |
| <b>TOTAL LIABILITIES</b>                                      | <b>119,190</b>     | <b>5,594</b>            | <b>5,297</b>                   | <b>12,154</b>                          | <b>3,418</b>           |                          | <b>145,653</b>  |
| <b>OWNER EQUITY</b>   |                    |                         |                                |  |                        |                          |                 |
| Common Stock  | 4                  | 10                      | 585                            | 300                                    | -                      | (895)                    | 4               |
| Treasury Stock  | (6,653)            | -                       | -                              | -                                      | -                      | -                        | (6,653)         |
| Additional Paid-In Capital                                    | 27,737             | (139,870)               | 87,834                         | (785,453)                              | 21,493                 | 815,996                  | 27,737          |
| Accumulated Other Comprehensive Loss                          | (11,513)           | -                       | -                              | -                                      | -                      | -                        | (11,513)        |
| Retained Earnings - Pre-Petition                              | (7,452)            | 143,305                 | 51,024                         | 772,911                                | 121                    | (967,361)                | (7,452)         |
| Retained Earnings - Postpetition                              | (61,782)           | (8,967)                 | 5,544                          | 105                                    | (24,937)               | 28,255                   | (61,782)        |
| <b>NET OWNER EQUITY</b>                                       | <b>(59,659)</b>    | <b>(5,522)</b>          | <b>144,987</b>                 | <b>(12,137)</b>                        | <b>(3,323)</b>         | <b>(124,005)</b>         | <b>(59,659)</b> |
| <b>TOTAL LIABILITIES AND OWNER EQUITY</b>                     | <b>\$59,531</b>    | <b>\$72</b>             | <b>\$150,284</b>               | <b>\$17</b>                            | <b>\$95</b>            | <b>(\$124,005)</b>       | <b>\$85,994</b> |

**STATUS OF POSTPETITION TAXES**  
**TOWNSENDS, INC. et al.**  
 (\$000's)

|                             | Beginning Tax Liability | Change in Liability |  |  |  | Ending Tax Liability |
|-----------------------------|-------------------------|---------------------|--|--|--|----------------------|
| <b>Federal</b>              |                         |                     |  |  |  |                      |
| Unemployment                | \$74                    | \$25                |  |  |  | \$99                 |
| Total Federal Taxes         | 74                      | 25                  |  |  |  | 99                   |
| <b>State and Local</b>      |                         |                     |  |  |  |                      |
| Withholding                 | 94                      | (83)                |  |  |  | 11                   |
| Unemployment                | 119                     | 26                  |  |  |  | 145                  |
| Property Tax                | 68                      | (68)                |  |  |  | -                    |
| Franchise Tax               | 21                      | 17                  |  |  |  | 38                   |
| Total State and Local Taxes | 302                     | (108)               |  |  |  | 194                  |
| <b>Total Taxes</b>          | <b>\$376</b>            | <b>(\$83)</b>       |  |  |  | <b>\$293</b>         |

Unless listed above all postpetition taxes have been paid.

**SUMMARY OF UNPAID POSTPETITION DEBTS**  
**TOWNSENDS, INC. et al.**  
 (\$000's)

|   | Number of Days Past Due |            |            |            |            | Total          |
|---|-------------------------|------------|------------|------------|------------|----------------|
|   | Current                 | 0-30       | 31-60      | 61-90      | Over 90    |                |
| Accounts Payable                          | \$6,479                 | \$0        | \$0        | \$0        | \$0        | \$6,479        |
| Wages Payable                             | -                       | -          | -          | -          | -          | -              |
| Taxes Payable                             | 131                     | -          | -          | -          | -          | 131            |
| Rent/Leases-Building                      | -                       | -          | -          | -          | -          | -              |
| Rent/Leases-Equipment                     | -                       | -          | -          | -          | -          | -              |
| Secured Debt/Adequate Protection Payments | -                       | -          | -          | -          | -          | -              |
| Amounts Due to Insiders                   | -                       | -          | -          | -          | -          | -              |
| Other:                                    | -                       | -          | -          | -          | -          | -              |
| Other:                                    |                         |            |            |            |            |                |
| <b>Total Postpetition Debts</b>           | <b>\$6,610</b>          | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$6,610</b> |

In re Townsends, Inc., et al.

Case No.

10-14092 to 10-14096

(Jointly Administered)

Reporting Period

2/1/11-2/27/11

**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**  
**TOWNSENDS, INC. et al.**  
**(\$000's)**

| Accounts Receivable Reconciliation                                 | Amount   |
|--|----------|
| Total Accounts Receivable at the beginning of the reporting period | \$20,318 |
| + Amounts billed during the period                                 | 35,808   |
| - Amounts collected/sold during the period                         | (56,126) |
| Total Accounts Receivable at the end of the reporting period       | \$0      |
| <b>Accounts Receivable Aging</b>                                   |          |
| 0 - 30 days old  | \$0      |
| 31 - 60 days old   | -        |
| 61 - 90 days old   | -        |
| 91+ days old   | -        |
| Total Accounts Receivable  | -        |
| Amount considered uncollectible (Bad Debt Reserve)                 | -        |
| Accounts Receivable (Net)  | \$0      |

As of February 25, 2011, Accounts Receivable were sold to Omtron, Ltd. in the sale transaction described in Note 1 below.

**DEBTOR QUESTIONNAIRE**

| Must be completed each month  | Yes          | No |
|---|--------------|----|
| 1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.  | X            |    |
| 2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below   |              | X  |
| 3. Have all postpetition tax returns been timely filed? If no, provide and explanation below.   | X            |    |
| 4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.  | X (see note) |    |
| 5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide required documentation pursuant to the Delaware Local Rule 4001-3. | X            |    |

1. On February 25, 2011, pursuant to the Order (A) Approving the Sale of Certain of the Debtors' Assets and (B) Approving the Assumption and Assignment of Contracts and Leases to Peco Foods, Inc., signed on February 17, 2011, and the Order (A) Approving the Sale of Certain of the Debtors' Assets and (B) Approving the Assumption and Assignment of Contracts and Leases to Omtron, Ltd., signed on February 18, 2011, virtually all of the Debtors' assets were sold in these two transactions.

4. As of February 25, 2011, the Debtors had no employees and therefore have discontinued their workers compensation insurance policies, including excess insurance and membership in certain states' risk sharing associations or pools. As of the same date, the Debtors retain no real or personal property and therefore have discontinued any coverage relating to physical assets. General Liability insurance remains in effect.

5. The Joint Escrow Account held at Suntrust was established to hold the Inventory Deposit per Section 2.6 of the Peco Foods, Inc. Asset Purchase Agreement, to fund any potential deficiencies under the Purchase Price Adjustment per Section 2.7.





MARKET VALUE SUMMARY

PECO FOODS, INC/TOWNSENDS ESCROW  
ACCOUNT NO. 7938941

02/01/11 THROUGH 02/28/11

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|                            |                      |               |
|----------------------------|----------------------|---------------|
| BEGINNING MARKET VALUE     |                      | 0.00          |
| <u>RECEIPTS</u>            |                      |               |
| ASSETS RECEIVED            | <u>4,469,700.00</u>  |               |
| TOTAL RECEIPTS             |                      | 4,469,700.00  |
| <u>DISBURSEMENTS</u>       |                      |               |
| ADMINISTRATIVE EXPENSES    | 1,500.00-            |               |
| OTHER DISBURSEMENTS        | <u>2,468,200.00-</u> |               |
| TOTAL DISBURSEMENTS        |                      | 2,469,700.00- |
| NET CHANGE IN MARKET VALUE |                      | <u>0.00</u>   |
| ENDING MARKET VALUE        |                      | 2,000,000.00  |