

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF NEW YORK

In re Agway, Inc., Debtor.	Case No. 02-65872 (Main Case) Jointly Administered Chapter 11 Proceedings
In re Agway General Agency, Inc., Debtor.	Case No. 02-65873
In re Brubaker Agronomic Consulting Service LLC, Debtor.	Case No. 02-65874
In re Country Best Adams, LLC, Debtor.	Case No. 02-65875
In re Country Best-DeBerry LLC, Debtor.	Case No. 02-65875
In re Feed Commodities International LLC, Debtor.	Case No. 02-65876

**REPORT OF THE LIQUIDATING TRUSTEE FOR
THE PERIOD ENDING DECEMBER 31, 2007**

D. Clark Ogle, Trustee (the "Trustee") of the Agway Liquidating Trust (the "Trust"), established pursuant to the above-captioned Debtors' Second Amended Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code (the "Plan") and the Order (the "Confirmation Order") confirming the Plan, entered on the docket of the United States Bankruptcy Court for the Northern District of New York (the "Court") on April 28, 2004, pursuant to Section 6.1 of the Liquidating Trust Agreement For The Agway Liquidating Trust, provides the following Report to Holders of Beneficial Interests in the Trust for the period ending December 31, 2007¹.

¹ Certain transactions discussed herein occurred after December 31, 2007 but have been included in this report to provide Trust beneficiaries with the most current information available on those topics.

I. INTRODUCTION

This Report reflects the financial activity of and other actions taken by the Trust during the period January 1, 2007 through and including December 31, 2007 (the "Reporting Period").

As described in greater detail below, during the Reporting Period the Trust converted certain assets to cash, collected certain accounts receivable, obtained the release of certain escrowed funds, continued prosecution of objections to claims, continued prosecution of adversary proceedings to collect on claims owed to the Trust, continued prosecution of pending actions, and effected the Sixth Distribution under the Plan, as confirmed.

Attached to this report are summaries of the Trust's Valuation of Assets (Exhibits "A"), a Total Projected Recovery Calculation (Exhibit "B"), a statement of the Trust's Cash Receipts and Disbursements (Exhibit "C"), a Summary of Claim Payments (Exhibit "D"), and a Summary of Insured and Legal Claims – December 2006 v. December 2007 (Exhibit "E").

II. OVERVIEW OF ACTIONS TAKEN DURING THE REPORTING PERIOD

- **DISTRIBUTIONS:** During the Reporting Period, the Trust made the Sixth Distribution under Agway's Plan, in the amount of 3.0% of Allowed Claim amounts, to the holders of beneficial interests in the Trust. The total amount distributed to the holders of allowed beneficial interests in the Trust in the Sixth Distribution was approximately \$14,000,000. As of December 31, 2007, the total amount distributed to the holders of allowed beneficial interest in the Trust equaled approximately \$246,841,000 or 53% of allowed claims.
- **DIRECTOR AND OFFICER CLAIMS:** The action against certain officers and directors, alleging, among other things, that the payment of interest on and redemption of the Debtors' securities was inappropriate and the amounts paid should be recovered on behalf of the estate, was settled for \$500,000.
- **PENSION PLAN TERMINATION:** Under the terms of the Plan, the Employees' Retirement Plan of Agway Inc. ("Retirement Plan") was to be amended by the

addition of certain benefits, and then terminated, with the net amounts remaining after such termination to be delivered to the Trust for further distribution. Under the Plan, IRS action on the amendments was a prerequisite to (i) the termination of the Retirement Plan, (ii) payment of all Retirement Plan claims in full, and (iii) reversion of the remainder of the Retirement Plan funds, if any, to the Trust. Progress on the resolution of claims against the Retirement Plan is required to allow the Pension Benefit Guaranty Corporation (the "PBGC") to determine that the Retirement Plan is overfunded, so that a \$36 million reserve that has been established to secure the PBGC's \$36 million claim may be released for distribution to the Beneficial Holders of the Trust. Agway originally expected that the IRS would provide a letter of approval by the Fall of 2004. After the IRS suspended Agway's request for approval due to a Congressional moratorium on IRS rulings affecting plans like the Retirement Plan, Agway filed a motion with the United States Bankruptcy Court in which the Court was asked to eliminate the "pre-condition" for approval by the IRS and to order the implementation of the proposed amendment to the Retirement Plan. The Court approved that motion on February 28, 2006. The amendment was effected and all benefits due to beneficiaries under the Retirement Plan have been paid to (or on behalf of) the beneficiaries, are currently being paid out to the beneficiaries, or, in the case of beneficiaries who have not been located or have not responded to multiple inquiries, are being held in the Retirement Plan. While the options for realizing the over-funding were being investigated, it became apparent that a change in the sponsorship of the Retirement Plan could enhance the LT's efforts, while having little or no impact on the beneficiaries of the Retirement Plan. Therefore in December 2006, the LT filed a motion with the United States Bankruptcy Court requesting authority to transfer sponsorship of the Retirement Plan to Agway Widewaters Corporation ("AWC"), a wholly owned subsidiary of

Agway, Inc. Transferring the sponsorship of the Retirement Plan from Agway to AWC will not reduce or eliminate Agway's financial responsibility for the Retirement Plan and will cause no adverse consequences to the Retirement Plan beneficiaries, but it will enhance the options available to the Liquidating Trustee to realize the over-funding from the Retirement Plan. That motion was granted on October 10, 2007. Pursuant to a motion filed by the LT on September 10, 2007, the LT has been authorized to sell the stock of AWC for an amount that exceeds the anticipated reversion of funds if the Retirement Plan were terminated. The LT and potential acquirers of the AWC stock are awaiting IRS approval with respect to the transaction before consummating the same. Approval is expected within 60 days of the date of this Report.

- **401(k) PLAN LITIGATIONS:** The Company Security Fund of the Agway, Inc. Employees' 401(k) Thrift Investment Plan, through a Litigation Fiduciary, and the United States Department of Labor are continuing their actions against certain former officers, directors, employee benefit committee members, accountants and 401(k) Plan fiduciaries with respect to the appropriateness of the Company Security Fund's investment in the Debtor's securities. Although not a party to those actions, the Trustee has been advised that discovery has closed and dispositive motions have been filed.
- **CLAIMS OBJECTIONS:** The Trustee, his staff and counsel have filed objections in the Bankruptcy Court to nearly 2,500 claims representing alleged liabilities of approximately \$177,184,000. As a result of the objections, during the Reporting Period, an additional 17 disputed claims asserting values of approximately \$8,658,000 have been resolved through the disallowance or reduction of approximately \$8,655,000 in claims and the allowance of approximately \$3,000 in claims. There remain approximately 15 disputed claims asserting liabilities of

approximately \$10,538,000. Many of the remaining disputed claims, such as a pending personal injury claim, must be resolved in a forum other than the Bankruptcy Court.

- **LATE CLAIM MOTION:** The remaining motion for authority to file a late claim filed in 2005 was denied by the Bankruptcy Court during the previous reporting period. The movants thereafter filed an appeal to the United States District Court of the denial of their motion. Briefs were submitted in response to the appeal and ultimately the District Court affirmed the Bankruptcy Court's decision and dismissed the appeal on August 28, 2007.

III. CONVERSION OF SPECIFIC ASSETS TO CASH

- **ASSET LIQUIDATION/DISPOSITION:** As reflected in the attached Statement of Receipts and Disbursements, during the Reporting Period the Trust recovered significant funds from a number of sources:
 - Delinquent Accounts Receivable in the amount of \$537,000 were collected;
 - The release of \$1,123,000 of restricted cash from environmental reserves from the sale of properties and the settlement of liabilities, including those of non-debtor subsidiaries, was successfully negotiated;
 - Interest income of approximately \$3,311,000 was received;
 - Claims against the Disputed Claims Reserve were reduced from \$19,196,000 to \$10,538,000 (thereby releasing funds of approximately \$8,658,000 million from the reserve) while the allowed unsecured claims increased by only \$3,000;
 - Approximately 58 insured and legal claims, including those of non-debtor subsidiaries, were settled and/or paid, decreasing litigation reserves by \$3,081,000;

- The Trust received \$215,000 from the environmental escrow held arising out of the sale of Agway's Agronomy division;
- A reduction of cash collateral held by various insurance companies was successfully negotiated and approximately \$2,991,000 was released; and
- The Trust accomplished the sale of three properties and Agway, Inc. received the combined proceeds of \$2,290,000.

IV. MAJOR ASSETS REMAINING TO BE LIQUIDATED

- The significant assets of the Trust yet to be liquidated include:
 - Cash pledged as collateral for surety companies and issuers of letters of credit which in turn secure performance of Agway's and its subsidiaries (both debtor and non-debtor) performance under workers compensation, general liability and automobile liability policies. Approximately \$49,545,000 in cash is pledged to secure such performance. The Trustee has filed objections to certain of the insurance companies' claims, but it is impossible to predict how much of and when the cash will be released. In the worst case scenario, the pledged cash would be held until all obligations under all insurance policies are satisfied.
 - As described in Section II above, Agway has received Bankruptcy Court approval to sell the stock of AWC. The Pension Guaranty Benefit Corporation ("PBGC") has filed a "protective" proof of claim for underfunding in the amount of \$36 million. Agway agreed to segregate \$36 million to secure payment of any amounts ultimately determined to be due to the PBGC. The Trust expects there to be no unfunded liability, resulting in the withdrawal of the PBGC claim and the release of \$36 million in cash

securing payment of the PBGC claim and the recovery by the Trust of an amount in excess of \$15 million from the sale of AWC's stock.

- Miscellaneous other assets, including claims against an insolvent insurance company, various deposits and the cash surrender value of life insurance policies are expected to generate net proceeds of approximately \$2 million.
- The Trust is responsible for disposing of surplus real estate assets owned by Agway and its affiliates. Five (5) surplus properties remain. Most of the remaining properties are alleged to have environmental condition defects that impact on the ability to readily transfer title for valuable consideration. The Trust expects to ultimately receive proceeds of approximately \$500,000 from the disposition of the remaining properties once the environmental contingencies are resolved.

V. REMAINING LIABILITIES

- The Trust's major remaining liabilities for Agway and its debtor subsidiaries include:
 - The self-insured retention portion of insured claims, estimated to equal \$21 million;
 - The self-insured retention liability portion of insured claims for non-debtor subsidiaries estimated to equal \$6 million;
 - Obligations for environmental remediation, including non-debtor subsidiaries, estimated to equal \$7 million;
 - The costs of administering the Trust, including occupancy, insurance, staff, accounting and legal costs of approximately \$2 million through June 2009; and
 - Miscellaneous other obligations including unresolved or as yet unknown claims estimated to equal \$2 million.

Dated: March 26, 2008

Respectfully submitted,



**D. Clark Ogle, Trustee of the
Agway Liquidating Trust**

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**Agway Liquidating Trust
Valuation of Assets
May 1, 2004**

Valuation of Assets
Agway Liquidating Trust
(Thousands of Dollars)
May 1, 2004

Cash and cash equivalents	\$ 75,104
Receivables, net	2,812
Other Assets	9,257
Restricted Cash and cash equivalents	58,264
Net Investment in Non-debtor subs at FMV	41,976
Net Investment in Agway Inc. at FMV	15,968
Cash reserved for Initial Distribution	131,224
Total Assets	\$334,605
Payables and admin claims	(9,503)
Estimated operating costs of LT incl. professional fees	(14,416)
Environmental and insured claim liabilities	(42,035)
Reserve for PBGC claim	(36,300)
Total Liabilities	(\$102,254)
Net Assets	\$232,351
Unsecured Allowed claims against Net Assets	\$436,809

Note: The Liquidating Trust has set aside \$40,899 in a Disputed Claims Reserve on behalf of Disputed Claims of \$138,640.

EXHIBIT "A"

Agway Liquidating Trust
Valuation of Assets
December 31, 2007
(Thousands of Dollars)

	As of 12/31/06	As of 12/31/07	Notes
Cash and cash equivalents	\$ 55,394	\$ 50,774	
Other Assets	4,040	3,299	
Restricted Cash and cash equivalents	51,416	49,545	1
Net Investment in Non-debtor subs at FMV	12,581	17,408	2
Net Investment in Agway Inc. at FMV	13,585	14,479	3
Total Assets	\$ 137,016	\$ 135,505	
Payables and admin claims	(535)	(394)	
Estimated operating costs of LT incl. professional fees	(2,535)	(2,115)	4
Environmental and insured claim liabilities	(24,810)	(23,523)	5
Reserve for PBGC claim	(36,300)	(36,300)	6
Total Liabilities	(\$64,180)	(\$62,332)	
Net Assets	\$72,836	\$73,173	
Unsecured Allowed claims against Net Assets	\$454,716	\$454,719	7
Disputed Claims against Net Assets	\$19,196	\$10,538	7

- Note 1: This includes \$22 million in Letter of Credit cash collateral and \$28 million in surety bond cash collateral. Balances have decreased from reduction in UC's outstanding.
- Note 2: Nondebtor subsidiaries equity value increased due to settlement of liabilities and liquidation of assets with favorable results
- Note 3: Agway Inc. has liquidated assets with favorable results.
- Note 4: Decrease due to payment of LT operating costs
- Note 5: Reflects settlements and payments on insured claims and environmental liabilities
- Note 6: The reserve for the PBGC claim exists today although the LT's projected final recovery assumes it will be released in full after the termination of the pension plan. This amount would increase the net assets to \$109,473.
- Note 7: The Liquidating Trust has set aside \$5,585 in a Disputed Claims Reserve on behalf of Disputed Claims of \$10,538. The decrease in disputed claims reflects favorable claim settlements with almost no increase in allowed claims.

**Agway Liquidating Trust
Recovery Calculation Summary
Total Recovery Projected as of
December 31, 2007
(Millions of \$)**

	Total Recovery Projected As of 12/31/07
Current Cash (incl. non-debtors)	\$131
Future cash to be received	\$18
Subtotal Cash proceeds	\$149
Funding needed (incl. non-debtors):	
Admin claims & payables	(\$2)
Environmental liabilities (incl. non-debtors)	(\$7)
Non-debtor subs liabilities	\$0
LT operating expenses	(\$2)
Non-debtor insured claims	(\$6)
Debtor insured claims	(\$21)
Surety provider claims	(\$8)
Subtotal liabilities	(\$46)
Net Available for Future Distributions	\$103
1st - 6th Distribution to Unsecureds	\$242
Future Distributions projected above	\$103
Grand Total Distributions	\$345
Current Allowed Claims	\$454
Disputed Claims as of 12/31/07	\$10
Total Claims	\$464
1st Distribution	29.5%
2nd Distribution	8.5%
3rd Distribution	5.0%
4th Distribution	4.0%
5th Distribution	3.0%
6th Distribution	3.0%
Estimated Future Distributions Total	22.2%
Total Recovery Rate	75.2%

EXHIBIT "B"

Agway Liquidating Trust
Statement of Receipts and Disbursements
(Thousands of Dollars)

	<u>12 months Ended 12/31/2006</u>	<u>12 months Ended 12/31/2007</u>
<u>Cash Receipts</u>		
Accounts Receivable collections	\$ 1,419	\$ 537
Escrow release from business sales	1,048	251
Escrow release from L/C cash collateral	0	2,991
Escrow release from Fidelity cash collateral	224	0
Interest income	3,304	3,311
Vendor refunds and escrows	0	295
Litigation Settlements	0	582
Dividend from Yawga / Agway Inc.	8,353	0
Miscellaneous Cash Receipts	194	78
Total Cash Receipts	\$ 14,542	\$ 8,045
<u>Cash Disbursements</u>		
Professional Services	\$ 1,853	\$ 1,827
Salaries & Wages	782	722
Letter of Credit and Bank fees	375	358
Insurance Expenses	376	171
Occupancy Expenses & Rent	229	169
Insured claim payments	531	679
Environmental liabilities payments	830	607
Miscellaneous Cash Disbursements	30	114
Check float and accounts payable	(28)	(119)
Bankruptcy Distributions payments	23,885	8,137
Total Cash Disbursements	\$ 28,863	\$ 12,665
Net Increase (Decrease) in Cash	\$ (14,321)	\$ (4,620)
Cash Balance , Beginning of Period	\$ 69,715	\$ 55,394
Cash Balance , End of Period	\$ 55,394	\$ 50,774
Difference	0	0

EXHIBIT "C"

Agway Liquidating Trust
 Claim & Distribution Summary
 December 31, 2007

(Thousands of Dollars)

Claims Summary

	POC filed Amount	Unsecured Allowed Claim Amount	# of Claims
Total Claim database at 1st dist. 6/25/04	\$ 2,081,112		39,743
Less: Claims withdrawn or expunged	\$ (1,418,069)		(1,393)
Less: Claims allowed	\$ (435,867)	\$ 433,575	(35,735)
Subtotal 1st Distribution database	\$ 227,176	\$ 433,575	2,615
Less: PBGC claim allowed	\$ (36,300)		(1)
Less: Claims not paid by DRX	\$ (13,692)		(152)
Total Disputed claims at 6/25/04	\$ 177,184	\$ 433,575	2,462
New claims filed & other adjustments	\$ 13,485		
Less: Claims settled & allowed thru 12/31/04	\$ (87,331)	\$ 19,508	(2,383)
Less: Adjustment to disputed claims	\$ (47,364)		
Total Disputed claims at 12/31/04	\$ 55,974	\$ 453,083	79
Less: Claims settled & allowed thru 6/25/05	\$ (15,398)	\$ 1,626	(16)
Total Disputed claims at 6/25/05	\$ 40,576	\$ 454,709	63
Less: Claims settled & allowed thru 1/25/06	\$ (11,350)	\$ 971	(25)
Total Disputed claims at 1/25/06	\$ 29,226	\$ 455,680	38
Less: Claims settled & allowed thru 8/25/06	\$ (10,030)	\$ (964)	(6)
Total Disputed claims at 6/25/06	\$ 19,196	\$ 454,716	32
Less: Claims settled & allowed thru 8/24/07	\$ (8,658)	\$ 3	(17)
Total Disputed claims at 8/24/07	\$ 10,538	\$ 454,719	15

EXHIBIT "D"

Agway Liquidating Trust
Claim & Distribution Summary
December 31, 2007
 (Thousands of Dollars)

	Dollars
<u>Distributions - 1st thru 6th</u>	<u>Paid</u>
Class 1	\$ -
Class 2	\$ 19
Administrative	\$ 1,167
Priority Tax	\$ 42
Class 4A Convenience	\$ 2,788
Class 4C Unsecured	\$ 241,710
FCI - all Classes	\$ 549
Reclamation claims	\$ 588
Total Distributed	\$ 246,841
<u>Claims</u>	
Unsecured Allowed Claims	\$ 454,719
Disputed Claims	\$ 10,538
Total Claims	\$ 465,257
<u>Distributions</u>	
Unsecured Rate Paid 6/25/04 - 1st Distribution	\$ 0.295
Unsecured Rate Paid 12/9/04 - 2nd Distribution	\$ 0.085
Unsecured Rate Paid 6/25/05 - 3rd Distribution	\$ 0.050
Unsecured Rate Paid 1/25/06 - 4th Distribution	\$ 0.040
Unsecured Rate Paid 6/25/06 - 5th Distribution	\$ 0.030
Unsecured Rate Paid 8/24/07 - 6th Distribution	\$ 0.030
Total Unsecured Rate paid thru 12/31/07	\$ 0.530

Insured and Legal Claims - December 2006 vs 2007						
Number of Claims						
	Insured		Legal & Other		Total	
	2006	2007	2006	2007	2006	2007
Debtor	61	49	39	9	100	58
Non-Debtor	44	30	11	9	55	39
Total	105	79	50	18	155	97

Reserves (thousands of \$)						
	Insured		Legal & Other		Total	
	2006	2007	2006	2007	2006	2007
Debtor	21,069	20,448	59	59	21,128	20,507
Non-Debtor	8,612	6,152	40	40	8,652	6,192
Total	29,681	26,600	99	99	29,780	26,699

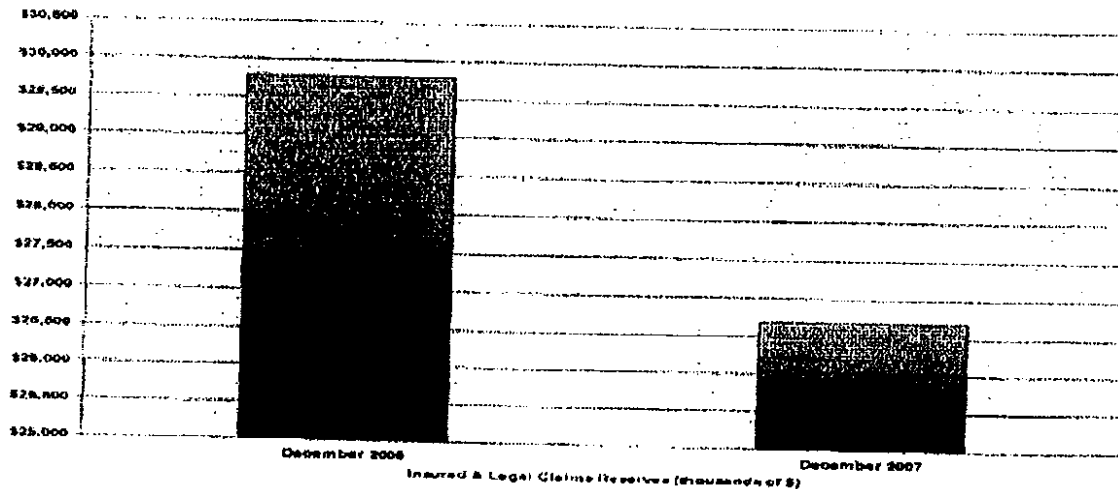
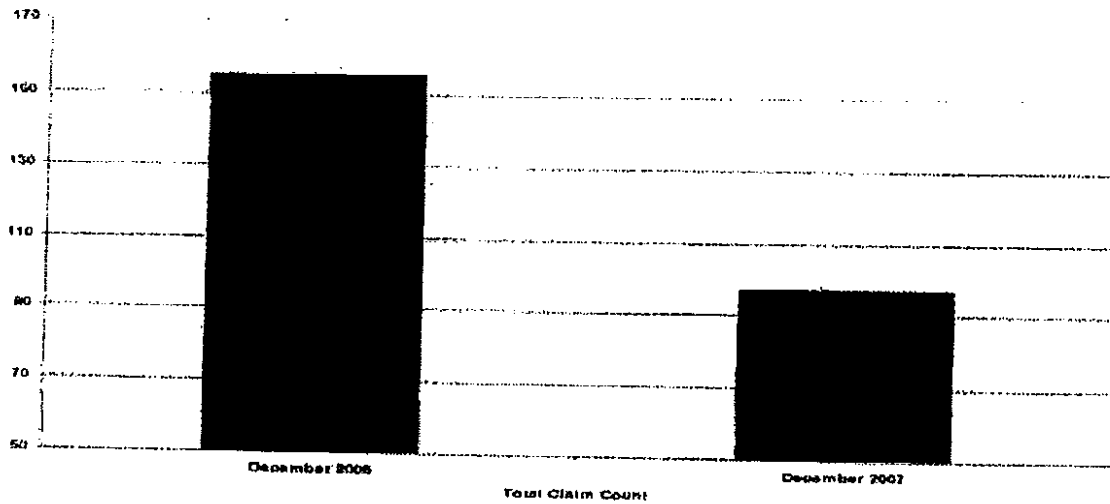


EXHIBIT "E"