

**Dairy Mart Liquidating Trust
Summary of Trustee's Activities
October 31, 2004**

On September 24, 2001, Dairy Mart Convenience Stores and all affiliated entities filed voluntary petitions in the Southern District of New York for reorganization relief under Chapter 11 of the Bankruptcy Code. Pursuant to the Post Confirmation Order signed by the Bankruptcy Court on March 5, 2003 ("Confirmation Order"), the Bankruptcy Court confirmed the First Amended Joint Plan of Liquidation of Dairy Mart under Chapter 11 of the Bankruptcy Code ("Plan"), which became effective March 14, 2003 ("Effective Date"). Dairy Mart Convenience Stores, Inc operated approximately 550 convenience stores throughout Ohio and six nearby states.

In accordance with the Plan, the Dairy Mart Liquidating Trust was established pursuant to the Liquidating Trust Agreement dated March 6, 2003 between Dairy Mart and Wayne Walker, as Liquidating Trustee. The Liquidating Trust Fund, as therein defined, was the aggregate of all the assets of Dairy Mart as of the Effective Date, which automatically vested in the Liquidating Trust. The general purpose of the Liquidating Trust is to liquidate and distribute the assets of the Liquidating Trust Fund to holders of Allowed Unsecured Claims and to complete the resolution of the disputed claims in accordance with the Plan. The valuation of these assets was approximately \$17 Million. (Please see the Trust Valuation Detail found in the website www.dairymartliquidatingtrust.com).

William Kaye of Coca-Cola North America, Peg Sibbet of American Express Financial Corporation and John Morgan of Highland Capital Management, LP were appointed as the initial members of the Liquidating Trust Committee. Subsequently Pachulski, Stang, Ziehl, Young, Jones & Weintraub PC was retained as counsel to the Trustee and The Trumbull Group was employed as the Claims Agent.

The activities of the Liquidating Trust are summarized below.

Distributions

As of March 31, 2004, an initial distribution was made to Dairy Mart's allowed claimants in accordance with the First Amended Joint Plan of Liquidation. The total of the first distribution was \$4.5 million.

On June 14, 2004, a letter was sent to each Bondholder of record instructing each Bondholder to surrender his/her bond, submit a letter of transmittal, and return the documents to Walker Nell Consultants Inc. On July 19, 2004, distributions were made to holders of Dairy Mart 10.25% Senior Subordinate Notes and Series B notes. The July 19, 2004 distribution included all Bondholders and Agents of Bondholders who returned their forms and surrendered their bonds by June 30, 2004.

As of June 30, 2004, a second distribution of \$1,000,000.00 was made to Dairy Mart allowed claimants as well as Bondholders. This distribution included all Bondholders

who submitted their forms by June 30, 2004 and all of Dairy Mart's allowed general unsecured claimants as of June 30, 2004.

A third distribution of \$600,000.00 was made as of September 30, 2004 to Bondholders and Dairy Mart's allowed claimants. Payments were distributed to all Bondholders who submitted their forms by September 30, 2004 and all of Dairy Mart's allowed general unsecured claimants as of September 30, 2004.

The final distribution has not yet been scheduled for the Bondholders or allowed General Unsecured Creditors. In preparation for the final distribution, Bondholders were given a deadline of December 31, 2004 to submit and surrender their bonds. Any bonds not received by that date will not receive any distribution.

Trust Administration

The Trust was registered with the Internal Revenue Service as a legal entity and the Trust website was created and launched (www.dairymartliquidatingtrust.com). All funds of the Estate were transferred to newly established accounts at Wilmington Trust Bank and a central accounting system was set up. In addition, the Liquidating Trustee's address is functioning as the central contact point for all Dairy Mart related communications and correspondence.

Corporate Wind-Down

The Financial Advisors and Accountants to the Trust met with relevant Dairy Mart employees to obtain information regarding existing systems, operation and personnel. As part of the corporate wind-down, critical Dairy Mart personnel were identified and retained on an on-going basis. In addition, an understanding of internal accounting mechanisms was gained and eventual migration to a separate accounting system for the Trust was completed. The estimated valuation of the Trust (\$17 million) as of March 14, 2003 was also completed (as mentioned above). Corporate records in the Hudson, Ohio, Dairy Mart headquarters were catalogued and reviewed to determine which files were to be kept on hand, which were to be placed in storage, and which were to be destroyed. All electronic files residing on the Dairy Mart server were appropriately backed-up.

To date, since the corporate wind-down has concluded, the headquarters location has been closed down and there is no longer a need to retain any Dairy Mart personnel.

401(k) Plan Termination

The final distribution process has begun for the Dairy Mart 401(k) Plan. There were approximately 1,700 Plan participants, of which nearly eight hundred held balances under \$200.00. Those individuals were automatically cashed out and sent checks on September 12, 2003. Distribution request forms were mailed to the remaining participants so that they could choose one of several distribution options. Any participants who have not returned their distribution request forms were automatically cashed out. The Trust has made a significant effort to locate current addresses for the many participants with invalid or no addresses.

Claims Administration

The Trumbull Group maintains an active and current database of all claims pending against Dairy Mart and its affiliated debtors. The capabilities of this database were verified and this database has provided the majority of the data necessary for the completion of distributions. All administrative claims received by the Trust by the bar date of March 25, 2003 and all general unsecured claims filed by the bar date of February 22, 2002 have been registered in Trumbull's claims database. (Any claims untimely filed have or will be objected to in an Omnibus Objection). Throughout the year, trust professionals have been working to reconcile all claims, filing objections where appropriate.

If you are an unsecured claimant and believe you have a timely filed, valid unsecured claim, but have not received any distributions to date, please contact the Liquidating Trustee at wwalker@walkernell.com, so the matter can be resolved prior to the final distribution.

Tax and Regulatory Compliance

Trust professionals are currently in the process of preparing the tax returns for the Dairy Mart Convenience Stores Liquidating Trust and the Dairy Mart Convenience Stores and all related entities. This process consists of one tax return for the Liquidating Trust, in addition to all of the tax returns for the twenty- three entities included in Dairy Mart's joint bankruptcy filing, which consists of one consolidated federal return for all 23 entities and all applicable state and local income tax returns.

Asset Management

Based on available corporate records and after extensive analysis, vendors receiving potential preference payments (payments made to vendors within the ninety days) were identified and preference actions were filed prior to the statutory deadline of September 24, 2003. The Liquidating Trustee, through the assistance of Pachulski, Stang, Ziehl, Young, Jones & Weintraub PC and Rottenberg, Lipman, Rich, P.C., have actively been pursuing, settling and collecting monies related to preference actions. So far, the Trustee has collected approximately \$500,000.00 in preference payments.

Environmental Matters

Trust professionals have identified various environmental compliance issues related to underground petroleum storage tanks at Dairy Mart Convenience Stores. Leaking underground storage tank ("LUST") issues have been addressed in the states of MA, CT, RI, NY, KY and OH via various agreements with site owners and/or state regulatory agencies and Handex Environmental. In addition, approximately 18 sets of inactive underground storage tanks ("USTs") have either been removed from service or negotiated settlements have been reached with the site owners. While Trust professionals, in conjunction with Handex Environmental, have resolved the majority of environmental compliance issues related to underground petroleum storage tanks at Dairy Mart Convenience Stores, Handex Environmental is continuing negotiations in an effort to resolve the remaining inactive UST sites, which should be resolved in the near term.

Trust Wind Down

The Liquidating Trustee is currently addressing the remaining unresolved claims and tax matters in preparation for the fourth and final distribution.

Please continue to search www.dairymartliquidatingtrust.com for information regarding the Trust and the final distribution.