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U.S. BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

In re:
FURR'S SUPERMARKETS, INC..

Debtor.

Case No. 7-01-10779-SA
Chapter 7

MOTION TO APPROVE SETTLEMENT OF ADVERSARY PROCEEDING 02-1108-S

Yvette Gonzales, the Chapter 7 Trustee (the "Trustee"), by counsel, moves the Court for an order approving the settlement of all preferential transfer claims the estate has against Peyton Meats, Inc., a wholly owned subsidiary of John Morell & Co.¹, as set forth in the adversary proceeding No. 02-1108-S, captioned *Yvette J. Gonzales, Trustee v. Peyton Meats, Inc.* (the "Adversary Proceeding"), pursuant to F.R.Bankr.P.9019, and STATES:

1. **Commencement and Conversion of Case.** On February 8, 2001, (the "Petition Date"), the Debtor filed a Voluntary Petition in this Court under Chapter 11 of the Bankruptcy Code. On December 19, 2001, this Court entered an Order converting the Chapter 11 case to a case under Chapter 7.
2. **Appointment of Chapter 7 Trustee.** On December 19, 2001, the United States Trustee appointed Yvette Gonzales as the Trustee for the Debtor's bankruptcy estate, in which capacity she continues to serve.
3. **Jurisdiction and Venue.** The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§157 and 1334. This matter is a core proceeding under 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§1408 and 1409.
4. **The Adversary Proceeding.** In the Adversary Proceeding, the Trustee sought to

¹The Trustee is informed that Peyton Meats, Inc. is a division/trade name under which John Morell & Co. operates. The Trustee and counsel for John Morell & Co./Peyton Meats, Inc. have agreed that, to the extent necessary, this settlement shall apply with equal effect to John Morell & Co.

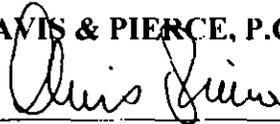
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recover Seventy-Six Thousand Four-Hundred Eighty-Nine Dollars and 25/100 (\$76,498.25) from Peyton Meats, Inc., plus all other amounts, if any, recoverable pursuant to 11 U.S.C. §547.

5. **The Settlement.** Peyton Meats, Inc. has offered to pay the Trustee Sixty-Five Thousand Dollars and No/100 (\$65,000.00) in full satisfaction of any and all claims asserted in the Adversary Proceeding (the "Settlement"). The parties acknowledge that the Trustee may possess other claims which do not arise out of 11 U.S.C. §547, and which Peyton disputes. This settlement resolves only all 11 U.S.C. §547 claims of the Trustee against Peyton Meats, Inc. as alleged in the Adversary Proceeding, and the parties reserve all of their rights, claims and defenses with regard to any other claims. The Settlement is fair and equitable, and in the best interests of and beneficial to the Debtor's estate and the creditors.

WHEREFORE, the Trustee requests that the Court enter an Order approving the Settlement and for such other relief as may be just.

DAVIS & PIERCE, P.C.



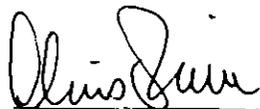
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I hereby certify that a true and correct copy of the foregoing was served on counsel and parties as indicated below this 23 day of August, 2002.

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