

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO**

In re:

FURR'S SUPERMARKETS, INC.,

Case No. 01-10779-SA

Debtor.

Chapter 11

**INTERIM ORDER (1) AUTHORIZING DEBTOR TO
OBTAIN SECURED FINANCING, (2) GRANTING
ADEQUATE PROTECTION AND (3) GRANTING OTHER RELIEF**

Upon the Motion for An Order (1) Authorizing Debtor to Obtain Secured Credit, (2) Granting Adequate Protection and (3) Granting Other Relief (the "Motion") filed by Furr's Supermarkets, Inc., debtor and debtor in possession (in its prepetition capacity, "Borrower" and in its post-petition capacity, "Debtor") for the entry of an order authorizing it to borrow money and obtain other financial accommodations from Metropolitan Life Insurance Company ("MetLife"), Fleet Capital Corporation ("Fleet"), Bank of America, N.A. ("BofA"), and Heller Financial, Inc. ("Heller"), for itself as a Lender and as agent for the Lenders (collectively, MetLife, Fleet, BofA and Heller and any assignees thereof, "Lenders"), and to give security therefor; the Court having examined the Motion; and upon completion of a hearing held on February 8, 2001 pursuant to sections 363 and 364 of the United States Bankruptcy Code, 11 U.S.C. §§101-1330 (the "Bankruptcy Code"), and Bankruptcy Rule 4001 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules");

THE COURT FINDS THAT:

A. Filing of Petition. On February 8, 2001 (the "Petition Date"), Debtor filed a voluntary petition for reorganization under chapter 11 of the Bankruptcy Code (the "Petition"). Pursuant to sections 1107 and 1108 of the Bankruptcy Code, Debtor has retained possession of Debtor's assets and is authorized, as a debtor-in possession, to continue the operation and management of the business previously conducted by the Debtor. A creditors' committee, as provided for under section 1102 of the Bankruptcy Code ("Committee"), has not yet been appointed.

B. Jurisdiction; Core Proceeding. This Court has jurisdiction to enter this Order pursuant to 28 U.S.C. §§157(b)(2) and 1334, and consideration of the Motion is a core proceeding as defined in 28 U.S.C. §§157(b)(2)(A), (D) and (M).

C. Notice of Hearing. Debtor has provided such notice of this hearing and the terms of the Motion as was practicable under the circumstances. Pursuant to 11 U.S.C. §§ 102 and 364, Bankruptcy Rule 4001(c) and (d) and all applicable local rules, such notice is sufficient and appropriate under the circumstances set forth herein and presented to the Court. The Court has

received evidence by affidavit of the emergency needs of the Debtor and the consequences to all parties in the event the relief requested by the parties is not granted. Given all of such circumstances, the Court finds that the notice given to the parties to whom it was given in the form it was given was sufficient in the circumstances to afford reasonable notice of the material provisions of the terms hereof.

D. Pre-Petition Loan Documents.

i. From time to time prior to the Petition Date, Fleet, BofA and Heller (collectively, the "Pre-Petition Senior Lenders") loaned money and issued letters of credit to Borrower pursuant to that certain Loan and Security Agreement dated as of December 21, 2000 (as the same has been amended, the "Existing Loan Agreement") and the other Loan Documents (as defined therein) (the Existing Loan Agreement and the other Loan Documents, collectively, the "Pre-Petition Senior Loan Documents"); as of the Petition Date, the approximate amount owed to Pre-Petition Senior Lenders by Borrower was \$48,107,674.94 (including all Letter of Credit Liability included in the Letter of Credit Reserve, as defined in the Existing Loan Agreement), but exclusive of accrued and unpaid pre-petition interest and costs and fees, including, without limitation, professional fees and expenses and other Obligations under and as defined in the Existing Loan Agreement (collectively, the "Pre-Petition Senior Indebtedness").

ii. Debtor does not contest that pursuant to the Pre-Petition Senior Loan Documents, as of the Petition Date, the Pre-Petition Senior Indebtedness is secured by a continuing first, valid and perfected security interest in substantially all of the existing Collateral (as defined in the Existing Loan Agreement) of Borrower, including, without limitation, all of the Debtor's accounts, inventory, general intangibles, intellectual property, documents, instruments, chattel paper, investment property, stock in subsidiaries, deposit accounts, cash and other property in the possession or under the control of any Pre-Petition Senior Lender, books and records that evidence or contain information relating to such collateral, and all proceeds thereof and continuing valid and perfected security interest in Equipment and all proceeds thereof, second only to the security interest of MetLife described below (collectively, the "Pre-Petition Senior Collateral").

iii. Borrower entered into a Note Purchase Agreement dated as of June 30, 1995 (as the same has been amended and restated, the "1995 NPA"), pursuant to which Borrower issued to Met Life two \$12,500,000 promissory notes; as of the Petition Date, the approximate aggregate amount owed to MetLife by Borrower pursuant to these notes was \$25,000,000, exclusive of accrued and unpaid pre-petition interest and costs and fees collectively, the "Pre-Petition ML Senior Debt").

iv. Debtor does not contest that pursuant to a Collateral Sharing and Security Agreement dated as of June 30, 1995, as replaced and superceded by a Security Agreement dated as of December 21, 2000, the Pre-Petition ML Senior Debt is secured by a continuing first, valid and perfected security interest in the Equipment of Borrower and all proceeds thereof and a valid and perfected security interest in substantially all of the other Pre-Petition Senior Collateral,

second only to the security interest of the Pre-Petition Senior Lenders (collectively, the “Pre-Petition ML Collateral”).

v. Borrower entered into a Note Purchase Agreement dated as of March 27, 2000 (as the same has been amended and restated, the “March 2000 NPA”) with MetLife and Credit Suisse First Boston Private Equity (“CSFB”) pursuant to which it issued a senior secured note to MetLife in the principal amount of \$8,773,108.90 and to CSFB in the principal amount of \$6,226,891.10; as of the Petition Date, the approximate aggregate amount owed to MetLife and CSFB pursuant to these notes was \$15,000,000, exclusive of accrued and unpaid pre-petition interest and costs and fees (collectively, the “Pre-Petition March 2000 Debt”).

vi. Borrower entered into a Note Purchase Agreement dated as of June 23, 2000 (as amended and restated, the “June 2000 NPA”) with MetLife, CSFB, Windward Capital Associates, L.P. (“Windward”), and management noteholders, pursuant to which the Borrower issued to (a) MetLife a note in the principal amount of \$2,193,277.23; (b) CSFB a note in the principal amount of \$1,556,722.77; (c) Windward a note in the principal amount of \$500,000, (d) Tom Dahlen a note in the principal amount of \$100,000; (e) Steve Mortsensen a note in the principal amount of \$50,000; (f) Steven Smart a note in the principal amount of \$50,000; (g) Gene Denison a note in the principal amount of \$20,000; (h) Delwyn James a note in the principal amount of \$30,000; (i) Steve Stork a note in the principal amount of \$50,000; (j) E.G. Gonzalez a note in the principal amount of \$25,000; (k) George Golleher a note in the principal amount of \$100,000; (l) Dick Goodspeed a note in the principal amount of \$200,000; (m) Arthur Typermass a note in the principal amount of \$35,000 and (n) David Morrow a note in the principal amount of \$250,000; as of the Petition Date, the approximate aggregate amount owed pursuant to these notes \$5,160,000, exclusive of accrued and unpaid pre-petition interest and costs and fees (the “Pre-Petition June 2000 Debt”).

vii. Borrower entered into a Subordinated Note Agreement dated as of June 30, 1995 (as amended and restated, the “Subordinated Note Agreement”) with Fleming Companies, Inc., Windward Merchant, L.P., Windward Merban, L.P., Windward/Northwest, L.P. and MetLife pursuant to which the Borrower issued Subordinated Notes (together with the Subordinated Note Agreement, the “Subordinated Debt Documents”) to each of (a) Fleming Companies, Inc. in the principal amount of \$16,142,000.00 (which notes were duly purchased from Fleming Companies, Inc. by the Borrower on June 21, 2000 and canceled); (b) Windward Merchant in the principal amount of \$2,902,114.00; (c) Windward/Merban, L.P. in the principal amount of \$1,934,742.00; (d) Windward/Northwest, L.P. (“Windward/Northwest”) in the principal amount of \$4,836,858.00 (which note was sold by Windward/Northwest, to MetLife prior to the date hereof); and (e) MetLife in the principal amount of \$24,184,286.00; as of the Petition Date, the approximate aggregate amount owed pursuant to these Notes was \$33,858,000, exclusive of accrued and unpaid interest and costs and fees (the “Pre-Petition 1995 Subdebt”).

viii. The Pre-Petition March 2000 Debt, the Pre-Petition June 2000 Debt and Pre-Petition 1995 Subdebt (collectively, the “Pre-Petition Junior Indebtedness”) are subordinated to the Pre-Petition ML Senior Debt and the Pre-Petition Senior Indebtedness pursuant to an Intercreditor Agreement dated December 21, 2000 (the “Intercreditor Agreement”) among

MetLife, CSFB, Windward, the other holders of Pre-Petition Junior Indebtedness party thereto, Borrower and Heller, as agent for Pre-Petition Senior Lenders. In addition, the Intercreditor Agreement sets forth the relative priorities of the liens on the Pre-Petition Senior Collateral and the Pre-Petition ML Collateral and how the Pre-Petition Senior Lenders and MetLife would allocate the proceeds upon sale of such collateral.

E. Additional Financing Needs. The Debtor desires that the Lenders make available to them postpetition credit in an amount up to \$33,000,000 greater than the amount of the Pre-Petition Senior Indebtedness, pursuant to the terms and conditions described in this Order and the Commitment Agreement between Lenders and Borrower dated February 8, 2001 (the "Commitment Agreement") and the Term Sheet annexed as an exhibit to the Commitment Agreement (the "Term Sheet"), copies of both of which are attached hereto as Exhibit A and are collectively referred to herein as the "Interim Post-Petition Loan Documents." Debtor urgently requires financing and credit under Section 364 of the Bankruptcy Code to purchase inventory and to fund its day-to-day operations. A steady and continual stream of inventory is essential to the maintenance and enhancement of Debtor's business and its going concern value. Inability to fund daily operations and purchase inventory in the short term could result in a long term negative impact on the value of the Debtor to the prejudice and detriment of Debtor and its creditors, customers and employees. Unless otherwise defined herein, capitalized terms shall have the meanings set forth in the Interim Post-Petition Loan Documents.

F. No Other Sources of Funds; Insufficient Cash Collateral. As contemplated by sections 364(a) and 364(b) of the Bankruptcy Code, Debtor has attempted, but is unable to obtain either unsecured credit or unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense on terms more favorable than those offered by Lenders. Debtor has inadequate working capital, and does not anticipate collecting sufficient cash collateral during the period of the DIP Facility (as defined below) contemplated by this Order to fund the expenses it needs to incur in order to maintain and enhance its operations and preserve its going concern value. Substantially all of Debtor's cash on hand as of the Petition Date is cash collateral in which Lenders have a security interest; Lenders have not consented to the use of such cash collateral other than with respect to proceeds of DIP Loans (as defined below). Pre-Petition Senior Lenders have no further obligation to loan funds under the Existing Loan Agreement.

G. DIP Facility; Final Order. Subject to the entry of this Order and the conditions set forth herein, Lenders are willing to provide interim, and ultimately final, post-petition credit (the "DIP Facility") to Debtor, all as more fully set forth herein and in the Interim Post-Petition Loan Documents. Debtor has agreed with Lenders to use its best efforts to (i) enter into a Post-Petition Loan and Security Agreement (the "Post-Petition Loan Agreement") with Lenders on terms acceptable to Lenders and otherwise consistent with the Interim Post-Petition Loan Documents and (ii) obtain a Final Order consistent with this Order as provided in ordering paragraph 21, below.

H. Good Faith. The terms of this Order, the Interim Post-Petition Loan Documents and the DIP Facility contemplated herein and therein have been negotiated at arms-length with

all parties represented by experienced counsel, are fair and reasonable under the circumstances, are for reasonably equivalent value and fair consideration, and are in good faith as that term is used in section 364(e) of the Bankruptcy Code. Accordingly, Lenders, in making advances pursuant to this Order, are entitled to the protections described in section 364(e) of the Bankruptcy Code.

I. Cause Shown. Good cause has been shown for the entry of this Order. Among other things, entry of this Order will minimize further disruption of Debtor's business, will enable Debtor to preserve and maintain its assets and will avoid immediate and irreparable harm to, and is in the best interests of, Debtor, its creditors and its estate.

THEREFORE, IT IS HEREBY ORDERED THAT:

1. Authorization to Borrow Under Interim Post-Petition Loan Documents.

(a) Debtor is hereby authorized to use cash collateral, borrow money, request the issuance of letters of credit and seek other financial accommodations from Lenders and is ordered to perform its obligations hereunder and under the Interim Post-Petition Loan Documents in accordance with the terms hereof and thereof. All DIP Loans (as hereinafter defined) and obligations incurred on or after the Petition Date by Debtor to Lenders pursuant to this Order and the Interim Post-Petition Loan Documents are referred to herein as the "DIP Indebtedness" and, together with the Pre-Petition Senior Indebtedness, as the "Indebtedness". All loans advanced hereunder will be advanced by Lenders to Debtor as provided in the Interim Post-Petition Loan Documents.

(b) The terms and conditions of the DIP Facility and the Interim Post-Petition Loan Documents are hereby approved and are deemed fully enforceable against the Debtor. The Lenders and the Debtor may amend, modify, supplement or waive any provision of the Interim Post-Petition Loan Documents except as to principal amount, interest rate and fees without any need to apply to, or receive further approval from, the Court. Upon its appointment, the Debtor shall provide counsel for any Committee prior written notice of any such amendment, modification, supplement or waiver. Any amendment, modification, supplement or waiver regarding principal amount, interest rate or fees shall be subject to approval by the Court on appropriate notice.

(c) Debtor is authorized and directed to do and perform all acts, to make, execute and deliver all instruments, agreements and documents, including, without limitation, the Post-Petition Loan Agreement and all documents and instruments contemplated thereby (the "Post-Petition Loan Documents"), to pay all principal, interest, fees and other expenses which may be required or necessary for the Debtor to perform all of its obligations under this Order and the Interim Post-Petition Loan Documents.

(d) Immediately upon execution of the Post-Petition Loan Agreement by all parties thereto, (i) the Post-Petition Loan Agreement and the other Post-Petition Loan Documents shall be deemed to replace and supercede in their entirety the Interim Post-Petition Loan Documents, (ii) all references herein to the "Interim Post-Petition Loan Documents" shall

be deemed references to the "Post-Petition Loan Documents" and (iii) all loans and other financial accommodations theretofore made or under the Interim Post-Petition Loan Documents shall thereupon be deemed to have been made *ab initio* under the Post-Petition Loan Agreement and the Post-Petition Loan Documents, the terms of which shall govern all such loans and other financial accommodations.

2. Committed Advances.

(a) Lenders agree, subject to all of the terms and conditions set forth herein and in the Interim Post-Petition Loan Documents, including entry of this Order and the Final Order, to provide the DIP Facility to Debtor until the Termination Date (as defined below). The DIP Facility will consist of a revolving credit facility of up to \$33,000,000 (the "DIP Revolver Commitment Amount"). Any advances made by Lenders under the DIP Facility shall be referred to as "DIP Loans", and shall be entitled to the benefits of this Order.

(b) Attached hereto as Exhibit B is a budget which has been approved by Lenders (the "Initial Approved Budget") for the period from the date hereof through June 16, 2001, setting forth by line item all projected cash disbursements of the Debtor for each week during such period. The Initial Approved Budget may be modified or supplemented from time to time by additional budgets (covering any time period covered by a prior budget or covering additional time periods) to which Lenders and the Debtor agree in their respective sole discretion (each such additional budget, a "Supplemental Approved Budget"). The aggregate of all items approved by Lenders in the Initial Approved Budget and any Supplemental Approved Budgets shall constitute the "Budget." The Lenders' cash collateral and the DIP Loans shall be used solely to fund the types and amounts of itemized expenditures set forth in the Budget. Without limiting the foregoing, the aggregate cash expenditures by the Debtor for payroll, rent, utilities, warehouse and transportation, capital expenditures, insurance, supplies, maintenance, advertising, promotional programs, IT support, capital leases, interest, miscellaneous store expenses, miscellaneous administrative expenses and restructuring expenses (described as "Controllable Expenses" in the Budget) and for cash discounts, money orders, professional fees/financing fees, sales taxes, property taxes and mail float (described as "Non-Controllable Expenses" in the Budget), respectively, during any weekly period, measured cumulatively from the Petition Date through the end of such week, shall not exceed the cumulative amount budgeted for such line item during the period from the Petition Date through the end of such week; provided, however, that the Debtor shall be entitled to exceed the weekly cumulative budgeted amounts for Controllable Expenses and Non-Controllable Expenses by an aggregate of \$500,000 (applied between Controllable Expenses and Non-Controllable Expenses as the Debtor deems appropriate) during the cumulative period ended on February 10, 2001 and on February 17, 2001, \$1,000,000 during the cumulative period ended each week from the week ended February 24, 2001 through and including the week ended March 31, 2001, and \$1,500,000 from the week ended April 7, 2001 through and including the week ended June 16, 2001. Notwithstanding anything in the Budget or elsewhere in this Order and the Interim Post-Petition Loan Documents to the contrary, no post-petition deposit or payment of pre-petition debt or obligations shall be made without an order of the Court specifically authorizing such deposit or payment and the consent of the Lenders. Notwithstanding any other provision of this Order, at all times "loan

availability” shall be (i) determined in accordance with the Interim Post Petition Loan Documents, and (ii) based upon a daily borrowing base certificate for the prior Business Day. Lenders shall have no obligation or commitment to make any additional loans or other financial accommodations to Debtor other than as provided herein and in the Interim Post-Petition Loan Documents. The fact that the Budget includes projections for periods beyond the Termination Date shall not constitute court approval or a commitment by any party with respect to anything beyond the Termination Date.

(c) Notwithstanding any provision of this Order, the Debtor shall not be entitled to borrow any DIP Loans (i) that would cause the amount outstanding under the DIP Facility to exceed \$33,000,000 prior to the entry of a Final Order, or (ii) after March 5, 2001 unless a Final Order has been entered by that date.

3. Carve-Out. Notwithstanding any contrary provision of this Order or the Interim Post-Petition Loan Documents, the liens and super-priority claims granted to the Lenders pursuant to 11 U.S.C. §§ 364(c) and 364(d) under the Interim Post-Petition Loan Documents and this Order shall be subject and subordinate to (a) prior to the occurrence and declaration of an unwaived Termination Date (a “Carve-Out Event”), unpaid professional fees and disbursements incurred by the professionals retained, pursuant to sections 327 or 1103(a) of the Bankruptcy Code, by the Debtor and one statutory committee appointed in this case, and approved and allowed by this Court pursuant to sections 333 and 331 of the Bankruptcy Code (limited to the amounts permitted to be paid in the Budget), and (b) following the occurrence and during the pendency of a Carve-Out Event, the payment, in an aggregate amount not to exceed \$1,500,000, of allowed professional fees and disbursements incurred after the occurrence and during the pendency of a Carve-Out Event by the professionals retained, pursuant to sections 327 or 1103(a) of the Bankruptcy Code, by the Debtor and one statutory committee appointed in this case (collectively, the “Carve-Out”); provided, however, that neither the Carve-Out, any advances under the DIP Facility, nor the proceeds of any DIP Collateral, Pre-Petition Senior Collateral nor Pre-Petition ML Collateral (a) shall be used to pay professional fees and disbursements incurred in connection with asserting any claims or causes of action against Lenders, including formal discovery proceedings in anticipation thereof, and/or challenging any lien or claim of Lenders with respect to the DIP Indebtedness, or (b) shall be used to pay professional fees and disbursements incurred in connection with asserting any claims or causes of action against MetLife or the Pre-Petition Senior Lenders, including formal discovery proceedings in anticipation thereof, and/or challenging any lien or claim of MetLife or any Pre-Petition Senior Lender with respect to any of the Pre-Petition ML Senior Debt or the Pre-Petition Senior Indebtedness or the Pre-Petition Junior Indebtedness held by MetLife.

4. Interest, Fees and Costs. All LIBOR Loans under the Existing Loan Agreement shall automatically convert to Base Rate Loans at the end of any applicable Interest Period. There shall be no provision for LIBOR Loans under the DIP Facility. In consideration for the financial accommodations to be made by the Lenders under this Order and the Interim Post-Petition Loan Documents, the Debtor is hereby authorized and directed, without further order of the Court, to pay to Heller, as agent for Lenders, within 2 days following the date due, all interest, fees and charges set forth in the Interim Post-Petition Loan Documents and to

reimburse the Lenders for all out of pocket expenses (“Lender Expenses”), including reasonable consultants’, attorneys’ and paralegals’ fees, costs and expenses incurred in connection with the Indebtedness, all as provided for in (and subject to the limitations in) the Interim Post-Petition Loan Documents. Notwithstanding anything in this Order to the contrary, in light of the different pre-petition loans and collateral priorities of MetLife and the other Lenders, the retention of separate consultants and attorneys by MetLife, on the one hand, and the other Lenders, on the other hand, shall be, and hereby is, deemed “reasonable.” All advances under the DIP Facility shall bear interest at the rate set forth in the Interim Post-Petition Loan Documents.

5. Termination of DIP Facility. The DIP Facility shall mature and all obligations thereunder shall be repaid in full in cash on the earliest to occur of the following (the “Termination Date”): (a) March 5, 2001, if a Final Order has not been entered by such date, (b) August 10, 2001, if a plan of reorganization of the Debtor (a “Plan of Reorganization”) acceptable to Lenders in Lenders’ sole and absolute discretion has not been filed by such date, (c) November 10, 2001, and (d) the effective date of a Plan of Reorganization for Debtor. In addition, the Termination Date shall be deemed to have occurred on the date any of the following events occur (unless otherwise agreed to in writing by Lenders and Debtor): (i) entry of an order converting the Debtor’s case to a case under chapter 7 of the Bankruptcy Code; (ii) entry of any order appointing a trustee or examiner with enlarged powers (beyond those set forth in Sections 1106(a)(3) and (4) of the Bankruptcy Code) relating to the operation of the business of Debtor, or Debtor’s application for, consent to or acquiescence in any such appointment; (iii) entry of an order for stay, reversal, vacatur, amendment or other modification in any respect (except to the extent acceptable to Lenders in their sole discretion) of this Order; (iv) entry of any order dismissing Debtor’s case; (v) any material unpermitted deviation from the Budget, including, without limitation, failure to pay interest on the Pre-Petition Senior Indebtedness, the Pre-Petition ML Senior Debt and the DIP Facility as provided by the Budget, to Pre-Petition Senior Lenders, MetLife and Lenders; (vi) upon a material breach of this Order or the Interim Pre-Petition Loan Documents by the Debtor; (vii) on any date during the term of the DIP Facility on which PricewaterhouseCoopers or another crisis manager reasonably acceptable to Lenders is not actively engaged on behalf of Debtor; (viii) upon sale of all or substantially all of the Debtor’s assets; or (ix) upon the substantive consolidation of Debtor’s case with any other case. **Five business days following receipt of notice from Heller, as agent for Lenders, by the other Lenders, Debtor, the United States Trustee and the Committee (if the Committee has been appointed) or their respective counsel of the occurrence of the Termination Date, for whatever reason, the DIP Facility shall (unless waived by Lenders) become immediately due and payable, and the automatic stay imposed by Section 362 of the Bankruptcy Code shall be deemed automatically vacated without further notice or action, and Lenders shall be entitled to exercise all rights and remedies available to them under this Order or applicable law; no change in circumstances shall be cause for modification of this provision, the parties having advised the Court that it constitutes an essential part of the negotiations leading up to this Order.**

6. Security; Adequate Protection.

(a) Security Interests. The DIP Indebtedness (and, as limited below, the Pre-Petition Senior Indebtedness and Pre-Petition ML Senior Debt) shall be secured by, and Lenders are hereby granted, pursuant to Section 364(c)(2) and 364(c)(3) of the Bankruptcy Code, a first lien, subject only to Prior Claims (as defined below), on all real and personal property and assets of Debtor, of any kind and nature whatsoever, whether now owned or hereafter acquired by Debtor, and all proceeds, rents or profits thereof (as more fully described in the Interim Post-Petition Loan Documents, collectively, the “DIP Collateral”), including, without limitation, all of the Pre-Petition Senior Collateral, all of the Pre-Petition ML Collateral and all claims or recoveries of Debtor under the Bankruptcy Code (but not including avoidance claims and any and all proceeds therefrom under Sections 544, 545, 547, 548 and/or 553, which shall collectively be referred to herein as “Avoidance Actions”) and any cash in possession or control of the Debtor, unused or unearned retainers, deposits, and prepaid items. As used herein, the term “Prior Claims” shall mean any non-avoidable, valid, enforceable and perfected liens on and security interests in the assets of Debtor, as pre-petition debtor (other than any pre-petition liens on Accounts and Inventory and general intangibles, documents, chattel paper and instruments related thereto and the proceeds thereof and the pre-petition liens in favor of Pre-Petition Senior Lenders, MetLife and Pre-Petition Junior Lenders, if any) which existed on the Petition Date, but only to the extent such liens and security interests are superior in priority, after giving effect to any existing subordination or intercreditor arrangements, to Pre-Petition Senior Lenders’ and MetLife’s respective pre-petition liens on and security interests in the assets of Debtor, as pre-petition debtor. Other than the first priority liens and security interests in favor of Lenders pursuant to this Order and the Prior Claims, no other claims, liens or security interests shall attach to the DIP Collateral in this or any subsequent proceeding under the Bankruptcy Code prior to the indefeasible payment and satisfaction in full of the DIP Indebtedness without the prior written consent of Lenders. Any prepetition security interest in or lien on the Pre-Petition Senior Collateral which is avoided or otherwise preserved for the benefit of Debtor’s estate under Section 551 or any other provisions of the Bankruptcy Code shall be subordinate to the security interests in favor of Lenders on the DIP Collateral but solely to the extent of the DIP Indebtedness. For purposes of this Order, the pre-petition liens securing the Pre-Petition Senior Indebtedness, the Pre-Petition ML Senior Debt and the Pre-Petition Junior Indebtedness and any pre-petition liens on Accounts or Inventory or general intangibles, documents, chattel paper and instruments related thereto or the proceeds thereof shall not constitute Prior Claims, and the liens and claims granted to Lenders hereunder shall have priority, pursuant to 11 U.S.C. § 364(d), over the pre-petition liens securing the Pre-Petition Senior Indebtedness, the Pre-Petition ML Senior Debt and the Pre-Petition Junior Indebtedness and any pre-petition liens on Accounts or Inventory or general intangibles, documents, chattel paper and instruments related thereto or the proceeds thereof.

(b) Replacement Liens. The liens and security interests granted in the DIP Collateral under the Interim Post-Petition Loan Documents and this Order shall secure the Pre-Petition Senior Indebtedness and the Pre-Petition ML Senior Debt, respectively, only to the extent the value of the Pre-Petition Senior Collateral and the Pre-Petition ML Collateral, respectively, plus all net proceeds of sales or collections of Pre-Petition Senior Collateral and Pre-Petition ML Collateral, respectively, applied to the Pre-Petition Senior Indebtedness or the Pre-Petition ML Collateral, respectively, as of any post-petition date of determination is less than

the value of the Pre-Petition Senior Collateral or the Pre-Petition ML Collateral, respectively, as of the Petition Date (whether such decline in value is attributable to physical deterioration, consumption, use, shrinkage, decline in market value or otherwise), and Lenders shall be entitled to the rights accorded them pursuant to Section 507(b) of the Bankruptcy Code. In addition, to the extent the holders of the Pre-Petition Junior Indebtedness are able to prove, after notice and a hearing, that they had valid, enforceable and unavoidable liens on any of the Debtor's assets as of the Petition Date, and that the value of such assets as of any post-petition date of determination plus the amount of all collections applied to the Pre-Petition Junior Indebtedness secured by such assets is less than the value of such collateral as of the Petition Date, then the holders of the Pre-Petition Junior Indebtedness shall be entitled to replacement liens on the DIP Collateral, subject to subordination pursuant to the terms of the Intercreditor Agreement and the terms of this Order.

(c) Adequate Protection Payments. In addition to the replacement liens described above, as further adequate protection for the use of the Pre-Petition Senior Collateral and the Pre-Petition ML Collateral, the Pre-Petition Senior Lenders and MetLife, respectively, shall be entitled to post-petition interest, fees and reimbursement for reasonable out-of-pocket expenses within 2 days following the date due under the Pre-Petition Senior Loan Documents and the documents governing the Pre-Petition ML Senior Debt (the "Adequate Protection Payments"). Interest on the Pre-Petition Senior Indebtedness shall be paid at the same rate as interest on the DIP Indebtedness, which is less than the "Default Rate" in the Existing Loan Agreement. Interest on the Pre-Petition ML Senior Debt shall be paid at the rates set forth in the documents governing the Pre-Petition ML Senior Debt, without giving effect to any default rates set forth therein. Nothing set forth herein shall be deemed a waiver of the rights of the Pre-Petition Senior Lenders and MetLife to claim that such payments do not constitute sufficient adequate protection. Notwithstanding the foregoing, in the event the Court later determines that the Pre-Petition Senior Indebtedness or the Pre-Petition ML Senior Debt, respectively, are undersecured, the Adequate Protection Payments payable to the Pre-Petition Senior Lenders or MetLife, respectively, may be reallocated to principal or subject to disgorgement after notice and a hearing before this Court.

7. Perfection of New Liens. All liens and security interests on or in the DIP Collateral granted to Lenders by this Order are deemed duly perfected and recorded under all applicable laws as of the date hereof, and no notice, filing, mortgage recordation, possession, further order or act shall be required to effect or continue such perfection, although Lenders may, in their sole discretion, and at Debtor's expense, make any filings or recordations or other acts it deems appropriate with respect to such perfection.

8. Waiver. In consideration of the DIP Facility, Debtor hereby irrevocably waives and is barred from asserting or exercising any right, without (a) Lenders' prior written consent, or (b) prior payment and satisfaction in full of the DIP Indebtedness, to (i) grant or impose, under Section 364 of the Bankruptcy Code or otherwise, senior or equal liens on or security interests in any DIP Collateral; (ii) return goods pursuant to Section 546(g) of the Bankruptcy Code (or otherwise return goods on account of any Pre-Petition Senior Indebtedness) to any creditor of Debtor or to consent to any creditor taking setoff against any Pre-Petition Senior Indebtedness based upon any such return pursuant to Section 553(b)(1) of the Bankruptcy

Code or otherwise; (iii) use, or seek an order granting Debtor the right to use, cash collateral, or (iv) modify or affect any of the rights of Lenders under this Order.

9. Priority Claims; Limitation on 506(c) Charges. The DIP Indebtedness shall have the highest administrative priority under Section 364(c)(1) of the Bankruptcy Code, and shall have priority over all other costs and expenses of administration, including those specified in, or ordered pursuant to, Sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b) or 726 or any other provision of the Bankruptcy Code or otherwise (whether incurred in this case, any conversion of this case pursuant to Section 1112 of the Bankruptcy Code, or in any other proceedings related hereto or thereto). No costs or expenses of administration or other charge, lien, assessment or claim of any person or entity (whether incurred after the Petition Date, any conversion of this case pursuant to Section 1112 of the Bankruptcy Code or any other proceedings related hereto or thereto) shall be imposed against the Pre-Petition Senior Lenders, MetLife or the Lenders, their pre-petition or post-petition claims, or the Pre-Petition Senior Lenders', MetLife's or the Lenders' interest in the Pre-Petition Senior Collateral, the Pre-Petition ML Collateral or the DIP Collateral under Section 506(c) of the Bankruptcy Code or otherwise. Notwithstanding the foregoing, Lenders' liens on and security interests in the DIP Collateral and Lenders' administrative claims under Section 364(c)(1) of the Bankruptcy Code shall be subject to the payment of any unpaid fees payable pursuant to 28 U.S.C. § 1930, any unpaid fees payable to the Clerk of this Court or the United States trustee, and the Carve-Out (to the extent provided in Paragraph 3 hereof).

10. Cash Collection Procedures; Application of Proceeds. Through the Final Hearing, and thereafter if the Final Order is entered, all collections and proceeds of any Pre-Petition Senior Collateral, Pre-Petition ML Collateral or DIP Collateral and all other cash or cash equivalents which shall at any time on or after the Petition Date come into the possession or control of Debtor, or to which Debtor shall become entitled at any time ("Post-Petition Collections") shall be deposited into Blocked Accounts with banks acceptable to Lenders or forwarded directly to Heller, as agent for Lenders. Notwithstanding anything in the Intercreditor Agreement or applicable law regarding the relative priorities of the security interests of MetLife and the other Lenders on the Pre-Petition Senior Collateral, the Pre-Petition ML Collateral or the DIP Collateral but subject to the terms of the Co-Lender Agreement dated as of February 8, 2001 (the "Post-Petition Intercreditor Agreement") among Pre-Petition Senior Lenders and MetLife, Post-Petition Collections (a) attributable to Inventory and Accounts sold in the ordinary course of business shall be applied first against the DIP Indebtedness and next against the Pre-Petition Senior Indebtedness and the Pre-Petition ML Senior Debt in accordance with the terms of the Post-Petition Intercreditor Agreement, and (b) attributable to Pre-Petition Senior Collateral, Pre-Petition ML Collateral or DIP Collateral other than Inventory and Accounts sold in the ordinary course of business shall be permanently applied first against the DIP Indebtedness (and the DIP Revolving Commitment shall be permanently reduced) and next against the Pre-Petition Senior Indebtedness and the Pre-Petition ML Senior Debt in accordance with the terms of the Post-Petition Intercreditor Agreement. All cash and cash equivalents of Debtor currently in any Blocked Account (other than payroll accounts to the extent used to pay pre-petition payroll) or in the possession or control of Debtor constitutes proceeds of the Pre-Petition Senior Collateral or the DIP Collateral and shall be deemed Post-Petition Collections and shall within one business

day after the entry of this Order be remitted to Lenders for application against the Pre-Petition Senior Indebtedness. All banks in which any lockboxes, blocked accounts or other accounts of Debtor exist are authorized and directed to comply with any request of Heller, as agent for Lenders, to turn over to Heller, as agent for Lenders, all funds therein, or collected after the Petition Date, without offset or deduction of any kind.

11. Collateral Sales. No sale, lease or other disposition of DIP Collateral outside of the ordinary course of business (including collection of accounts receivable or any liquidation, auction or other similar sales) may be done through the Termination Date except to the extent permitted in the Interim Post-Petition Loan Documents or consented to by Lenders. Pre-Petition Senior Lenders' and MetLife's right to credit bid Pre-Petition Senior Lenders' or MetLife's claims, respectively, under the Existing Loan Agreement, the documents governing the Pre-Petition ML Senior Debt, the documents governing the Pre-Petition Junior Indebtedness and this Order at any such sales during the period from the date hereof through the Termination Date pursuant to Section 363(k) of the Bankruptcy Code shall be preserved.

12. No Requirement to Accept Title to Collateral. Lenders shall not be obligated to accept title to any portion of the Pre-Petition Senior Collateral or the DIP Collateral in payment of any of the Indebtedness in lieu of payment of cash or cash equivalents or to accept payment in cash or cash equivalents that is encumbered by any interest of any person or entity other than Lenders.

13. Books and Records. Debtor shall permit Lenders and any authorized representatives designated by Lenders, including appraisers engaged by Lenders, reasonable access to visit and inspect any of the properties of Debtor during normal business hours to review Debtor's financial and accounting records, and to make copies and take extracts therefrom, and to discuss Debtor's affairs, finances and business with Debtor's officers, consultants, and accountants, in accordance with the terms of the Existing Loan Agreement, subject to any applicable order of the Court. Without limiting the generality of the foregoing, Debtor shall promptly provide to Lenders and their designated representatives any information or data reasonably requested to monitor Debtor's compliance with the provisions of this Order and the Budget and to perform appraisals or other valuation analyses of any property of Debtor.

14. Effect of Plan of Reorganization. Except as Lenders may consent, the terms of this Order shall not be modified by any final order (including any confirmation order) or by any Plan of Reorganization in this case or any subsequent case under the Bankruptcy Code. Unless Lenders otherwise agree, no Plan of Reorganization in this case shall be confirmed or implemented without the Indebtedness being paid in full in cash as of the effective date of such Plan of Reorganization.

15. Reservation of Additional Rights of Lenders. All of Lenders' rights are expressly reserved if no Final Order is entered on or prior to March 5, 2001. Nothing in this Order or the Final Order shall constitute a finding with respect to the adequacy of the protection of Pre-Petition Senior Lenders' interests in the Pre-Petition Senior Collateral or the adequacy of the protection of MetLife's interests in the Pre-Petition ML Collateral. Except as otherwise

specifically provided herein, Lenders do not waive any rights they have pursuant to the Pre-Petition Senior Loan Documents, the documents governing the Pre-Petition ML Senior Debt, or the documents governing the Pre-Petition Junior Indebtedness, and Lenders shall retain all rights available pursuant to the Bankruptcy Code or any other applicable law. The attachment of the Budget hereto shall not constitute any commitment by Lenders to (i) provide funding beyond the Termination Date, or (ii) consent to anything in the Budget after the Final Hearing Date if no Final Order is entered on or prior to March 5, 2001

16. No Waiver. The rights and obligations of Debtor and the rights, claims, liens, security interests and priorities of Lenders arising under this Order are in addition to, and are not intended as a waiver or substitution for, the rights, obligations, claims, liens, security interests and priorities granted by Debtor, as pre-petition debtor, under the Pre-Petition Senior Loan Documents, the documents governing the Pre-Petition ML Senior Debt or the documents governing the Pre-Petition Junior Indebtedness. In addition, nothing contained herein shall serve to bind any party hereto with respect to their positions as to the value of the Pre-Petition Senior Collateral or the Pre-Petition ML Collateral, or the adequacy of any adequate protection provided pursuant hereto, all rights in respect of which are expressly reserved.

17. Order Binding on Successors. The provisions of this Order shall be binding upon and inure to the benefit of Lenders, Debtor and their respective successors and assigns to the maximum extent permissible under applicable law, including, without limitation, any trustee, examiner or responsible person appointed in this case or any subsequent chapter 11 or chapter 7 case.

18. Effect of Dismissal or Conversion. Debtor shall not seek an order dismissing this case under Section 1112 of the Bankruptcy Code unless, prior to the entry thereof, the DIP Indebtedness shall have been paid in full in cash. If this case is dismissed or converted, Lenders' rights and remedies under this Order shall remain in full force and effect as if this case had not been dismissed or converted.

19. Waivers and Validation of Pre-Petition Senior Indebtedness and Liens. Subject to Paragraph 20 of this Order, Debtor, on behalf of itself and its estate, hereby waives any and all defenses (including, without limitation, offsets and counterclaims of any nature and kind) as to the validity, perfection, priority, enforceability and nonavoidability (under Sections 510, 544, 545, 547, 548, 550, 552 or 553 of the Bankruptcy Code or otherwise) of the Pre-Petition Senior Indebtedness and the security interests in and liens on the Pre-Petition Senior Collateral in favor of Pre-Petition Senior Lenders and the Pre-Petition ML Senior Debt and the security interest and liens on the Pre-Petition ML Collateral in favor of MetLife (which liens and security interests have the priority described herein). The agreements set forth in this paragraph shall be deemed effective upon the date this Order is entered, subject only to creditors' rights to object on the terms and conditions set forth in Paragraph 20 below.

20. Objections by Creditors and Final Hearing Issues. All of the provisions of this Order shall be final and binding on Debtor and all creditors and other parties in interest and their successors and assigns upon entry of this Order ~~except for paragraphs 5 and 8 which are~~ 2

JSA

~~effective only upon the entry of the Final Order and~~ except as provided in this paragraph. All creditors and any Committee shall have until forty-five days after the date that the U.S. Trustee appoints a Committee within which to file and to serve upon counsel for Lenders objections or complaints (each a "Claim Objection") respecting the provisions of Paragraph 19 above or any other provisions herein that are predicated upon the validity, extent, priority, avoidability or enforceability of the Pre-Petition Senior Indebtedness, the Pre-Petition ML Senior Debt, Senior Lenders' pre-petition liens on and security interests in the Pre-Petition Senior Collateral and MetLife's Pre-Petition ML Collateral. If no Claim Objection is filed with this Court and served upon counsel of record for Lenders and Debtor within the time period set forth above, all provisions of this Order shall become final and binding on all parties in interest. BSA

21. Final Hearing; Procedure for Objections and Entry of Final Order. The Motion is set for further hearing (the "Final Hearing") before this Court at 9:00 a.m. on March 2, 2001 (the "Final Hearing Date"), at which time any party in interest may present any timely filed objection to the entry of a final order, (which order shall be in form and substance acceptable to Lenders in their sole discretion), extending the terms of this Order and allowing additional DIP Loans on substantially the terms provided herein and in the Budget (a "Final Order"). Lenders shall have no obligations hereunder beyond the Final Hearing Date unless the Final Order is entered on or prior to March 5, 2001. Any Final Order shall preserve creditors' rights to file a timely Claim Objection in accordance with Paragraph 20. Debtor shall promptly serve a notice of entry of this Order and the Final Hearing, together with a copy of this Order, by regular mail upon the parties required by Federal Rules of Bankruptcy Procedure 4001. The notice of entry of this Order and the Final Hearing shall state that objections to the entry of a Final Order on the Motion shall be in writing and shall be filed with the United States Bankruptcy Clerk for the District of New Mexico no later than three business days prior to the Final Hearing, which objections shall be served so that the same are received on or before 5:00 p.m. EST of such date by Alan Carr and Jay M. Goffman, Skadden, Arps, Slate, Meagher & Flom, Four Times Square, New York, New York 10036, facsimile no. (212) 735-2000, and Robert H. Jacobvitz, Jacobvitz, Thuma & Walker, 500 Marquette N.W., Suite 650, Albuquerque, New Mexico 87102, facsimile (505) 766-9287, Counsel for Debtors, David S. Heller and Josef S. Athanas, Latham & Watkins, 233 South Wacker Drive, 58th Floor, Chicago, Illinois 60606, facsimile (312) 993-9767, and Paul Fish, Modrall, Sperling, Roehl, Harris & Sisk, P.A., 500 Fourth Street, NW, Bank of America Centre, Suite 1000, Albuquerque, New Mexico 87103-2168, facsimile (505) 848-1882, Counsel for Heller, agent for Lenders, and Michael J. Reilly and Ronald J. Silverman, Bingham Dana LLP, 399 Park Avenue, New York, New York 10022, facsimile (212) 752-5378, and Jennie Deden Behles (Walley), J.D. Behles & Associates, a Commercial Law Firm, P.C., 400 Gold Avenue, SW, Suite 400, Albuquerque, New Mexico 87103-0849, facsimile (505) 243-7262, Counsel for MetLife. Except as provided in Paragraph 19, any objections by creditors or other parties in interest to any of the provisions of this Order or any Final Order shall be deemed waived unless filed and served in accordance with this paragraph. BSA

22. Effect of Modification of Order or No Final Order. Debtor shall not, without Lenders' prior written consent, seek to modify this Order. Notwithstanding anything contained herein, if any provision of this Order is hereafter modified, at the final hearing or

otherwise, by final order of this or any other court, such modifications shall not affect the validity of any DIP Indebtedness outstanding immediately prior to the effective time of such modification, or the validity or enforceability of any lien, priority, or right authorized hereby with respect to any such DIP Indebtedness. Without limiting the foregoing, if the Final Order is not entered in accordance with paragraph 21, the Debtor shall nonetheless be required to repay the DIP Indebtedness outstanding as of the Final Hearing Date by March 5, 2001.

23. Safe Harbor. This Court has considered and determined the matters addressed herein pursuant to its powers under the Bankruptcy Code, including the power to authorize Debtor to obtain credit on the terms and conditions upon which Debtor and Lenders have agreed. Thus, each of such terms and conditions constitutes a part of the authorization under Section 364 of the Bankruptcy Code, and is, therefore, subject to the protections contained in Section 364(e) of the Bankruptcy Code except as otherwise provided herein.

24. Additional Covenants and Conditions.

(a) Financial Reporting. Debtor shall provide Lenders with weekly written reports, by Tuesday of each week for the prior week, comparing actual amounts of collections and expenditures to projected amounts as provided in the Budget, other financial statement reporting as currently required under the terms of the Existing Loan Agreement, collateral reports as required by the Interim Post-Petition Loan Documents, and such other information and reports as may be reasonably requested by any Lender including a daily borrowing base certificate; provided, however, that such reports (other than the Borrowing Base Certificate, shall be deemed timely delivered if delivered within two business days following the date otherwise due. In addition, Debtor shall provide directly to each of the Lenders and to counsel for Heller, as agent for Lenders, immediately upon filing, copies of all reports, pleadings, motions, applications, lists, or other papers or information filed or provided by or on behalf of Debtor with the Court or the United States trustee.

(b) Investment Banker. Within ten days after the date hereof, Debtor shall file appropriate pleadings with this Court seeking authority to engage an investment bank reasonably acceptable to Lenders, on terms and conditions reasonably acceptable to Lenders, for the purpose of pursuing strategic alternatives, which investment bank shall be authorized to communicate directly and indirectly with Lenders concerning any matters pertinent to the investment bank's efforts. Within 45 days after the date hereof, Debtor shall obtain an order of the Court approving such investment bank, unless an objection to the retention of such investment bank is filed causing the Court not to enter an order approving such investment bank within 45 days, in which case, Debtor shall vigorously pursue the retention of such investment bank over such objection as soon as possible after such 45-day period. Without limiting the foregoing, the Debtor covenants that the investment bank shall make a presentation to Lenders within 45 days after the entry of an order retaining such investment bank addressing strategic alternatives, which shall include, consideration of a stand alone plan of reorganization (with or without additional investors) and a potential sale.

(c) Crisis Manager. Within seven days after the date hereof, Debtor shall file appropriate pleadings with this Court seeking authority to retain PricewaterhouseCoopers or another crisis manager reasonably acceptable to Lenders and Debtor shall allocate to such crisis manager appropriate responsibilities, including the right to communicate freely and openly and directly with the Lenders.

(d) Other Covenants. Debtor shall comply with all covenants and agreements set forth in the Interim Post-Petition Loan Documents.

25. Objections Overruled. Except to the extent specifically set forth herein, all objections to the entry of this Order are hereby overruled.

26. Order Effective. This Order shall be effective as of the date of signature by the Court.

27. Lenders Consents, Waivers and Amendments. All consents, waivers, amendments and other decisions to be made by Lenders hereunder shall mean the requisite number of Lenders to make such consents, waivers, amendments and other decisions set forth in the Interim Post-Petition Loan Documents.

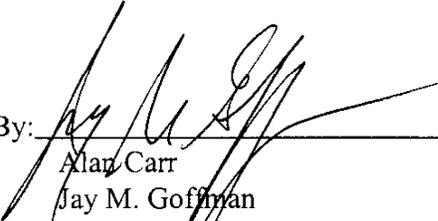
IT IS SO ORDERED.

Dated as of _____, 2001


UNITED STATES BANKRUPTCY JUDGE

CONSENTED AND APPROVED AS
TO FORM AND SUBSTANCE:

FURR'S SUPERMARKETS, INC., DEBTOR
AND DEBTOR-IN-POSSESSION

By: 
Alan Carr
Jay M. Goffman
SKADDEN, ARPS, SLATE,
MEAGHER & FLOM
Four Times Square
New York, New York 10036
(212) 735-2000

and

Robert H. Jacobvitz
JACOBVITZ, THUMA & WALKER
500 Marquette NW, Suite 650
Albuquerque, New Mexico 87102
(505) 766-9272

HELLER FINANCIAL, INC., AGENT FOR
LENDERS

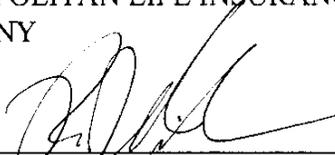
By: 

David S. Heller
Josef S. Athanas
LATHAM & WATKINS
Sears Tower, Suite 5800
233 South Wacker Drive
Chicago, Illinois 60606
(312) 876-7700

and

Paul Fish
MODRALL, SPERLING, ROEHL,
HARRIS & SISK, P.A.
500 Fourth Street, NW
Bank of America Centre, Suite 1000
Albuquerque, New Mexico 87103-2168

METROPOLITAN LIFE INSURANCE
COMPANY

By: 

Ronald J. Silverman
BINGHAM DANA LLP
399 Park Avenue
New York, New York 10022-4689
(212) 318-7868

and

Jennie Deden Behles (Walley)
J.D. BEHLES & ASSOCIATES
400 Gold Avenue, SW, Suite 400
Albuquerque, New Mexico 87103-0849
(505) 243-9756

Exhibit A
to Financing Order
Interim Pre-Petition Loan Documents

Exhibit B
to Financing Order
Budget

Exhibit A
to Financing Order
Interim Pre-Petition Loan Documents

HELLER FINANCIAL, INC.

February 8, 2001

Furr's Supermarkets, Inc.
4411 The 25 Way, N.E.
Albuquerque, New Mexico 87109

Attention: Mr. Steve Mortensen
Chief Financial Officer

Re: DIP Financing Commitment

Dear Sirs:

You have advised Heller Financial, Inc. ("Heller") that Furr's Supermarkets, Inc., a Delaware corporation (the "Borrower"), has filed a petition under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). In connection with the Borrower's bankruptcy filing, Heller, Bank of America, N.A. ("Bank of America"), Fleet Capital Corporation ("Fleet") and Metropolitan Life Insurance Company ("MetLife") are willing, subject to the terms and conditions of this letter agreement, to provide the Borrower, as debtor in possession, with a revolving credit facility (the "Permanent DIP Facility") providing for extensions of credit in an amount not to exceed \$33,000,000 (the "New Funds Amount" or the "DIP Commitment Amount") in the form of revolving credit loans and letters of credit. Heller would act as agent (the "Agent") for itself and Bank of America, Fleet and MetLife (together with Heller, as a lender, the "Lenders") under the DIP Facility (as hereinafter defined). The amount available at any time for revolving credit loans and letters of credit under the Permanent DIP Facility (the "Available Amount") shall be the lesser of (x) the DIP Commitment Amount less the sum of items (i) through (iv) below or (y) the Borrowing Base (as defined in the Term Sheet attached hereto), less the sum of (i) the undrawn amount of issued and outstanding letters of credit under the DIP Facility, (ii) the amount of drawn letters of credit under the DIP Facility for which there has been no reimbursement, (iii) the then outstanding revolving credit loans under the DIP Facility, (iv) reserves instituted by the Agent in its reasonable discretion (including, without limitation, a reserve for the Carve-Out, plus accrued and unpaid professional fees reflected in the Budget (as defined in the Interim Order) and (v) the principal and accrued interest, fees and expenses from time to time outstanding under the Loan and Security Agreement dated as of December 21, 2000 among Borrower, Heller, as Agent, and certain of the Lenders (the "Pre-Petition Loan Agreement"). The undrawn amount of issued and outstanding letters of credit under the DIP Facility plus the amount of drawn letters of credit under the DIP Facility for which there has been no reimbursement shall not exceed at any time \$5,000,000, less the amount

of letters of credit and unreimbursed letters of credit outstanding as part of the Pre-Petition Senior Indebtedness.

Although the Lenders' commitment is for the Permanent DIP Facility, the Lenders understand that the Bankruptcy Code and the applicable rules under the Federal Rules of Bankruptcy Procedure require the approval of the Permanent DIP Facility by the United States Bankruptcy Court (the "Court") in the Borrower's chapter 11 case (the "Case") upon notice to those creditors and parties in interest that the Court may direct. Therefore, the Lenders are willing, subject to the terms and conditions of this letter agreement, to extend credit on an interim basis (the "Interim DIP Facility" and together with the Permanent DIP Facility, as used herein and in the Term Sheet, the "DIP Facility"). The commitment under the Interim DIP Facility shall not exceed \$33,000,000 (the "New Funds Amount" or the "Interim DIP Commitment Amount"), or such lesser amount as may be approved by the Court. The amount available at any time for revolving credit loans and letters of credit under the Interim DIP Facility (the "Interim DIP Facility Available Amount") shall be the lesser of (x) the Interim DIP Commitment Amount less the sum of items (i) through (iv) below or (y) the Borrowing Base (as defined in the Term Sheet attached hereto) less the sum of (i) the undrawn amount of issued and outstanding letters of credit under the Interim DIP Facility, (ii) the amount of drawn letters of credit under the Interim DIP Facility for which there has been no reimbursement, (iii) the then outstanding revolving credit loans under the Interim DIP Facility, (iv) reserves instituted by the Agent in its reasonable discretion (including, without limitation, a reserve for the Carve-Out, plus accrued and unpaid professional fees) and (v) the principal and accrued interest, fees and expenses from time to time outstanding under the Pre-Petition Loan Agreement. The undrawn amount of issued and outstanding letters of credit under the Interim DIP Facility plus the amount of drawn letters of credit under the Interim DIP Facility for which there has been no reimbursement shall not exceed at any time \$5,000,000, less the amount of letters of credit and unreimbursed letters of credit outstanding as part of the Pre-Petition Senior Indebtedness. Advances under the Interim DIP Facility shall be substantially on the terms and conditions set forth on the Term Sheet and in an order authorizing the Borrower, as debtor in possession, to obtain interim financing and incur post-petition indebtedness with a security interest and lien on all assets now owned or hereafter acquired and with a superpriority administrative expense status (the "Interim Order") to be entered by the Court, except as otherwise provided in the Term Sheet. The Interim Order shall be substantially in the form attached as Annex I to the Outline of Proposed Terms and Conditions attached hereto as Exhibit A (the "Term Sheet").

The DIP Facility shall have substantially the terms and conditions set forth in the Term Sheet. The commitment of Lenders is subject in all respects to satisfaction of the terms and conditions set forth below and in the Term Sheet.

As a condition precedent to the Lenders' commitment to provide the DIP Facility and in consideration therefor, the Borrower has agreed to pay, on the date of the Interim Order or any other interim order authorizing a borrowing, a closing fee equal to 3.00% of the New Funds

Amount. The Borrower shall reimburse Heller and the other Lenders for all Expenses (as such term is defined in the Term Sheet) promptly upon Heller's request therefor. All reasonable fees and expenses incurred by the Agent and Lenders in connection with the preparation, negotiation, consummation, administration, syndication, enforcement and termination of any portion of the DIP Facility and Agent's review and due diligence with respect to the DIP Facility, such as reasonable legal fees and expenses (including the allocated costs of in-house counsel to the Agent), audit and appraisal expenses, together with an allocated charge per auditor which is currently \$750 per day (or portion thereof) per auditor or the actual out-of-pocket costs paid to third-party auditors, search and filing fees and travel expenses, shall be paid by the Borrower whether or not any of the transactions herein contemplated is consummated.

By its execution hereof and the Borrower's acceptance of the commitment, Borrower agrees to indemnify and hold harmless the Agent and each Lender, each of their affiliates and each of the Agent's, Lenders' and their affiliates' respective directors, officers, employees, counsel, consultants and agents (each an "Indemnified Party") from and against any and all losses, claims, damages, liabilities and expenses (including fees and disbursements of counsel, which shall include the allocated costs of in-house counsel to the Agent) arising out of, or in any manner related to, this letter agreement, the commitment made herein, the DIP Facility or the use of proceeds thereof, but excluding therefrom for any Indemnified Party all losses, claims, damages, liabilities or expenses which are finally determined in a non-appealable decision of a court to have resulted from such Indemnified Party's gross negligence or willful misconduct. The Borrower's obligations to the Indemnified Parties under this paragraph shall remain effective whether or not definitive documentation is executed or any financing is provided to the Borrower and notwithstanding any termination of this letter agreement, or the closing of any portion of the DIP Facility. None of the Indemnified Parties shall be responsible or liable to the Borrower or any other person for any special, indirect, punitive, exemplary or consequential damages which may be alleged.

The Lenders' commitment to provide the DIP Facility is subject to the satisfaction of the Lenders at all times prior to and including the date on which the Final Order approving the DIP Facility is entered that there has not occurred or become known to the Lenders any material adverse change with respect to the condition, financial or otherwise, operations, assets, liabilities, business or prospects of the Borrower from the date hereof (other than (i) the commencement of the Borrower's Case and (ii) the continuation of the circumstances giving rise to the filing thereof, so long as the Lenders have been made aware as of the date hereof of all such circumstances).

The Borrower acknowledges that the Term Sheet is not a complete statement of the terms and conditions of the DIP Facility and those matters which are not covered in, or finally determined by, the Term Sheet are subject to the mutual agreement of the parties hereto. Nevertheless, Lenders are willing to provide the Interim DIP Facility (and make revolving credit loans and arrange for the issuance of letters of credit thereunder) on the basis (and subject to the

conditions) of this letter agreement, the Term Sheet and the Interim Order. Lenders' commitment to provide the Permanent DIP Facility is conditioned upon the conditions precedent set forth in the Term Sheet and the preparation, execution and delivery of all final documentation for the Permanent DIP Facility (if not previously delivered), in form and substance satisfactory to Lenders.

The Borrower represents, warrants and covenants that (i) other than projections (as to which clause (ii) of this paragraph is applicable), all written information or other materials concerning the Borrower (collectively, the "Information") which has been, or is hereafter, made available by, or on behalf of, the Borrower is, or when delivered will be (considered as a whole), complete and correct in all material respects and does not, or will not when delivered, contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were made and (ii) to the extent that any such Information contains projections, such projections were prepared in good faith on the basis of (X) assumptions, methods and tests stated therein which are reasonably believed by the Borrower to have been reasonable and (Y) information reasonably believed by the Borrower to have been accurate based upon the information available to the Borrower at the time such projections were furnished to Lenders.

The Borrower agrees that prior to the filing, distribution or release thereof it will (i) consult with Lenders as to any filings or document distribution in which reference is made to any Lender or the DIP Facility (other than the delivery of draft documents to the Court and to the United States Trustee) and (ii) obtain the prior approval of each Lender, before releasing any public announcement in which reference is made to such Lender or the DIP Facility except as required by law or the Court. The Borrower will not show this commitment letter to any third party (other than legal counsel and financial advisors) prior to the filing of a chapter 11 petition by the Borrower without the prior written consent of the Lenders.

The offer made by Lenders to the Borrower in this letter agreement shall remain in effect until 5:00 p.m. in New York City on February 12, 2001, at which time it will expire unless prior thereto Lenders have received (i) a signed copy of this letter from the Borrower accepting this letter agreement and (ii) payment from the Borrower, in immediately available funds, of the 3.00% closing fee.

The commitment by Lenders to provide the DIP Facility shall expire at 5:00 p.m. in New York City on February 12, 2001, unless (x) final loan documentation shall have been entered into by the Borrower, the Lenders and the Agent on or prior thereto and such documentation shall have been approved by the Court pursuant to terms satisfactory to the Agent, the Lenders and the Borrower, and (y) the Borrower shall have satisfied all conditions to the initial borrowing thereunder.

Should the terms and conditions of the offer contained herein meet with your approval, please indicate your acceptance by signing and returning a copy of this letter agreement to the undersigned.

Any inconsistency between this letter and the Term Sheet shall be governed by the Term Sheet.

This letter agreement may be executed by the parties hereto individually or in any combination, in one or more counterparts, each of which shall together constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this letter agreement by telecopier shall be effective as delivery of a manually executed counterpart of this letter agreement.

This letter agreement shall be governed by the law of the State of New York, without giving effect to the conflict of laws provisions thereof, and, upon-execution by all parties hereto, shall be binding upon the Lenders, the Borrower and their respective successors and assigns. This letter agreement may only be amended, modified or waived in a writing signed by the parties hereto.

Each Lender's commitment shall be several and not joint. Each Lender's pro rata share of the DIP Commitment Amount and the Interim DIP Commitment Amount shall be as follows:

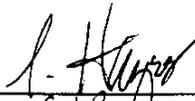
	<u>New Funds Amount</u>
Heller	(19.481 %)
Bank of America	(19.481 %)
Fleet	(15.584 %)
MetLife	(45.454 %)

Furr's Supermarkets, Inc.
February 8, 2001
Page 6

No Lender shall have any duty to fund its pro rata share of the DIP Commitment Amount or the Interim DIP Commitment Amount if any Lender shall be excused from funding its pro rata share thereof.

Very truly yours,

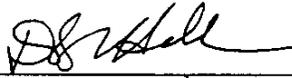
HELLER FINANCIAL, INC.

By: 
Title: SVP

BANK OF AMERICA, N.A.

By: 
Title: authorized agent for signature

FLEET CAPITAL CORPORATION

By: 
Title: authorized agent for signature

METROPOLITAN LIFE INSURANCE
COMPANY

By: 
Title: Ronald J. Silverman, as Attorney in Fact

Furr's Supermarkets, Inc.
February 8, 2001
Page 7

AGREED TO AND ACCEPTED
on the date hereof

FURR'S SUPERMARKET, INC.

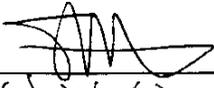
By: 
Title: Chief Financial Officer

EXHIBIT A

FURR'S SUPERMARKETS, INC.

Outline of Proposed Terms and Conditions

Agent: Heller Financial, Inc.

Lenders: Heller Financial, Inc., Bank of America, N.A., Fleet Capital Corporation and Metropolitan Life Insurance Company (the "Lenders").

Borrower: Furr's Supermarkets, Inc., a Delaware corporation

Interim DIP Facility: The Lenders shall provide the Borrower, on an emergency basis, with a revolving credit facility (the "Interim DIP Facility") providing for extensions of credit in an amount as shall be approved by the Court, which amount shall not exceed \$33,000,000 (the "New Funds Amount" or "Interim DIP Commitment Amount"), in the form of revolving credit loans and letters of credit. The undrawn amount of issued and outstanding letters of credit under the Interim DIP Facility plus the amount of drawn letters of credit under the Interim DIP Facility for which there has been no reimbursement shall not exceed at any time an aggregate of \$5,000,000, less the amount of outstanding letters of credit and unreimbursed, drawn letters of credit constituting part of the Pre-Petition Senior Indebtedness. The amount available at any time for revolving credit loans and letters of credit under the Interim DIP Facility (the "Interim DIP Available Amount") shall be the lesser of (x) the Interim DIP Commitment Amount less the sum of items (i) through (iv) below or (y) the Borrowing Base (as defined herein) less the sum of (i) the undrawn amount of issued and outstanding letters of credit under the Interim DIP Facility, (ii) the amount of drawn letters of credit under the Interim DIP Facility for which there has been no reimbursement, (iii) the then outstanding revolving credit loans under the Interim DIP Facility, (iv) reserves instituted by the Agent in its reasonable discretion (including, without limitation, a reserve for the Carve-Out, plus accrued and unpaid professional fees) and (v) the principal and accrued interest,

fees and expenses from time to time outstanding under the Pre-Petition Loan Agreement. The Interim DIP Facility shall be made available upon entry by the Court of an order authorizing the Borrower to obtain Interim DIP financing and to incur post-petition indebtedness with a Lien priority as hereinafter provided and with superpriority administrative expense status (the "Interim Order"). The Interim Order shall be substantially in the form attached hereto as Annex 1. The Interim DIP Facility will have a final maturity of the earlier of (i) the date of entry of the Final Order (as hereinafter defined) and (ii) March 4, 2001 (unless it has been terminated earlier as expressly provided herein or extended by written agreement of the Borrower, the Lenders and the Agent). The Interim DIP Facility shall be on substantially the same terms and conditions as the Permanent DIP Facility (as hereafter defined) (and all covenants, representations and warranties, default provisions and other terms to the extent set forth in the Term Sheet shall be binding on the Borrower on and after the closing of the Interim DIP Facility); provided, however, in the event there is no Permanent DIP Facility for any reason or no reason, (i) the Borrower shall immediately cash collateralize all documentary and standby letters of credit remaining outstanding on the maturity of the Interim DIP Facility at 105% of the face amount of such letters of credit and (ii) the Interim Order shall provide for the repayment in full of all borrowings under the Interim DIP Facility.

Permanent DIP Facility:

The Lenders shall provide the Borrower with a revolving credit facility (the "Permanent DIP Facility") providing for extensions of credit in an amount not to exceed \$33,000,000 (the "New Funds Amount" or the "DIP Revolver Commitment Amount") in the form of revolving credit loans and letters of credit. The undrawn amount of issued and outstanding letters of credit under the DIP Facility plus the amount of drawn letters of credit under the DIP Facility for which there has been no reimbursement shall not exceed at any time an aggregate of \$5,000,000, less the amount of outstanding letters of credit and unreimbursed, drawn letters of credit constituting part of the Pre-Petition Senior Indebtedness. The amount available at any time for revolving credit loans and letters of credit under the Permanent DIP Facility shall be the lesser of (x) the DIP Revolver Commitment Amount less the sum of items (i) through (iv) below or (y) the Borrowing Base (as defined herein) less the sum of (i) the undrawn amount of issued and outstanding letters of credit under the DIP Facility, (ii) the

amount of drawn letters of credit under the DIP Facility for which there has been no reimbursement, (iii) the then outstanding revolving credit loans under the DIP Facility, (iv) reserves instituted by the Agent in its reasonable discretion (including, without limitation, a reserve for the Carve-Out, plus accrued and unpaid professional fees) and (v) the principal and accrued interest, fees and expenses from time to time outstanding under the Pre-Petition Loan Agreement. If the Permanent DIP Facility is entered into, it will repay in full and replace the Interim DIP Facility. Standby letters of credit and documentary letters of credit issued under the DIP Facility shall not be used in a manner that violates the "Purposes" section of this Term Sheet.

All borrowings and drawings of letters of credit by the Borrower, all Expenses (as hereinafter defined) of the Agent and Lenders and all other obligations owed to the Agent or any of the Lenders, in each case, under the DIP Facility, shall be directly charged to the loan account.

Letters of Credit:

All letters of credit under the DIP Facility will be issued by a bank mutually acceptable to the Borrower and the Agent (the Borrower agreeing that Bank of America, N.A. is acceptable) for the account of the Borrower and shall have an expiry date no later than the earlier of (i) one year from the date of issuance and (ii) fifteen days prior to the Maturity Date (as hereinafter defined), unless on or prior to such date such letters of credit shall be cash collateralized at 105% of the face amount of such letters of credit. The Borrower will be bound by usual and customary terms contained in the issuing bank's letter of credit issuance documentation, including indemnification for capital adequacy and taxes, as well as payment of usual and customary fees and charges of such bank. At the Maturity Date, no liens will be released (and the superpriority status in favor of the Agent and Lenders shall continue) until all letters of credit that are not cash collateralized in accordance with the foregoing expire and all amounts due under the Permanent DIP Facility are paid.

Letter of Credit Fee:

A fee of 2.0% per annum (plus bank charges), payable monthly in arrears, based upon the average daily undrawn amount of all letters of credit outstanding. If any Event of Default occurs and is continuing under the DIP Facility, then the fee shall be 4.0% per annum (plus bank charges) payable on demand.

Term of Commitment:

The Permanent DIP Facility will expire and the borrowings thereunder (other than letters of credit that are cash collateralized) will be due and payable upon the earliest of (i) 270 days after the date of entry of the Interim Order (the "Maturity Date"), (ii) the sale of all or substantially all of Borrower's assets or (iii) the substantial consummation (as defined in section 1101 of Chapter 11 of the Bankruptcy Code) of a plan of reorganization (a "Plan") in the Case that has been confirmed by an order of the Court (such confirmation order shall not discharge any of the obligations of the Borrower to the Agent and the Lenders under the DIP Facility other than after payment in full of such obligations and in no event shall indemnities in favor of the Agent and the Lenders which by their terms survive the termination of the DIP Facility be affected by the repayment of the obligations).

Expiration of Commitments:

The Commitment of Lenders with respect to the Interim DIP Facility shall expire on February 12, 2001, unless all conditions to the Interim Facility set forth herein shall have been satisfied by such date. In the event that the Interim DIP Facility has been approved by the Court, the Commitment of the Lenders with respect to the Permanent DIP Facility shall expire on the earlier of March 4, 2001 and the date of entry of the Final Order, unless all conditions to the Permanent DIP Facility shall have been satisfied by such date.

Collateral and Priority:

All indebtedness, liabilities and obligations of the Borrower to the Agent and the Lenders shall be: (x) entitled to superpriority administrative expense claim status in accordance with 11 U.S.C. § 364(c)(1) in the Case over any and all administrative expenses of the Borrower, whether heretofore or hereafter incurred, of the kind specified in 11 U.S.C. §§ 503(b) or 507(b), but subject and subordinate to (i) the Carve-Out for professional fees and expenses set forth in the Interim Order (the "Cap") and (ii) the payment of fees pursuant to 28 U.S.C. § 1930; and (y) secured pursuant to 11 U.S.C. § 364(c)(2) and (c)(3), subject to the Carve-Out and 28 U.S.C. § 1930 fees, in and on all now existing and hereafter acquired property of the Borrower, including without limitation all now existing and hereafter acquired property described in clauses (i) through and including (xiv) below (the "DIP Collateral"): (i) Accounts, and all guaranties and security therefor, and all goods and rights represented thereby or arising therefrom including the rights of stoppage in transit, replevin and reclamation;

(ii) Inventory; (iii) general intangibles (as defined in the UCC); (iv) documents (as defined in the UCC) or other receipts covering, evidencing or representing goods; (v) instruments (as defined in the UCC) (including, without limitation, the S&B Note); (vi) chattel paper (as defined in the UCC); (vii) Equipment; (viii) stock of all Subsidiaries; (ix) investment property (as defined in the UCC) including, without limitation, all securities (certificated and uncertificated), security accounts, security entitlements, commodity contracts and commodity accounts; (x) Intellectual Property; (xi) all deposit accounts of Borrower maintained with any bank or financial institution; (xii) all cash and other monies of Borrower in the possession or under the control of Borrower, Agent, any Lender or any participant; (xiii) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the property described above or are otherwise necessary or helpful in the collection thereof or realization thereon; (xiv) all real property interests including any leaseholds and (xv) proceeds and products of all or any of the property described above, including, without limitation, the proceeds of any insurance policies covering any of the above described property. As a condition to the DIP Facility, there shall be no liens or encumbrances of any kind on any DIP Collateral (other than Existing Liens) (with respect to DIP Collateral other than Accounts, Inventory and DIP Collateral related thereto) and Permitted Liens (as hereinafter defined). "Permitted Liens" shall mean (i) Liens for current property taxes not delinquent or for property taxes being contested in good faith and by appropriate proceedings (and in respect of which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP), (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in good faith and by appropriate proceedings diligently pursued, (iii) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations (other than for the repayment of borrowed money), (iv) liens in connection with the acquisition of machinery and equipment after the date hereof, and attaching only to the machinery and equipment

being acquired, provided that the indebtedness secured by such liens may not exceed an aggregate amount agreed to by the Borrower and the Lenders prior to the entry of the Final Order, and (v) liens on real property arising in the ordinary course of business which do not materially detract from the value or interfere with the use of such property of the Borrower or otherwise materially impair the business or operations of the Borrower, provided that the indebtedness secured by such liens may not exceed an aggregate amount agreed to by the Borrower and the Lenders prior to the entry of the Final Order. The Borrower hereby grants to the Agent for the benefit of the Agent and the Lenders a security interest in all DIP Collateral to secure all present and future indebtedness, liabilities and obligations of Borrower to the Agent and the Lenders. The Agent for the benefit of the Agent and Lenders, pursuant to 11 U.S.C. § 364(d), shall have (x) a first priority perfected Lien on all DIP Collateral described in clauses (i) and (ii) of the definition thereof and general intangibles, documents, chattel paper and instruments (including the S&B Note) related thereto or arising therefrom and (y) as to all other DIP Collateral, such Lien priorities and rights as are set forth in the Interim Order and Final Order. The Borrower shall be permitted to pay, as the same may become due and payable (i) administrative expenses of the kind specified in 11 U.S.C. § 503(b) incurred in the ordinary course of business of the Borrower, (ii) compensation and reimbursement of expenses to professionals allowed and payable under 11 U.S.C. § 330 and 331, and, in the absence of the occurrence of an Event of Default, the payment of such compensation and reimbursement of expenses to professionals shall not reduce the Cap and (iii) payments pursuant to “first day” orders reviewed and acceptable to the Agent.

Purpose:

To fund working capital needs of the Borrower (including inventory purchases in the ordinary course of business of the Borrower); provided, however, that documentary letters of credit issued under the Interim DIP Facility or the Permanent DIP Facility shall not be used for the purchase of inventory from domestic vendors.

Revolving Credit Note:

At the option of the Agent, Promissory Note(s) in a maximum aggregate amount for each Lender equal to each Lender’s share of the Interim DIP Commitment Amount and/or the DIP Revolver Commitment Amount, as the case may be.

<u>Closing Fee:</u>	A closing fee equal to 3.00% of the New Funds Amount, payable on the date of the Interim Order or any other Interim Order authorizing borrowing.
<u>DIP Collateral Management Fee:</u>	\$10,000 per month, payable in advance on the first day of each month of the Interim DIP Facility.
<u>Unused Line Fee:</u>	0.375% per annum on the average daily excess of the DIP Revolver Commitment Amount or Interim DIP Commitment Amount, as the case may be, over the sum of outstanding borrowings, the undrawn amount of issued and outstanding letters of credit and the amount of drawn letters of credit for which reimbursement has not been made. Such fee shall be paid monthly in arrears.
<u>Nature of Fees:</u>	Non-refundable under all circumstances. Fees, Expenses and interest may be charged by the Agent to the Borrower's loan account.
<u>Notices:</u>	The Borrower shall give such notice of the motions regarding the Interim DIP Facility and Permanent DIP Facility, as shall be required by the Court.
<u>Interest Rate:</u>	The unpaid balance on the revolving loans outstanding under the DIP Facility shall bear interest (payable monthly on the first day of each month) at a rate equal to a fluctuating per annum rate equal to 1.75% per annum in excess of the Base Rate. All interest (as well as the Unused Line Fee and Letter of Credit Fees set forth above) shall be calculated on the basis of a 360-day year for actual days elapsed. If any Event of Default occurs and is continuing under the DIP Facility, then the Borrower will pay interest on the unpaid balance of loans outstanding at a per annum rate two percent (2.0%) per annum greater than the rate of interest specified above. "Base Rate" means a variable rate of interest per annum equal to the highest of the "prime rate", "reference rate", "base rate" or similar rate announced from time to time by any of the three largest banks (based on combined capital and surplus) headquartered in New York, New York (with the understanding that any such rate may merely be a reference rate and may not necessarily represent the lowest or best rate actually charged to any customer by any such bank). All LIBOR Loans constituting part of the Pre-Petition Senior Debt shall be converted to Base Rate Loans upon expiration of the relevant Interest Periods therefor.

Borrowing Base:

An aggregate amount of up to (i) 90% of Eligible Credit Card Accounts, (ii) 85% of Eligible Accounts, and (iii) 70% of the net amount of Eligible Inventory (not to exceed 89% of the net appraised liquidation value of Inventory) and less the PACA Reserve, the Landlord Reserve, and a reserve for unpaid cigarette, cigar and tobacco stamps and taxes and such reserves as Agent in its discretion may elect to establish and less the minimum availability reserve of \$3,000,000, plus (iv) an Over-Advance Limit (by week) as set forth on Annex 2 hereto. DIP Collateral eligibility and the establishment of reserves against Borrowing Base availability shall be determined by the Agent in its reasonable discretion. Perishables shall not exceed 10% of the Borrowing Base. For purposes of the Borrowing Base, alcoholic beverage Inventory owned by S&B with a value not greater than the outstanding principal balance of the S&B Note at such time shall be Eligible Inventory so long as the S&B Note is outstanding and a security agreement between Borrower and S&B Beverage Company, Inc., in form and substance satisfactory to Agent, is in effect. A certificate certifying the Borrowing Base shall be delivered daily and Borrower shall use its best efforts to adjust the Borrowing Base daily or, if daily adjustments are not practicable, as frequently as practicable, but in no event shall the Borrowing Base be adjusted less frequently than weekly.

Mandatory Prepayment:

Mandatory prepayment, but not reduction of commitment, immediately if aggregate borrowings and letters of credit exceed the lesser of the Borrowing Base and the Interim DIP Commitment Amount or the DIP Revolver Commitment Amount, as the case may be, until aggregate borrowings and letters of credit are within the limitations of the Borrowing Base and the Interim DIP Commitment Amount or the DIP Revolver Commitment Amount, as the case may be.

Cash Management:

The Borrower shall be required to continue on a daily basis to concentrate all cash receipts and other collections into one or more Blocked Accounts that are subject to existing tri-party Depository Account Agreements or Blocked Account Agreements among the Borrower, certain depository banks and the Agent providing Agent with full cash dominion. All payments received by the Agent would be credited to the Borrower's loan account on the day of receipt of good funds, if such good funds are received by 12 noon (New York time) on such day.

Collections:

All proceeds of DIP Collateral and collections shall be applied as set forth in paragraph 10 of the Interim Order or in any provision of the Final Order superseding paragraph 10 of the Interim Order.

Optional Prepayment/
Reduction of Commitment
Amount:

Optional prepayment in whole or in part at any time at option of the Borrower without penalty. Optional reductions of commitment at any time in whole or in integral multiples of \$1,000,000 at option of the Borrower without penalty, subject to compliance with mandatory prepayment requirements set forth above.

Conditions of Initial
Extension of Credit
Under Interim DIP Facility:

- (a) The Agent shall have received consolidated and consolidating financial statements of the Borrower as of December 2, 2000, in form and substance satisfactory to the Agent.
- (b) The Interim Order of the Court in the form attached hereto as Annex 1, with only non-material variations accepted by Agent, shall have been entered by no later than February 12, 2001 (and the Agent shall have received a copy thereof certified by the Court). The Interim Order shall not have been reversed, vacated, modified, amended or stayed (or any application for any of the foregoing shall have been filed which contests any finding in such order that the Agent and the Lenders are entitled to the benefits of Section 364(e) of the Bankruptcy Code), except for modifications and amendments that are acceptable to the Agent and the Lenders.
- (c) The Agent and Lenders shall have received the "Budget" as defined in paragraph 2(a) of the Interim Order.
- (d) There shall have been no material adverse change in the business, operations, assets, properties, liabilities, profits, prospects or financial position of the Borrower as determined by the Agent and the Lenders in their sole discretion other than (i) the commencement of the Case and (ii) the continuation of the circumstances giving rise to the filing thereof, so long as the Agent and the Lenders have been made aware as of the date hereof of all such circumstances.

- (e) If requested by the Agent or any Lender, delivery of the Promissory Notes and other financing documents executed by the Borrower (not later than the earlier of March 4, 2001 and the date of the initial hearing before the Court for the Permanent DIP Facility (the “Permanent DIP Facility Hearing Date”)).
- (f) Payment of fees required hereunder.

None of the Agent nor any Lender shall be deemed to have waived any of the foregoing conditions unless it has delivered to the Borrower a writing evidencing such waiver. In the event that the Agent and the Lenders do not request the execution and/or delivery or other satisfaction of any of the foregoing conditions (a) through and including (f) prior to the closing of the Interim DIP Facility, the Borrower hereby covenants and agrees to promptly execute, deliver and/or satisfy any and all such conditions upon the request of the Agent or the Lenders at any time thereafter so long as any obligations or commitments are outstanding under the DIP Facility.

Conditions of Initial
Extension of Credit
under Permanent DIP
Facility:

- (a) All conditions to the Interim DIP Facility shall have been satisfied (or waived in writing by the Agent and the Lenders by a waiver, additional to, and which shall supersede, the waiver granted in connection with the conditions to the Interim DIP Facility).
- (b) An order (the “Final Order”) of the Court shall have been entered by no later than March 4, 2001, which Final Order shall contain the Order Provisions, other appropriate provisions contained in the Interim Order and otherwise authorizing the Permanent DIP Facility and the superpriority status and lien status described herein, such Final Order to be in all respects in form and substance satisfactory to the Agent and the Lenders. Such Final Order shall not have been reversed, vacated, modified, amended (except for modifications and amendments that are acceptable to the Agent and the Lenders) or stayed (or any application for any of the foregoing shall have been filed which contests any finding in such order that the Agent and the Lenders are entitled to the benefits of Section 364(e) of the Bankruptcy Code). The Agent shall have received a copy of the Final Order certified by the Court.

- (c) There shall be no material adverse change in the business, operations, assets, properties, liabilities, profits, prospects or financial position of the Borrower as determined by the Agent and the Lenders in their sole discretion other than (i) the commencement of the Case and (ii) the continuation of the circumstances giving rise to the filing thereof, so long as the Agent and the Lenders have been made aware as of the date hereof of all such circumstances.
- (d) The Agent shall have completed the due diligence with respect to the DIP Facility, including, without limitation, a review satisfactory to the Agent of the Borrower's books and records, systems and control and analysis of the accounts receivable and inventory by an outside consultant selected by the Agent. The results of such review shall be in form and substance satisfactory to the Agent.
- (e) Satisfactory opinions of counsel to the Borrower concerning, among other things, entry of the Final Order and notice having been given in accordance with the Final Order.
- (f) Payment of fees required hereunder.
- (g) The Lenders' full satisfaction with the compliance by the Borrower with any and all applicable laws, statutes, rules and regulations relating to the conduct and operations of the business and properties of the Borrower in all material respects.
- (h) No order shall have been entered (i) for the appointment of a trustee or receiver with respect to the Case, (ii) to convert the Case to a Chapter 7 case or dismiss the proceeding, or (iii) terminating the Borrower's exclusive time period to file a plan of reorganization and no such order shall have been requested by a party other than the Lenders unless such requested order is being contested in good faith and by appropriate proceedings diligently pursued.

- (i) The Borrower's exclusive period to file a plan of reorganization in the Case shall not have expired or terminated. Any such plan of reorganization shall be in form and substance acceptable to the Agent and the Lenders in their sole discretion.
- (j) Such other conditions as may be required by the Agent or the Lenders in its or their reasonable discretion and which are customary in transactions of this nature, including the execution by the Borrower of such financing documents as the Agent or the Lenders may reasonably request.
- (k) Agent shall have received Lien searches establishing the absence of any Liens other than Existing Liens and Permitted Liens and, if requested by Agent, executed public filings deemed necessary or appropriate by Agent.
- (j) Except as otherwise set forth herein and in the Interim Order, the Final Order and the Post-Petition Intercreditor Agreement (as defined in the Interim Order), Agent shall be satisfied that all Lien waivers and subordinations applicable to the Pre-Petition Secured Indebtedness continue to be applicable to the DIP Facility.

Conditions of Each
Extension of Credit:

The obligation to provide each extension of credit (including the initial extension of credit) shall be subject to the satisfaction of the following conditions:

- (a) The borrowing, together with the aggregate amount of all outstanding borrowings under the DIP Facility (including the undrawn amount of all issued and outstanding letters of credit under the DIP Facility and amount of all drawn letters of credit under the DIP Facility which have not been reimbursed), shall not exceed the lowest of the amount authorized by (i) the Interim DIP Commitment Amount or the DIP Revolver Commitment Amount, as the case may be, (ii) the Borrowing Base then in effect and (iii) the Interim Order or Final Order, as the case may be.

- (b) The Interim Order or the Final Order, as the case may be, shall be in full force and effect and shall not have been reversed, modified, amended or stayed (or application therefor made), except for modifications and amendments that are acceptable to the Agent and the Lenders.
- (c) No Event of Default and no condition which would constitute an Event of Default with the giving of notice or lapse of time or both shall exist.
- (d) Representations and warranties shall be true and correct in all material respects at the date of each extension of credit as if made on such date (except if such representation or warranty specifically relates only to a prior date).
- (e) Receipt of a notice of borrowing or a letter of credit application from the Borrower. The request for and the acceptance of each extension of credit by the Borrower shall constitute a representation and warranty that the conditions to each extension of credit shall have been satisfied.
- (f) No administrative claim that is senior to or pari passu with the superpriority claims of the Agent and the Lenders shall exist, except the Carve-Outs.
- (g) Satisfactory corporate proceedings and receipt of information and documents (including corporate resolutions and incumbency certificates) reasonably requested by the Agent.

Representations and Warranties:

The Borrower is hereby representing with respect to the initial advance under the Interim DIP Facility and shall represent and warrant with respect to each subsequent advance as to:

- (a) Due incorporation and good standing; the Borrower has no subsidiaries;
- (b) No governmental or judicial consent or approval is required other than the Interim Order or the Final Order, as the case may be;

- (c) Due authorization, execution and delivery of the Interim DIP Facility and the Permanent DIP Facility and any documents delivered pursuant thereto;
- (d) Compliance in all material respects with all applicable laws and regulations (including, without limitation, environmental laws and regulations), except to the extent the Borrower is exempted from such compliance or the Borrower is prohibited from complying, under applicable bankruptcy law;
- (e) The historical financial statements present fairly, in all material respects, the financial position of the Borrower at the balance sheet dates, and the consolidated results of its operations and its cash flows for the periods covered by such financial statements, in conformity with GAAP;
- (f) (i) All Information, other than projections (as to which clause (ii) of this sentence is applicable), which has been, or is hereafter, made available by, or on behalf of, the Borrower to the Agent or the Lenders, does not, or will not when delivered, contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were made and (ii) to the extent that any such Information contains projections, such projections were prepared in good faith on the basis of (X) assumptions, methods and tests stated therein which are reasonably believed by the Borrower to have been reasonable and (Y) information reasonably believed by the Borrower to have been accurate based upon the information available to the Borrower at the time such projections were furnished to the Agent or the Lenders. No material adverse change shall have occurred in the financial position, business, operations, assets, liabilities, profits or prospects of the Borrower since December 2, 2000 other than (i) the commencement of the Case and (ii) the continuation of the circumstances giving rise to the filing thereof so long as the Agent has been made aware as of the date hereof of all such circumstances;

- (g) Continued effectiveness of the Interim Order and the Final Order, as applicable;
- (h) Use of proceeds; and
- (i) With respect to advances subsequent to the initial advances under the Interim DIP Facility, such other representations and warranties as shall be satisfactory to the Agent in its reasonable discretion and which are customary to transactions of this nature.

Affirmative Covenants:

- (a) The Borrower shall permit the Agent and the Lenders or their designees from time to time to conduct an audit of accounts receivable and inventory (and/or conduct an inventory valuation) and to inspect the books and records of the Borrower at any time and from time to time; Borrower will provide from time to time access to all information reasonably requested by the Agent or any Lender. Without limiting the generality of the foregoing, the Lenders shall be entitled to obtain reasonable periodic reports from investment bankers or consultants retained by the Borrower. All reasonable costs and expenses of the Agent or any of the Lenders incurred in connection with the foregoing shall be included within the definition of "Expenses" as set forth in this Term Sheet;
- (b) The Blocked Account arrangements in effect as of December 31, 2000 between Borrower and Agent shall continue in effect as to all cash proceeds of collateral and other payments received by Borrower; all cash receipts and other collections shall be deposited in such Blocked Accounts to be subject to the first and sole lien of the Agent and shall be remitted to the Agent and applied to repay amounts outstanding under the Interim DIP Facility or the Permanent DIP Facility, as the case may be, and at the Agent's option shall be used to cash collateralize letters of credit;
- (c) The Borrower shall prepare financial statements in accordance with GAAP, and shall maintain true and complete books and records in all material respects;

- (d) The Borrower shall furnish collateral reporting and financial or accounting statements as the Agent or any Lender may reasonably request from time to time, including, without limitation, a daily Borrowing Base Certificate in the form provided for in the Pre-Petition Loan Agreement (Borrower shall use its best efforts to adjust the Borrowing Base daily or, if daily adjustments are not practicable, as frequently as practicable, but in no event shall the Borrowing Base be adjusted less frequently than weekly) and monthly agings, all in form, substance and detail satisfactory to the Agent and delivered to the Agent in a timely fashion;
- (e) The Borrower shall deliver to counsel for the Agent all pleadings, motions, applications and other documents filed with the Court and will deliver to the Agent any financial information distributed to any official committee appointed in the Case;
- (f) The Borrower shall maintain insurance on all its property for such risks, in such amounts and with such deductible amounts, as are customarily maintained by similar businesses, with financially sound and responsible insurance carriers having ratings acceptable to the Agent and cause the Agent to be named as loss payee or additional insured on such policies as the Agent may require and such insurance policies covering the DIP Collateral (including business interruption or similar insurance) shall contain provisions regarding 30 days notification to the Agent with respect to material modification or cancellation and provisions protecting the Agent from the Borrower's breach, each as the Agent customarily requires;
- (g) The Borrower shall comply in all material respects with all laws, rules, applicable environmental laws and regulations, except to the extent the Borrower is exempted from such compliance or the Borrower is prohibited from complying, under applicable federal bankruptcy law;
- (h) The Borrower shall preserve, renew and keep in full force its respective corporate existences, its respective material licenses, etc.;

- (i) The Borrower shall notify the Agent of any default or Event of Default;
- (j) The Borrower shall deliver to the Agent weekly in accordance with the Interim Order a comparison of actual results for such week with the Budget (as defined in the Interim Order); in addition, on or prior to May 30, 2001, Borrower shall deliver to Lenders a budget in form and substance acceptable to Lenders for each week through and including the week ended November 9, 2001;
- (k) The Borrower shall provide other financial information reasonably requested by the Agent or any Lender in a manner reasonably satisfactory to the Agent and the Lenders;
- (l) The Borrower shall pay all post-petition obligations under real estate leases and licenses of intellectual property as required by the Bankruptcy Code or the Court; and
- (m) The Borrower shall comply with such other affirmative covenants as may be required by the Agent or the Lenders in their reasonable discretion, and which are customary in transactions of this nature.

Negative Covenants:

The Borrower shall not (nor shall it apply to the Court for authority to):

- (a) Create or permit to exist any liens or encumbrances on any DIP Collateral, other than Existing Liens and Permitted Liens;
- (b) Create or permit to exist any other administrative claim which is senior to or pari passu with the superpriority claims of the Agent and the Lenders, other than the Carve-Outs;
- (c) Pay pre-petition indebtedness of any kind; provided, however, that the Borrower may (i) pay pre-petition obligations to employees and payroll taxes, sales and similar taxes to taxing authorities to the extent approved by order of the Court, (ii) make adequate protection payments with respect to pre-petition indebtedness in an aggregate amount mutually agreed to by the Borrower and the Lenders, and (iii) make

such other payments of pre-petition indebtedness as are approved by the Court and consented to by the Lenders;

- (d) Merge or consolidate with any other person or sell or otherwise dispose of assets outside the ordinary course of business except for (i) dispositions of assets in connection with the rejection or expiration of any real estate leases in a manner consistent with a maximization of the value of the assets of the Borrower (provided that all proceeds of such dispositions shall be applied to repayment of the borrowings hereunder), (ii) dispositions of equipment and store fixtures in an aggregate amount not to exceed \$2,000,000 during the term of the DIP Facility.
- (e) Create or permit to exist indebtedness for borrowed money other than pre-petition debt and debt contemplated by the Interim Order or the Final Order;
- (f) Fail to limit capital expenditures to the amounts set forth in the Budget;
- (g) Establish or acquire any subsidiary;
- (h) Fail to maintain for the periods set forth on Annex 3 hereto EBITDA (as defined in the Existing Loan Agreement) plus restructuring costs, including, without limitation, professional fees and expenses, financing fees, and non-ordinary course costs associated with four stores previously identified by Borrower and Agent, of at least the amounts set forth on Annex 3 hereto.
- (i) Fail to observe such other negative covenants, including a prohibition on “restricted payments” by the Borrower, as may be required by the Agent or the Lenders in their reasonable discretion, and which are customary in transactions of this nature; and
- (j) Fail to perform in accordance with the Budget in accordance with Section 2(b) of the Interim Order.

- (k) Fail to maintain inventory with a book value as of the last day of each week set forth on Annex 4 hereto of not less than the respective amounts set forth on Annex 4 hereto (“Minimum Inventory”).
- (l) Fail to maintain weekly sales as a percentage of Minimum Inventory as of the last day of each week set forth on Annex 4 hereto for the week then ending of not less than the respective percentages set forth on Annex 4 hereto for any period of two consecutive weeks.

Events of Default:

Upon the occurrence and continuance of any of the following Events of Default beyond the applicable grace period (if any) set forth below, the Agent or the Lenders may (but the same shall not be deemed to be by way of limitation) take all or any of the following actions without further order of or application to the Court (x) immediately in the case of clauses (i) and (ii) below and (y) upon 5 business days’ written (including facsimile) notice to Borrower and its counsel in the case of clauses (iii) and (iv) below (and each of the Interim Order and the Final Order shall provide for the lifting of the automatic stay with respect to any and all such actions):

- (i) Declare the principal of and accrued interest on the outstanding obligations to be immediately due and payable;
- (ii) Terminate, reduce or restrict any further commitment to extend credit to the Borrower;
- (iii) Set-off against outstanding obligations, amounts in the accounts maintained by or with any Lender or any agent or bailee thereof and otherwise exercise any and all rights and remedies with respect to the DIP Collateral; and
- (iv) Maintain cash collateral equal to 105% of all outstanding Letters of Credit.

Events of Default shall include (without limitation):

- (a) Failure by the Borrower to pay to the Agent or the Lenders principal when due, or failure for more than 2 days to pay interest or fees when due;

- (b) Breach by the Borrower of any of the negative covenants described above;
- (c) Breach by the Borrower of any other covenant or agreement contained herein or in any loan documentation, subject to grace periods for certain covenants to be negotiated by the Agent and the Borrower;
- (d) Any representation or warranty made by the Borrower shall prove to have been incorrect in any material respect when made;
- (e) Any lien or encumbrance shall exist on any DIP Collateral, other than the lien of the Agent, Permitted Liens and existing liens listed on the schedules to the Existing Loan Agreement (as defined in the Interim Order) (the “Existing Liens”);
- (f) (i) The Case shall be dismissed or converted to a chapter 7 case; a chapter 11 trustee shall be appointed in the Case or an examiner shall be appointed in the Case and given powers substantially similar to those of a trustee; any administrative claim (other than the Carve-Outs) or lien, other than Existing Liens, which is senior to or pari passu with the superpriority claim of the Agent and the Lenders shall be granted in the Case without the Agent’s consent; the Interim Order or the Final Order, as the case may be, shall be stayed, amended, modified, reversed or vacated without the Agent’s consent, except for modifications and amendments that are acceptable to the Agent; a plan shall be filed by the Borrower, which does not provide for termination of the Commitment and payment in full in cash of the Borrower’s obligations under the DIP Facility on the effective date of the plan; or an order shall be entered which dismisses the Case and which order does not provide for termination of the Commitment and payment in full in cash of all obligations of Borrower under the DIP Facility or (ii) the Borrower shall take any action, including the filing of an application, in support of any of the foregoing or any person other than the Borrower shall do so and the Borrower shall not duly and promptly contest such application in good faith;

- (g) The Court shall enter an order granting relief from the automatic stay to the holder of any security interest in any assets of the Borrower in excess of a de minimus amount to be agreed to by the Borrower and the Lenders;
- (h) The Interim Order shall not have been replaced by the Final Order by March 4, 2001 and all other conditions to the Permanent DIP Facility shall not have been satisfied by such date.

Costs and Expenses:

All Expenses (as hereinafter defined) of the Agent shall be payable by the Borrower on demand directly or at the option of the Agent through direct charges to the loan account (if one has been established) whether or not the transactions contemplated hereby are consummated. "Expenses" shall mean all amounts payable under clause (a) in the definition of affirmative covenants in this Term Sheet and the reasonable fees and expenses of the Agent and the Lenders in connection with the DIP Facility (including in connection with the preparation, negotiation and consummation, both pre-petition and post-petition, of the Commitment Letter, this Term Sheet, and the definitive DIP Facility Loan Documents, the administration and syndication of the DIP Facility and the protection and enforcement of the Agent's and Lenders' rights thereunder and all reasonable fees and expenses of third parties incurred by the Agent or the Lenders in connection therewith), including, without limitation, the reasonable fees and expenses of the Agent's and Lender's counsel incurred in connection with the DIP Facility (including allocated costs of in-house counsel to the Agent) (including in connection with the negotiation, preparation and execution of definitive documentation of the Interim DIP Facility and the Permanent DIP Facility (and any subsequent amendments or waivers)) and advice and preparation of documents in connection with the protection and enforcement of the Agent's and Lenders' rights under the DIP Facility, the fees and expenses of a third party inventory valuation consultant incurred in connection with the Agent's and Lender's due diligence investigation of the Borrower, audit and appraisal expenses, together with an allocated charge per auditor which is currently \$750 per day (or portion thereof) per auditor or the actual out-of-pocket costs paid to third-party auditors, search and filing fees, travel expenses (including those incurred in connection with periodic field audits by employees of the Agent), fees and expenses incurred by the Agent in connection with the

monitoring of the DIP Collateral, messenger and delivery expenses, and duplicating expenses, in each case, incurred by the Agent or any Lender in connection with the DIP Facility (including the protection and enforcement of the Agent's and Lenders' rights thereunder). The Borrower shall also pay on demand directly or at the option of the Agent through direct charges to the outstanding balance of the loan all costs and expenses incurred by the Agent or any Lender in connection with any litigation, contest, dispute, suit or proceeding relating to the commitment letter or the DIP Facility.

Documentation:

Satisfactory in form and substance to the Agent and the Lenders and customary in transactions of this nature.

Governing Law:

New York, except as governed by Bankruptcy Code.

Participations, etc.:

Each Lender may sell or assign all or any portion of its Commitment and/or loans with the prior consent of the Agent (not to be unreasonably withheld) after notice to the Borrower and the opportunity of the Borrower to consult with the Agent with respect to the prospective purchaser or assignee. Each Lender may grant participations in all or any of its loans and letter of credit exposure without the prior consent of the Borrower but with the prior consent of the Agent.

Voting:

All consents, amendments, modifications and waivers with respect to the DIP Facility shall be subject to the approval of the Lenders as provided in the Post-Petition Intercreditor Agreement.

Order Provisions:

As used herein, the term "Order Provisions" shall mean the following:

(i) a finding by the bankruptcy court that pursuant to Section 364(e) of the Bankruptcy Code, the Agent and Lenders are acting in good faith by extending the DIP Facility; (ii) a finding by the bankruptcy court that the DIP Facility constitutes an arm's length transaction between the Borrower and the Lenders and that the benefits of Section 364(e) of the Bankruptcy Code shall apply to the DIP Facility; (iii) an order granting the Agent a perfected first priority lien upon and security interest in the assets described in this letter consisting of Accounts, Inventory and general intangibles, documents, chattel paper and instruments related to Accounts and Inventory or arising

therefrom and Lien priorities and rights with respect to all other DIP Collateral as set forth in the Interim Order (including leasehold interests) and all other assets of Borrower (real, personal or mixed) and all proceeds thereof and approving the DIP Facility and the definitive documentation relating thereto; (iv) an order prohibiting other security interests and liens on the DIP Collateral, except as expressly permitted in this Term Sheet; (v) an order requiring the Borrower to pay the DIP Facility on maturity or upon the acceleration due to a default; (vi) an order containing a stipulation that the terms of such order may not be modified without notice to the Agent; and (vii) such other terms as the Agent or the Lenders may deem necessary or appropriate.

Defined Terms:

Capitalized terms used but not defined in this Term Sheet shall have the meaning assigned thereto in the commitment letter to which this Term Sheet is Exhibit A or in the Pre-Petition Loan Agreement.

ANNEX 1

Please see Interim Order (1) Authorizing Debtor to Obtain Secured Financing, (2) Granting Adequate Protection and (3) Granting Other Relief.

ANNEX 2

OVER-ADVANCE LIMIT

- (i) 70% of amounts on deposit with vendors who supply inventory or representing prepayments for inventory to be delivered plus
- (ii) *100% of cash on hand and cash in transit. Cash on hand is defined as cash held at Borrower's stores. Cash in transit is defined as cash deposited into bank accounts which will ultimately be wire transferred to the Agent plus
- (ii) an additional amount (the "Additional Over-Advance Amount") as specified below:

Week 1:	\$ 0
Week 2:	\$1,000,000
Week 3:	\$2,000,000
Week 4:	\$8,000,000
Weeks 5-6	\$10,000,000
Weeks 7-9:	\$13,500,000
Weeks 10-14:	\$13,000,000
Weeks 15-16:	\$10,750,000
Weeks 17-19:	\$14,000,000

In addition, should any additional locations not forecast to be closed, sold or liquidated actually be closed, sold, or liquidated, the gross proceeds advanced toward the purchase of the inventory less borrowing base availability on the inventory will reduce the Additional Over-Advance Amount.

- * Cash on hand and cash in transit shall be initially estimated at \$13,000,000. The Borrower will determine cash on hand and cash in transit on a monthly basis and report such amount in reasonable detail to the Agent, and such amount reflected in the Borrowing Base shall be adjusted accordingly.

ANNEX 3

Period		EBITDAR
4 Week Period Ended	03/24/01	(2,304)
8 Week Period Ended	04/21/01	(2,764)
12 Week Period Ended	05/19/01	(322)
16 Week Period Ended	06/16/01	3,010
20 Week Period Ended	07/14/01	7,112
24 Week Period Ended	08/11/01	10,600
28 Week Period Ended	09/08/01	13,855
32 Week Period Ended	10/06/01	17,183

ANNEX 4

	Week 1 Ending 2/10/2001	Week 2 Ending 2/17/2001	Week 3 Ending 2/24/2001	Week 4 Ending 3/3/2001	Week 5 Ending 3/10/2001	Week 6 Ending 3/17/2001	Week 7 Ending 3/24/2001	Week 8 Ending 3/31/2001	Week 9 Ending 4/7/2001	Week 10 Ending 4/14/2001	Week 11 Ending 4/21/2001	Week 12 Ending 4/28/2001	Week 13 Ending 5/5/2001	Week 14 Ending 05/12/01	Week 15 Ending 05/19/01	Week 16 Ending 05/26/01	Week 17 Ending 06/02/01	Week 18 Ending 06/09/01	Week 19 Ending 06/16/01
1 Minimum Inventory	50,000	54,000	59,000	68,000	75,000	73,750	74,250	74,500	74,600	75,000	75,000	76,250	76,250	77,500	77,500	77,750	77,750	77,750	77,000
2 Sales/Inventory Ratio				14.7%	14.0%	15.2%	15.1%	16.1%	17.6%	16.4%	16.2%	17.3%	17.7%	17.6%	18.1%	17.9%	17.4%	17.4%	17.6%

1. Minimum Inventory is the level the company is required to maintain for each reporting week

2. Failure to meet or exceed the target ratio (Covenant) for two consecutive weeks will cause default.

Exhibit B
to Financing Order
Budget

EXHIBIT B

	Week 1 Ending 2/10/2001	Week 2 Ending 2/17/2001	Week 3 Ending 2/24/2001	Week 4 Ending 3/3/2001	Week 5 Ending 3/10/2001	Week 6 Ending 3/17/2001	Week 7 Ending 3/24/2001	Week 8 Ending 3/31/2001	Week 9 Ending 4/7/2001	Week 10 Ending 4/14/2001	Week 11 Ending 4/21/2001	Week 12 Ending 4/28/2001	Week 13 Ending 5/5/2001	Week 14 Ending 5/12/01	Week 15 Ending 05/19/01	Week 16 Ending 05/26/01	Week 17 Ending 06/02/01	Week 18 Ending 06/09/01	Week 19 Ending 06/16/01
Total Controllable	2,752	5,141	3,588	7,688	3,253	6,228	3,606	6,485	4,774	4,797	3,876	3,050	6,344	2,952	5,284	3,081	6,542	2,981	4,991
Total Non-Controllable	883	2,598	2,419	2,840	4,680	2,663	2,603	5,406	1,892	4,635	1,942	3,183	3,115	5,584	1,161	3,255	3,036	5,762	2,410
Total Disbursements	3,635	7,739	6,007	10,528	7,933	8,891	6,209	11,892	6,667	9,432	5,818	6,233	9,459	8,536	6,444	6,336	9,578	8,743	7,401

Disbursements: