

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

In re:

FURR'S SUPERMARKETS, INC.,

Case No. 11-01-10779 SA
Chapter 11

Debtor.

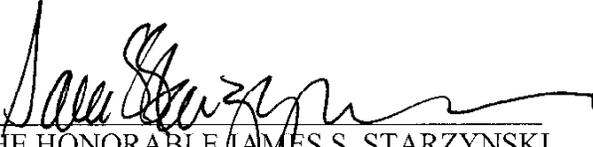
**ORDER APPROVING AMENDMENT TO AGREEMENT
FOR LEASE AND SALE OF LIQUOR LICENSE 461**

This matter came before the Court upon the submission of the Debtor, with the approvals of Heller Financial, Inc. ("Heller") (as agent for Fleet Capital Corporation, Bank of America N.A., Heller Financial, Inc. and Metropolitan Life Insurance Company); Metropolitan Life Insurance Company ("Met"), the United States Trustee ("UST") and the Unsecured Creditors Committee ("Committee"). On November 7, 2001, the Court entered an Order Approving Sale of Liquor Licenses and Equipment Free and Clear of Liens, and Establishing Procedures for the Sale of Liquor Licenses and Payment of Liquor Wholesalers and Certain Taxes (the "Liquor License Sale Order"). The Debtor represents: (a) the Court already approved the lease and sale of Liquor License 461 to Southwest Group LLC (as buyer) and TLH Supermarkets, Inc. (as lessee); (b) this order approves an amendment to such lease and sale that would grant a lien against the license to the buyer's lender, effective when the buyer has paid the entire purchase price and the Escrow Agent is authorized to

Committee, unless the modification changes terms protecting Liquor Wholesalers and TRD set forth in the specimen contract attached to the Liquor License Sale Order; and (d) the

attached Amendment and Security Agreement do not modify the terms protecting Liquor Wholesalers and TRD set forth in the specimen contract attached to the Liquor License Sale Order. The Court has determined that entry of this order without notice is appropriate. It is

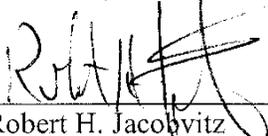
ORDERED that the Debtor is authorized to enter into the Amendment to Lease Purchase Agreement and the Security Agreement, in the forms attached hereto as Exhibit A, and to perform its obligations under such documents.



THE HONORABLE JAMES S. STARZYNSKI
UNITED STATES BANKRUPTCY JUDGE

Submitted and approved by:

JACOBVITZ, THUMA & WALKER, P.C.

By: 

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I hereby certify that a true and correct copy of the foregoing was either electronically transmitted, faxed, delivered or mailed to the listed counsel and parties on:

DEC 17 2007

Mary B. Anderson

and

MODRALL SPERLING ROFHL HARRIS & SISK, P.A.

By: Approved by e-mail

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Attorneys for the Official Committee of
Unsecured Creditors of Furr's Supermarkets, Inc.

BRENDA MOODY WHINERY
United States Trustee

By: Approved by e-mail

Ronald E. Andazola
P.O. Box 608
Albuquerque, New Mexico 87103
(505) 248-6544

AMENDMENT TO LEASE PURCHASE AGREEMENT

This Amendment to the Lease Purchase Agreement is made as of the 3rd day of December, 2001, by and between Furr's Supermarkets, Inc., a Delaware corporation ("Seller") Southwest Group, LLC, a New Mexico limited liability company ("Buyer") and TLH Supermarkets, Inc., a New Mexico corporation ("Lessee").

RECITALS:

(i) Seller, Buyer and Lessee have entered into a Lease Purchase Agreement dated November 5, 2001 (the "Agreement").

(ii) The Agreement provides that Buyer will purchase New Mexico Liquor License No. 461 (the "License") located at 206 Mills Avenue, Las Vegas, New Mexico (the "Premises") and thereafter timely apply to the Alcohol & Gaming Division Regulation & Licensing Department (the "AGD") for approval of the transfer of ownership of the License (the "Transfer").

(iii) The Agreement further provides that Seller will lease the License to Lessee for operation by Lessee at the Premises (the "Lease"). The Lease shall commence on the date of closing and shall continue until the transfer of the License is approved by the AGD.

(iv) The Agreement further provides that the Closing will occur on the date that; (1) the AGD approves the Transfer to Buyer or, (2) the date the AGD approves the Lease to Lessee, whichever date is sooner. The Closing is contemplated to be completed on the date the AGD approves the Lease.

(v) Subsequent to execution of the Agreement, Buyer applied for purchasing financing in the amount of \$150,000 (the "Financing") from First National Bank of Las Vegas (the "Bank"). While the Bank has committed to provide the Financing to Buyer at Closing, which will be transmitted directly by Bank to Escrow Agent, the Bank's commitment is (among other conditions) conditioned on the Bank obtaining a lien against the License (the "Bank Lien") effective at Closing.

(vi) Seller is willing to grant a lien against the License to Bank to facilitate the Closing. Since the lien does not become effective until the purchase price is paid into escrow, and the Escrow Agent has authority to disburse the sale proceeds, the granting of the lien does not adversely affect Seller. At the same time, it protects the Bank.

WHEREAS:

In consideration of the foregoing recitals and the mutual promises contained herein, the parties agree, as follows:

1. **Amount of Lien** The amount of Bank Lien shall be One Hundred Fifty

EXHIBIT

A

Thousand and No/100's (\$150,000.00) Dollars.

2. **Creation of Lien** The Bank Lien shall come into existence upon satisfaction of all of the following conditions, to wit:

a. Debtor depositing the entire purchase price with Escrow Agent (to be accomplished by (i) Bank funding the Financing to Buyer, which will be transmitted directly by Bank to Escrow Agent, and (iii) Buyer tendering to Escrow Agent via bank wire transfer of funds, the balance of the Purchase Price less the Earnest Money previously paid by Buyer to the Escrow Agent); and

b. Closing on the License pursuant to the terms of the Agreement as herein modified.

3. **Return of Escrowed funds**

In the event that Bank has tendered to the Escrow Agent \$150,000, but Buyer fails to tender to Escrow Agent the balance of the Purchase Price less the Earnest Money previously paid by Buyer to the Escrow Agent within five (5) days thereafter, Escrow Agent upon written instructions executed by Bank delivered before Escrow Agent has notice that Closing has occurred, shall disburse \$150,000 to Bank within three (3) days after the receipt of such

4. **Execution of Documents to Evidence Lien.** In order to evidence the Lien in favor of the Bank, the parties shall execute and deliver to the Bank a security agreement in the form attached hereto and made a part hereof as Exhibit "A".

5. **Amendment of Agreement.** The Agreement shall be amended consistent with the terms of this Amendment To Lease Purchase Agreement. Specifically, paragraph 5(a) (ii) is amended to state "and will deliver the License to Buyer at the Closing free and clear of all claimed liens, except a lien agreed among all parties hereto in favor of First National Bank of Las Vegas, New Mexico". All other references in this Agreement regarding Seller's obligation to deliver the License free and clear of claimed liens are amended in accordance with the above referenced language. Other than as set forth in this Amendment To Lease Purchase Agreement all other provisions of the Agreement shall remain in full force and effect.

6. **Bankruptcy Court Approval.** As Seller is the subject of a pending Bankruptcy case, this Amendment to Lease purchase is subject to Bankruptcy Court Approval as set forth in paragraph 19 of the Agreement.

7. **Amendments/Governing Law.** This Agreement may be amended only by written document signed by Seller, Buyer and Lessee, and approved by the Bankruptcy Court if such approval is required for the amendment to bind the Seller. This Agreement is governed by the laws of New Mexico, constitutes the entire agreement of the parties, and binds and benefits

the parties, their heirs, personal representatives, successors and assigns. In addition, any amendment to this Agreement must be approved by the Bankruptcy Court if such approval is required for the Amendment to bind the Seller.

SELLER:

FURR'S SUPERMARKETS, INC.

By: _____

Steve Mortensen

Its: President & COO

BUYER:

SOUTHWEST GROUP, LLC

By _____

Mark Ross

Its: Manager

LESSEE:

TLH SUPERMARKETS, INC.

By: _____

Troy L. Hinton

Its: President

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Security Agreement") is made and dated this _____ day of _____, 2001 by and between The First National Bank in Las Vegas, New Mexico, a national banking institution, ("Secured Party"), Furr's Supermarkets Inc. A New Mexico Corporation ("Owner") and Southwest Group LLC, a New Mexico Limited Liability Company ("Debtor").

RECITALS

- A. Secured Party has agreed to extend credit to Debtor. As a condition precedent to any such extension of credit, Secured Party has required Mark Ross and Andrew S. Gerber to guaranty all obligations of the Borrower to Secured Party on the terms and subject to the conditions set forth in the guarantee of such persons and the documents, instruments, and agreements executed by Debtor in connection therewith (as amended, extended, or replaced from time to time, the Credit Documents).

Capitalized terms not otherwise defined herein are used with the same meanings as in the Credit Documents.

- B. To induce Secured Party to extend such credit, Debtor has agreed to pledge and to grant to Secured Party a security interest in and lien upon certain property of Debtor described more particularly herein.
- C. To induce Secured Party to extend such credit, Owner has agreed to grant a security interest in a New Mexico liquor license #461 (Liquor License") to Secured Party, on the terms and conditions set forth in this Agreement. Owner, Debtor and TLH Supermarkets, Inc ("Lessee") have entered into an Agreement, as amended by an Amendment To Lease Purchase Agreement dated December 3, 2001 (the Amendment", under which Owner has agreed to transfer ownership of the Liquor License to Debtor, and to lease the Liquor License to Lessee pending such transfer of ownership. Such Lease Purchase Agreement, as amended by the Amendment, is hereafter called the "Lease Purchase Agreement."
- D. Upon completion of the transfer of the ownership of the Liquor License, Debtor will assure that Secured Party remains in a first lien position as to the Liquor License.

NOW, THEREFORE, in consideration of the above Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor hereby agrees as follows:

AGREEMENT

1. **Grant of Security Interest**

Debtor and Owner hereby pledge and grant to Secured Party a security interest in the property described in paragraph 2 (the "Collateral") to secure payment and performance

of the obligations described in paragraph 3 (collectively and severally, the Obligations). Such security interest shall be effective upon the last to occur of the following three conditions: (a) entry of an order (the "Order") in Owner's chapter 11 bankruptcy case pending in the United States Bankruptcy Court for the District of New Mexico, Case No. 11-01-10779SA, authorizing Owner to enter into the Amendment and this Security Agreement; (b) Debtor depositing the entire purchase price with Escrow Agent (as defined in the Lease Purchase Agreement), and (c) Escrow Agent has authority under the Lease Purchase Agreement to disburse the sale proceeds (together the "Conditions").

Owner hereby pledges and grants to Secured Party a security interest in the property described in paragraph 2

2. Collateral

The Collateral shall consist of the New Mexico liquor license #461.

3. Representations and Warranties of Owner

- a. *Bankruptcy Court approvals.* Upon satisfaction of the Conditions, the Owner will provide a first lien position as to the Liquor License, and further warrants that the Bankruptcy Court will have approved the granting to the Secured Party of a first lien on the Liquor License upon satisfaction of the Conditions. Owner warrants that upon entry of the Order it will have authority, and will have completed all proceedings and obtained all approvals and consents necessary, to execute, deliver, and perform this Security Agreement and the transactions contemplated hereby.
- b. *Cooperation in Transfer Process.* The Owner warrants that it will cooperate in any way necessary in the process of the transfer of the Liquor License from its ownership to that of Debtor.
- c. *Priority.* Upon satisfaction of the Conditions, except for security interests in favor of Secured Party, no person will have any right, title, claim, or interest (by way of security interest or other lien or charge) in, against or to the Collateral.
- d. *Ownership of Collateral.* Debtor and Owner are the sole owners of and have good and marketable title to the Collateral.
- e. *Enforceability.* Upon entry of the Order, this Security Agreement will constitute a legal, valid, and binding obligation of Owner, enforceable in accordance with its terms (except as enforceability may be affected by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditor's rights), and upon satisfaction of the Conditions, this Security Agreement grants to Secured Party a valid, first-priority and enforceable lien on the Collateral. No warranty is made concerning the perfection of the lien.

4. Representations and Warranties of Debtor

In addition to any representations and warranties of Debtor set forth in the Credit Documents, which are incorporated herein by this reference, Debtor hereby represents and warrants that:

- a. *Authority.* It has authority, and has completed all proceedings and obtained all approvals and consents necessary, to execute, deliver, and perform this Security Agreement and the transactions contemplated hereby.
- b. *No Default or Lien.* Such execution, delivery, and performance will not contravene, or constitute a default under or result in a lien upon any property of Debtor pursuant to any applicable law or regulation or any contract, agreement, judgment, order, decree, or other instrument binding upon or affecting Debtor.
- c. *Enforceability.* This Security Agreement constitutes a legal, valid, and binding obligation of Debtor, enforceable in accordance with its terms (except as enforceability may be affected by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditor's rights), and this Security Agreement grants to Secured Party a valid, first-priority perfected and enforceable lien on the Collateral.
- d. *No Litigation.* There is no action, suit or proceeding pending or, to the best knowledge of Debtor after reasonable investigation, threatened against Debtor that might adversely affect its property or financial condition in any material respect.
- e. *Ownership of Collateral.* Debtor and Owner are the sole owners of and has good and marketable title to the Collateral.
- f. *Priority.* Except for security interests in favor of Secured Party, no person has (or, in the case of after-acquired Collateral, at the time Debtor acquires rights therein, will have) any right, title, claim, or interest (by way of security interest or other lien or charge) in, against or to the Collateral.
- g. *Accuracy of Information.* All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Debtor with respect to the Collateral is true and correct.
- h. *Delivery of Documents, Etc.* Debtor has delivered to Secured Party all instruments, documents, chattel paper, and other items of Collateral in which a security interest is or may be perfected by possession.

5. Covenants and Agreements of Debtor

In addition to all covenants and agreements of Debtor set forth in the Credit Documents, which are incorporated herein by this reference, Debtor hereby agrees:

In addition to any representations and warranties of Debtor set forth in the Credit Documents, which are incorporated herein by this reference, Debtor hereby represents and warrants that:

- a. *Authority.* It has authority, and has completed all proceedings and obtained all approvals and consents necessary to execute, deliver, and perform this Security
- b. *NO Default or Lien.* Such execution, delivery, and performance will not contravene, or constitute a default under or result in a lien upon any property of Debtor pursuant to any applicable law or regulation or any contract, agreement, judgment, order, decree, or other instrument binding upon or affecting Debtor.
- c. *Enforceability.* This Security Agreement constitutes a legal, valid, and binding obligation of Debtor, enforceable in accordance with its terms (except as enforceability may be affected by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditor's rights), and this Security Agreement grants to Secured Party a valid, first-priority perfected and enforceable lien on the Collateral.
- d. *No Litigation.* There is no action, suit or proceeding pending or, to the best knowledge of Debtor after reasonable investigation, threatened against Debtor that might adversely affect its property or financial condition in any material respect.
- e. *Ownership of Collateral.* Debtor and Owner are the sole owners of and has good and marketable title to the Collateral.
- f. *Priority.* Except for security interests in favor of Secured Party, no person has (or, in the case of after-acquired Collateral, at the time Debtor acquires rights therein, will have) any right, title, claim, or interest (by way of security interest or other lien or charge) in, against or to the Collateral.
- g. *Accuracy of Information.* All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Debtor with respect to the Collateral is true and correct.
- h. *Delivery of Documents, Etc.* Debtor has delivered to Secured Party all instruments, documents, chattel paper, and other items of Collateral in which a security interest is or may be perfected by possession.

5. **Covenants and Agreements of Debtor**

In addition to all covenants and agreements of Debtor set forth in the Credit Documents, which are incorporated herein by this reference, Debtor hereby agrees:

- a. *Preservation of Collateral.* To do all acts that may be necessary to maintain, preserve, and protect the Collateral.
- b. *Use of Collateral.* Not to use or permit any Collateral to be used unlawfully or in violation of any provision of this Security Agreement, any other agreement with Secured Party related hereto or any applicable statute, regulation, or ordinance or any policy of insurance covering the Collateral.
- c. *Payment of Taxes, etc.* To pay promptly when due all taxes, assessments, charges, encumbrances and liens now or hereafter imposed upon or affecting any Collateral.
- d. *Defense of Litigation.* To appear in and defend any action or proceeding that may affect its title to or Secured Party's interest in the Collateral.
- e. *Possession of Collateral.* Not to surrender or lose possession of (other than to Secured Party), sell, encumber, lease, rent, or otherwise dispose of or transfer any Collateral or right or interest therein except as hereinafter provided, and to keep the Collateral free of all levies and security interests or other liens or charges except those approved in writing by Secured Party; provided that, unless an Event of Default shall occur, Debtor may, in the ordinary course of business, sell or lease any Collateral consisting of inventory.
- f. *Compliance with Law.* To comply with all laws, regulations, and ordinances relating to the possession, operation, maintenance, and control of the Collateral.
- g. *Standard of Care by Secured Party.* That such care as Secured Party gives to the safekeeping of its own property of like kind shall constitute reasonable care of the Collateral when in Secured Party's possession.
- h. *Maintenance of Records.* To keep separate, accurate, and complete records of the Collateral and to provide Secured Party with such records and such other reports and information relating to the Collateral as Secured Party may request from time to time.
- i. *Further Assurances.* To procure, execute, and deliver from time to time any indorsements, notifications, registrations, assignments, financing statements, certificates of title, ship mortgages, aircraft mortgages, copyright mortgages, assignments or mortgages of patents, mortgages of mask works, mortgages for filing pursuant to the Interstate Commerce Act, and other writings deemed necessary or appropriate by Secured Party to perfect, maintain, and protect its security interest in the Collateral hereunder and the priority thereof; and to take such other actions as Secured Party may request to protect the value of the Collateral and of Secured Party's security interest in the Collateral, including, without limitation, provision of assurances from third parties regarding Secured Party's access to, right to foreclose on or sell, Collateral and right to realize the

practical benefits of such foreclosure or sale.

- j. *Payment of Secured Party's Costs and Expenses.* To reimburse Secured Party upon demand for any costs and expenses, including, without limitation, attorney fees and disbursements, Secured Party may incur while exercising any right, power, or remedy provided by this Security Agreement or by law, all of which costs and expenses are included in the Obligations.
- k. *Notice of Changes.* To give Secured Party thirty (30) days prior written notice of any change in Debtor's residence or chief place of business or legal name or trade name(s) or style(s) set forth in the penultimate paragraph of this Security Agreement.
- l. *Location of Records.* To keep the records concerning the collateral at the location(s) set forth in the penultimate paragraph of this Security Agreement and not to remove such records from such location(s) without the prior written consent of the Secured Party.

6. Authorized Action by Secured Party

Debtor hereby agrees that from time to time, without presentment, notice or demand, and without affecting or impairing in any way the rights of Secured Party with respect to the Collateral, the obligations of the Debtor hereunder or the Obligations, Secured Party may, but shall not be obligated to and shall incur no liability to Debtor or any third party for failure to take any action which Debtor is obligated by this Security Agreement to do and to exercise such rights and powers as Debtor might exercise with respect to the Collateral, and Debtor hereby irrevocably appoints Secured Party as its attorney-in-fact to exercise such rights and powers, including without limitation, to (a) collect by legal proceedings or otherwise and indorse, receive and receipt for all dividends, interest, payments, proceeds, and other sums and property now or hereafter payable on or on account of the Collateral; (b) enter into any extension, reorganization, deposit, merger, consolidation, or other agreement pertaining to, or deposit, surrender, accept, hold, or apply other property in exchange for the Collateral; (c) insure, process, and preserve the Collateral; (d) transfer the Collateral to its own or its nominee's name; (e) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral; and (f) notify any Account Debtor on any Collateral to make payment directly to Secured Party.

7. Default

A default under this Security Agreement shall be deemed to exist upon the occurrence of any of the following (an Event of Default):

- a. *Default in Payment.* Any of the Obligations shall not be paid when due.
- b. *Debtor's Bankruptcy.* Either a court shall enter a decree or order for relief in respect of Debtor in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a

receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Debtor or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days or Debtor shall commence a voluntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in any voluntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of Debtor or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any action in furtherance of the foregoing.

- e. *Misrepresentation by Debtor or Owner.* Any representation or warranty by Debtor or Owner hereunder, under any Credit Document or otherwise made by Debtor or Owner in connection with the Obligations shall be inaccurate or incomplete in any material respect.
- f. *Default Under Guaranties.* Failure of any guarantor of the Obligations to observe or perform any term or provision of its guaranty or any such guarantor shall attempt to revoke or rescind its guaranty, with respect to future transactions or otherwise.

8. Remedies

Upon the occurrence of any such Event of Default, Secured Party may, at its option, and without notice to or demand on Debtor and, except as provided in paragraph 9, in addition to all rights and remedies available to Secured Party under the Credit Documents, at law, in equity, or otherwise, do any one or more of the following:

- a. *General Enforcement.* Foreclose or otherwise enforce Secured Party's security interest in any manner permitted by law, or provided for in this Security Agreement, but only after satisfaction of the Conditions.
- b. *Sale, etc.* After satisfaction of the Conditions, sell, lease, or otherwise dispose of any Collateral at one or more public or private sales at Secured Party's place of business or any other place or places, including, without limitation, any broker's board or securities exchange, whether or not such Collateral is present at the place of sale, for cash or credit or future delivery, on such terms and in such manner as Secured Party may determine.
- c. *Costs of Remedies.* Recover from Debtor all costs and expenses, including, without limitation, reasonable attorney fees, incurred or paid by Secured Party in exercising any right, power, or remedy provided by this Security Agreement.
- d. *Take Possession of Collateral.* After satisfaction of the Conditions, enter onto property where any Collateral is located and take possession thereof with or

without judicial process.

- e. *Manner of Sale of Collateral.* Debtor shall be given five (5) business days prior notice of the time and place of any public sale or of the time after which any private sale or other intended disposition of the Collateral is to be made, which notice Debtor hereby agrees shall be deemed reasonable notice thereof.
- j. *Delivery to and Rights of Purchaser.* Upon any sale or other disposition pursuant to this Security Agreement, Secured Party shall have the right to deliver, assign, and transfer to the purchaser thereof the Collateral or portion thereof so sold or disposed of. Each purchaser at any such sale or other disposition (including Secured Party) shall hold the Collateral free from any claim or right of whatever kind, including any equity or right of redemption of Debtor and Debtor specifically waives (to the extent permitted by law) all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted.

9. Cumulative Rights

The rights, powers, and remedies of Secured Party under this Security Agreement as to Owner shall be Secured Party's sole remedies. Otherwise, the rights, powers, and remedies of Secured Party under this Security Agreement shall be in addition to all rights, powers, and remedies given to Secured Party by virtue of any statute or rule of law, the Credit Documents or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Secured Party's security interest in the Collateral.

10. Waiver

Any waiver, forbearance or failure or delay by Secured Party in exercising any right, power, or remedy shall not preclude the further exercise thereof, and every right, power, or remedy of Secured Party shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by Secured Party. Debtor waives any right to require Secured Party to proceed against any person or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

11. Setoff

Debtor agrees that Secured Party may exercise its rights of setoff with respect to the

12. Binding Upon Successors

All rights of Secured Party under this Security Agreement shall inure to the benefit of its successors and assigns, and all obligations of Debtor shall bind its heirs, executors, administrators, successors, and assigns.

13. Entire Agreement; Severability

This Security Agreement contains the entire security agreement between Secured Party and Debtor. If any of the provisions of this Security Agreement shall be held invalid or

unenforceable, this Security Agreement shall be construed as if not containing those provisions and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

14. References

The singular includes the plural. If more than one executes this Security Agreement, the term Debtor shall be deemed to infer to each of the undersigned Debtors as well as to all of them, and their obligations and agreements hereunder shall be joint and several. If any of the undersigned is a married person, recourse may be had against his or her separate property for the Obligation.

15. Choice of Law

This Security Agreement shall be construed in accordance with and governed by the laws of New Mexico, without giving effect to choice of law rules, and, where applicable and except as otherwise defined herein, terms used herein shall have the meanings given them in the Uniform Commercial Code of such state.

16. Amendment

This Security Agreement may not be amended or modified except by a writing signed by each of the parties hereto.

17. Collateral Location Records

Debtor represents that its chief place of business is set forth below its signature hereto; and that, except as otherwise disclosed to Secured Party in writing prior to the date hereof, the Collateral and Debtor's records concerning the Collateral are located at its chief place of business.

18. Addresses for Notices

All demands, notices, and other communications to Debtor or Secured Party provided for hereunder shall be in writing or by telephone, promptly confirmed in writing, mailed, delivered, or sent by telefacsimile, addressed or sent to it to the address or telefacsimile number, as the case may be, of Debtor or Secured Party set forth beneath such party's signature below, or to such other address as shall be designated by a party in a written notice to the other party. All such demands, notices, and other communications shall, when mailed or sent by telefacsimile, be effective when deposited in the mails, delivered or so sent, as the case may be, addressed as aforesaid.

EXECUTED this _____ day of _____, 2001.

DEBTOR:
SOUTHWEST GROUP LLC

By: _____

Its: _____

