

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

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U.S. BANKRUPTCY COURT
ALBUQUERQUE, NM

In Re:

FURR'S SUPERMARKETS, INC.,

Chapter 11
Case Nos. 01-10779-SA

Debtor.

Hearing Date: March 2, 2001, 9:00a.m.

**OBJECTION OF OFFICIAL UNSECURED CREDITORS' COMMITTEE
TO ENTRY OF FINAL ORDER (1) AUTHORIZING DEBTOR TO INCUR POST-PETITION
SECURED INDEBTEDNESS, (2) GRANTING SECURITY INTERESTS,
(3) MODIFYING THE AUTOMATIC STAY AND (4) GRANTING OTHER RELIEF**

PEPPER HAMILTON LLP, on behalf of the Official Unsecured Creditors' Committee (the "Committee"), and in support of its Objection (the "Objection") to the Entry of Final Order (1) *Authorizing Debtor to Incur Post-Petition Secured Indebtedness*, (2) *Granting Security Interests*, (3) *Modifying the Automatic Stay* and (4) *Granting Other Relief*, (the "Final DIP Order"), respectfully states as follows:

INTRODUCTORY STATEMENT

1. On February 8, 2001, the Debtor filed a voluntary petition under Chapter 11 of the Bankruptcy Code (the "Code").
2. Concurrent with the filing of its petition for relief, the Debtor filed its Motion for Interim and Final Order (1) *Authorizing Debtor to Incur Post-Petition Secured Indebtedness*, (2) *Granting Security Interests*, (3) *Modifying the Automatic Stay* and (4) *Granting Other Relief* (the "Interim Motion").

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3. On February 9, 2001, the Court entered an interim order (the "Interim Order") granting the Interim Motion and setting March 2, 2001 as the date for the Court's consideration of the Final DIP Order.

4. On or about February 13, 2001, the United States Trustee appointed the Committee under Section 1102 of the Code.

5. The Committee, Pepper Hamilton, its legal counsel, and Deloitte Consulting, its accountants, have conducted an analysis of the Debtor's post-petition financing proposal based on pleadings filed with this Court and additional information provided to the Committee and its professionals.

6. The Committee and its professionals are continuing to work with the Debtor, the Senior Lenders and their professionals in an effort to resolve the Objections stated herein, however, given the deadline within which to object, the Committee finds it necessary to file the within Objection in order to preserve and protect its rights with regard to these matters.

**A. DOCUMENTATION PROVIDED
IS INSUFFICIENT**

7. To date, the Committee and its professionals have not received copies of the final loan documents, including the underlying credit agreement(s), security agreements and related documentation (the "Final DIP Loan Documents"). Committee counsel has been informed that negotiations are ongoing with respect to the Final DIP Loan Documents and will be provided to counsel when negotiations are concluded.

8. Without the ability to review the Final DIP Loan Documents, the Committee is unable to determine whether, in fact, the terms and conditions of the Final DIP Order will be consistent with the description as set forth in the term sheet and related information which has thus far been provided to the Committee professionals. Therefore, the Committee reserves any objections it may have

to the Final DIP Order pending a final review and analysis of all relevant DIP Loan Documents to insure that there is no inconsistency or ambiguity with regard to the Final DIP Order.

B. THE 45 DAY PERIOD TO INVESTIGATE

9. Paragraph 20 of the Interim Order states that the Committee shall have forty-five (45) days from the date it is appointed within which to investigate, file and serve upon counsel for the DIP Lenders' any complaints and/or objections with regard to the validity, extent, priority, avoidability or enforceability of the pre-petition liens and indebtedness.

10. No justification exists for such an abridged and accelerated timetable proposed by the Debtor, a timetable which greatly restricts the Committee's ability to perform the level of analysis which is both necessary and appropriate given the complexity of the case and the extent of the pre-petition liens and indebtedness. As such, the Committee objects to the Entry of the Final Order.

11. The Committee requests that it be granted a minimum of seventy (70) days from the date all documents are delivered to Committee professionals to enable the Committee to complete its due diligence and file any objections or take any other action it deems necessary with regard to the validity, extent, priority, avoidability or enforceability of the pre-petition liens and indebtedness.

C. THE INVESTMENT BANK REPORT AND PRESENTATION TO THE LENDERS SHOULD ALSO BE SHARED WITH THE COMMITTEE

12. Paragraph 24(b) of the Interim Order provides that the Debtor shall retain an investment bank (the "Investment Bank") for the purposes of exploring "strategic alternatives."

Lenders addressing strategic alternatives, including a stand alone plan of reorganization (with or without additional investors) as well as a potential sale.

14. The Committee objects to the provisions contained in ¶24(b) of the Interim Order and any subsequent Final DIP Order to the extent they do not include participation and sharing with the Committee any presentation, information, recommendations or reports made by the Investment Bank. The Committee requests simultaneous and full access to any reports and/or presentations being made by the Investment Bank in order for it to fulfill its statutory duties as set forth in 11 U.S.C. 1103.

D. THE COMMITTEE RESERVES ITS RIGHTS TO OBJECT TO THE DIP FEES

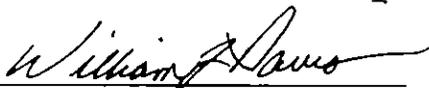
15. The Committee is concerned that the closing and other fees being charged by the DIP Lenders may be excessive. As such, the Committee reserves its right to object to the Final DIP Order pending the receipt and analysis by the Committee and its professionals of additional information with regard to the fees being charged.

16. No trustee or examiner has been appointed to date in these cases. Copies of this Objection have been served on all parties pursuant to applicable local rules and in the manner prescribed in the Interim Financing Order.

17. The Committee submits that this Objection does not present novel issues of law requiring the citation to any authority and, accordingly, no brief is necessary.

WHEREFORE, the Committee respectfully requests that the Court (i) deny the entry of the Final DIP Order as presented by the Debtor and (ii) grant such other and further relief as this Court deems just and proper.

RESPECTFULLY SUBMITTED,
DAVIS & PIERCE, P.C.

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Dated: February 27, 2001

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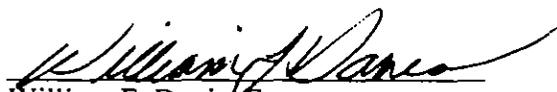
I certify that on February 27, 2001, I mailed a copy of this document to:

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