

IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

In re:	:	Chapter 11
FURRS SUPERMARKETS, INC.,	:	Case No. 01-11-10779-SA
Debtor.	:	

**STIPULATED ORDER GRANTING REPLACEMENT LIEN TO
PINNACLE LOGISTICS, INC. AND COUNTRYWIDE LOGISTICS, INC.**

This Stipulation made by and between Furr's Supermarkets, Inc., the debtor in possession ("Furrs" or the "Debtor"), Pinnacle Logistics, Inc. ("Pinnacle"), Countrywide Logistics, Inc. ("Countrywide") and Heller Financial, Inc. ("Heller"), is made with respect to the following facts:

1. Furr's is a regional supermarket chain with operations in New Mexico and Western Texas. On or about February 8, 2001 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") with this Court.
2. Pinnacle claims it operates warehouse and distribution centers and provides related operational services to its clients. On or about September 23, 1998, Pinnacle claims it and Furr's entered into a Warehousing and Distribution Agreement (the "Warehousing Agreement"), whereby Furr's agreed to retain Pinnacle to provide Furr's with certain warehousing and related services at a warehouse facility located in El Paso, Texas (the "El Paso Warehouse").

3. Countrywide claims it is a common carrier and trucking firm providing transportation of goods and related services to its clients. On or about March 26, 1999, Countrywide claims it and Furr's entered into a Transportation Services Agreement (the "Transportation Agreement") whereby Furr's agreed to retain Countrywide to provide Furr's with certain transportation and related services.

4. As of the Petition Date, Pinnacle claims it was owed approximately \$2.1 million by the Debtor for warehousing and related services provided pursuant to the Warehousing Agreement prior to the Petition Date.

5. As of the Petition Date, Countrywide claims it was owed approximately \$2.4 million by the Debtor for transportation and related services provided pursuant to the Transportation Agreement prior to the Petition Date.

6. As of the Petition Date, Pinnacle claims the Debtor had inventory valued, at cost, at approximately \$9.0 million stored in the El Paso Warehouse. Pinnacle, as the claimed warehouseman for the El Paso Warehouse, asserts a first priority Warehouseman's Lien pursuant to Texas Business and Commerce Code Section 7.209 against such inventory for all unpaid pre-petition and post-petition amounts due from the Debtor for the claimed warehousing and related services arising from the Warehousing Agreement.

7. As of the Petition Date, Countrywide claims the Debtor had inventory valued at approximately \$700,000 in containers being transported by Countrywide to various stores owned

first priority Carrier's Lien pursuant to Section 7-307 of the Uniform Commercial Code, as adopted by Texas in Tex. Bus. & Comm. Code. Ann. 7.307 and as adopted by New Mexico in

NM Stat. Ann. 55-7-307, for all unpaid pre-petition and post-petition amounts due from the Debtor for transportation and related services arising from the Transportation Agreement.

8. The Debtor has disputed the validity of Pinnacle and Countrywide's respective liens, however, the validity of the respective liens has not been adjudicated.

9. On or about February 23, 2001, shortly after these proceedings were commenced, Pinnacle, Countrywide, the Debtor and Heller Financial, Inc., as agent for Furr's prepetition senior lenders (the "Prepetition Senior Lenders") and for a group of lenders that have made certain loans and advances to Furr's as a debtor-in-possession (the "DIP Lenders"), agreed to and submitted an Order on Emergency Motion of Furr's Supermarkets, Inc. to Grant Replacement Lien to Pinnacle Logistics, Inc. and Countrywide Logistics, Inc. and for Other Relief (the "Replacement Lien Order"). This Court signed and entered the Replacement Lien Order on March 2, 2001, effective as of February 9, 2001. The Prepetition Senior Lenders and DIP Lenders assert that their liens are senior to some or all of Pinnacle and Countrywide's claimed pre and post-petition liens.

10. Pursuant to the Replacement Lien Order and the contracts, Pinnacle and Countrywide have continued to perform and render services to the Debtor post-petition under the terms of the Warehousing Agreement and the Transportation Agreement. The Debtor has continued to pay Pinnacle and Countrywide for post-petition services except for amounts relating to certain disputed items not related to the issues addressed by this Stipulation.

11. The amount and nature of the inventory in the El Paso Warehouse or being transported by Countrywide has fluctuated and will likely continue to fluctuate throughout the course of this case as the Debtor modifies its business plan and manages its cash flow.

12. The parties desire to avoid litigation over the adequacy of the collateral that secures the claimed pre and post-petition warehouseman's and carrier's liens, to the extent valid.

13. Pinnacle and Countrywide filed their Motion for Relief from the Automatic Stay on May 18, 2001 (the "Stay Relief Motion"). Thereafter, on June 4, 2001, Pinnacle and Countrywide filed their Emergency Motion for an expedited final hearing on the Stay Relief Motion.

14. On June 4, 2001, the Debtor filed its objection to the Stay Relief Motion.

15. On June 5, 2001, the Official Committee of Unsecured Creditors appointed in the Debtor's case filed its objection to the Stay Relief Motion.

16. On June 8, 2001, Heller filed its objection to the Stay Relief Motion.

17. All parties who objected to the Stay Relief Motion have agreed hereto.

18. In consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties stipulate and agree to the provision contained herein.

IT IS THEREFORE ORDERED THAT:

1. Pinnacle Replacement Lien. Pinnacle is hereby granted a replacement warehouseman's lien, effective as of the Petition Date, on all of Furr's inventory, wherever located, (the "Pinnacle Replacement Lien") including goods shipped after the Petition Date to the El Paso Warehouse, and/or any of its stores, supermarkets, wholesale or retail operations, to the same extent, validity, and priority of any warehouseman's lien Pinnacle may have enjoyed as of the Petition Date under applicable law, and shall secure any amounts owed by Furr's to Pinnacle as of the Petition Date. The Pinnacle Replacement Lien shall be subject to the same defenses and

avoidance powers (if any) as existed on the Petition Date, and shall be limited to the value of Furr's goods that were subject to Pinnacle's claimed lien as of the Petition Date. The Pinnacle Replacement Lien shall only secure Furr's pre-petition obligations to Pinnacle, and shall not secure Furr's pre-petition obligations to Countrywide or any other affiliate of Pinnacle. In addition, to the extent provided by applicable non-bankruptcy law (other than as to possession), Pinnacle shall have a first priority post-petition warehouseman's lien on all of Furr's inventory, wherever located, to secure all of Furr's, post-petition obligations to Pinnacle, subject to any defenses that Furr's may have to Pinnacle's ability to assert a warehousing lien, and/or the extent and priority of such lien.

2. Countrywide Replacement Lien. Countrywide is hereby granted a replacement carrier's lien, effective as of the Petition Date, on all of Furr's inventory, wherever located, (the "Countrywide Replacement Lien") to the same extent, validity and priority of any carrier's lien Countrywide may have enjoyed as of the Petition Date under applicable law, and shall secure any amounts owed by Furr's to Countrywide as of the Petition Date. The Countrywide Replacement Lien shall be subject to the same defenses and avoidance powers (if any), as existed on the Petition Date, and shall be limited to the value of Furr's goods that were subject to Countrywide's claimed lien as of the Petition Date. The Countrywide Replacement Lien shall only secure Furr's pre-petition obligations to Countrywide, and shall not secure Furr's pre-petition obligations to Pinnacle or any other affiliate of Countrywide. In addition, to the extent provided by applicable non-bankruptcy law, (other than as to possession), Countrywide shall have a first priority post-petition carrier's lien on all of Furr's inventory, wherever located, to secure all of Furr's post-petition obligations to Countrywide, subject to any defenses that

Furr's may have to Countrywide's ability to assert a carrier lien, and/or the extend and priority of such lien.

3. Further Relief. Except as otherwise provided by the contracts, and provided that neither Furr's nor Pinnacle or Countrywide (as the case may be) is in default of any post-petition obligation under their respective contracts, Furr's, Pinnacle and Countrywide must continue to perform their respective obligations under the contracts, unless otherwise ordered by the Court.

4. Effect of this Order. This Order does not determine any competing claims to priority in Debtor's inventory.

5. Priority Claim. To the extent that the Replacement Liens are inadequate to protect the valid pre-petition secured claim of Pinnacle and Countrywide, Pinnacle and/or Countrywide shall have an administrative expense claim of the kind specified in Section 507(b) of the Bankruptcy Code.

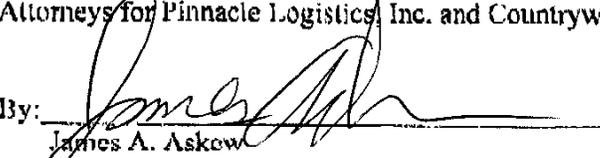
6. Effective Time of the Order. This Order shall be effective as of the 4:00 p.m. MST _____, 2001 (the "Effective Time").



THE HONORABLE JAMES S. STARZYNSKI
UNITED STATES BANKRUPTCY JUDGE

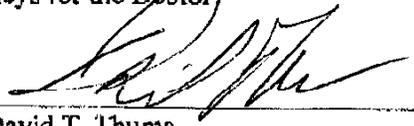
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I hereby certify that a true and correct copy
of the foregoing was either electronically
transmitted, faxed, delivered or mailed to
the listed counsel and parties on:

JUN 27 2001

Mary B. Anderson