

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:)
BRUNO'S SUPERMARKETS, LLC,)
) **Chapter 11**
Debtor.) **Case No. 09-00634**
)

DEBTOR'S MOTION FOR INTERIM AND FINAL ORDERS (I) AUTHORIZING DEBTOR (A) TO OBTAIN POST-PETITION FINANCING PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 364(C)(1), 364(C)(2), 364(C)(3), 364(D)(1) AND 364(E) AND (B) TO UTILIZE CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363, (II) GRANTING ADEQUATE PROTECTION TO PRE-PETITION SECURED PARTIES PURSUANT TO 11 U.S.C. §§ 361, 362, 363 AND 364 AND (III) SCHEDULING FINAL HEARING PURSUANT TO BANKRUPTCY RULES 4001(B) AND (C)

COMES NOW, Bruno's Supermarkets, LLC, as debtor and debtor in possession ("Bruno's" and/or the "Debtor"), pursuant to §§ 105, 361, 362, 363(c), 364(c)(1)-(3) and 364(d) of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code"), and Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and moves this Court (this "Motion") to enter an interim order (the "Interim Order") and a final order (the "Final Order") approving and authorizing Debtor to obtain post-petition financing, use cash collateral, grant adequate protection to pre-petition secured parties, and schedule final hearings as necessary. In support of this Motion, Debtor relies on the *Affidavit of James Grady in Support of Chapter 11 Petition and First Day Order*, filed contemporaneously herewith, and states as follows:

JURISDICTION AND VENUE

1. On the date hereof (the "Petition Date"), Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the Clerk of this Court. Debtor continues to

operate its business and manage its properties as debtor in possession pursuant to §§ 1107 and 1108.

2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of Debtor's chapter 11 case and this Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for the relief requested herein is Bankruptcy Code §§ 105, 361, 362, 363(c), 364(c)(1)-(3) and 364(d), in addition to Bankruptcy Rules 2002, 4001 and 9014.

BACKGROUND

Company Background and Industry

3. Bruno's is a privately held company headquartered in Birmingham, Alabama that owns and operates three grocery store chains: Bruno's, Food World, and FoodMax. Combined, Bruno's has a total of 66 locations in Alabama and the Florida panhandle. There are a total of 2 FoodMax locations. Food World has 41 locations with approximately 34 stores in Alabama and 7 stores in Florida. Bruno's has a total of 23 locations with 21 stores in Alabama and 2 stores in Florida. Bruno's employs a total of approximately 4,200 employees, approximately 40% of which are full time employees and approximately 60% of which are part time employees. Bruno's has a total of 2,600 union employees and 1,600 non-union employees. Bruno's is a party to certain collective bargaining agreements with the United Food & Commercial Workers Local #1657 (collectively, the "CBA"), and the majority of Bruno's employees are covered by the CBA.

4. Bruno's was founded in 1933 by Joe Bruno with the opening of an 800 square foot corner grocery store in Birmingham, Alabama. By 1959, Bruno's had grown to be a chain of 10 grocery stores. In 1972, Bruno's launched Food World, which was designed as a chain of

discount grocery stores. By the early 1990s, Bruno's was one of the Top 40 grocery store chains in the country as measured by sales volume. In 1995, after a prolonged period of stagnant sales and earnings, Bruno's was acquired by Kohlberg Kravis Roberts & Co in a leveraged buyout. Due to the significant debt incurred by Bruno's through the leveraged buyout and substantial losses in 1996 and 1997, Bruno's filed for bankruptcy under chapter 11 of the Bankruptcy Code in early 1998. At the time of Bruno's emergence from bankruptcy in 2000, Bruno's operated approximately 152 stores in Alabama, Georgia, Florida and Mississippi. Bruno's was acquired, in 2001, by Ahold USA, Inc., the U.S. subsidiary of Royal Ahold, an international supermarket conglomerate. In 2005, Bruno's was sold to Lone Star Fund V (U.S.), L.P. ("Lone Star Five"), one of the funds held by the private equity firm Lone Star Funds. Following the sale to Lone Star Five, Bruno's sold approximately 100 of its stores to C & S Wholesale Grocers.

Debt Structure

5. Bruno's has a revolving line of credit (the "Revolver") with Regions Bank "Regions" and/or "Pre-Petition Lender". The current amount outstanding under the Revolver is approximately \$10.8 million. The Revolver is secured by the majority of Bruno's assets. Bruno's owes approximately \$22.5 million in accounts payable to trade and other creditors. There is also approximately \$6.8 million owed to various state and local taxing authorities. Bruno's also owes an affiliated company, Bi-Lo, LLC ("Bi-Lo"), approximately \$3.5 million.

6. The vast majority of Bruno's grocery stores are located on leased property. Bruno's does, however, own the real property on which five of its stores are located.

Events Leading to Bankruptcy

7. Debtor's bankruptcy filing has been precipitated by a variety of factors that have led to a deterioration in Bruno's business and a lack of liquidity. Over the past 18 months, the country has seen a significant decline in the economy as a whole. The economic decline has resulted in a significant decrease in consumer spending, including food and grocery items. This decreased demand has led to a decline in Bruno's sales.

8. Furthermore, Bruno's has also seen an increased amount of competition in its core market from other grocers. With an abundance of older locations, Bruno's has had difficulty competing with the newer grocery stores that have moved into its markets. This increased competition from newer grocery stores has reduced Bruno's market share.

9. Additionally, the frozen credit markets have limited the availability of capital for improvements to Bruno's stores to allow Bruno's to compete with the newer stores of its competitors. Furthermore, the lack of available capital has resulted in Bruno's being unable to locate sufficient working capital with which to operate its stores.

THE PROPOSED DIP FINANCING¹

10. Following extensive negotiations, Bi-Lo LLC (the "Lender") has agreed to the terms of a facility for Debtor to obtain post-petition financing (the "DIP Financing") up to an aggregate principal amount not to exceed \$6,700,000.00.

11. Debtor has determined that the DIP Financing is necessary for Debtor to operate its business in chapter 11. Because Debtor's existing cash on hand and projected operating revenues will not be sufficient to fund the completion of its restructuring process, Debtor

¹ Hereafter, all capitalized terms, not otherwise defined, shall have the meaning assigned to them in the Debtor-In-Possession Credit Agreement, attached hereto as Exhibit "B."

concluded that obtaining a firm commitment for post-petition financing at the outset of this case is necessary and in the best interest of estate.

12. Debtor has an immediate need to obtain the DIP Financing and use Cash Collateral to, among other things, permit the orderly continuation of the operation of its business, maintain business relationships with vendors, suppliers and customers, to make payroll and satisfy other working capital and operational needs. The access of Debtor to sufficient working capital and liquidity through the use of Cash Collateral and the incurrence of new indebtedness for borrowed money is vital to the preservation and maintenance of the going concern values of Debtor and to a successful reorganization or sale of Debtor's assets.

13. Debtor is unable to obtain post-petition financing in the form of unsecured credit allowable as an administrative expense under § 503(b)(1) of the Bankruptcy Code, unsecured credit allowable under §§ 364(a) and (b) of the Bankruptcy Code, or credit secured by liens on Debtor's assets junior to the liens of Regions, as contemplated by § 364(c) of the Bankruptcy Code.

14. Debtor therefore determined, in the exercise of its sound business judgment, that the proposal for the DIP Financing provided by the Lender is the most favorable under the circumstances and addresses Debtor's working capital needs. Debtor does not believe it could obtain proposals for post-petition financing on terms and conditions more favorable to Debtor's estate than those offered by the Lender pursuant to the DIP Credit Agreement (as defined below).

15. Before determining to enter into the DIP Financing upon the terms of the DIP Credit Agreement, Debtor and the Lender conducted lengthy, arm's-length, and good faith negotiations.

16. The Lender is willing to make the DIP Financing available to Debtor upon the terms and conditions set forth in the DIP Credit Agreement, the Interim Order and the Final Order.

17. A copy of Debtor-in-Possession Credit Agreement (the “DIP Credit Agreement”), substantially in the form to be executed by Debtor, as borrower, and the Lender, as lender, is attached hereto as Exhibit “B.” The pertinent provisions of the DIP Financing, as set forth in the DIP Credit Agreement and the other DIP Documents, are as follows:²

- (a) Borrower: Bruno's Supermarkets, LLC, as debtor in possession herein.
- (b) Lender: Bi-Lo, LLC.
- (c) The Facility: Postpetition credit in the total principal amount of \$6,700,000.
- (d) Purpose: Short-term working capital.
- (e) Availability: Advances shall be available immediately upon issuance of the Interim Order and Final Order.
- (f) Financial Terms: Prior to default, all advances shall bear interest at a variable per annum rate of interest equal to three percent (3%) plus the Lender's Cost of Funds in effect from time to time. Accrued interest shall be due and payable monthly, with principal due on the Commitment Termination Date.
- (g) Fees: Borrower shall reimburse Lender for all reasonable legal, accounting, appraisal and other fees and expenses incurred by Lender in

² The following description of the terms of the DIP Financing is intended solely to provide the Court and interested parties with a brief overview of the significant terms thereof. For a complete description of the terms and conditions of the DIP Financing, reference should be made to the loan documents and any exhibits attached thereto, including without limitation, the DIP Credit Agreement, the security documents, any mortgages contemplated thereby, and any letter agreements made between the parties in connection with the DIP Financing (collectively, the “DIP Documents”). This summary is qualified in its entirety by reference to the DIP Documents. In the event of any conflict or inconsistency between the provisions of this Motion and the DIP Documents and the Orders, the Orders shall control in all respects and then the DIP Documents.

connection with the DIP Financing transaction, including an upfront fee of \$134,000, as set forth in detail in DIP Financing Documents.

- (h) Maturity: On the Commitment Termination Date, all of the obligations under the DIP Loan Agreement shall be immediately due and payable, and Lender shall have no further obligation to make any post-petition loans.
- (i) Collateral: All assets of Borrower.
- (j) Priority and Liens: All borrowings, reimbursement obligations and all other obligations of Debtor arising out of the DIP Documents shall at all times:
 - (1) Pursuant to § 364(c)(1) of the Bankruptcy Code, be entitled to super priority claim status, subject to the Carve Out (defined below);
 - (2) Pursuant to § 364(c)(2) of the Bankruptcy Code, be secured by a perfected first priority lien on all unencumbered property of Debtor. Unencumbered property shall exclude Debtors' claims and causes of action under §§ 502(d), 544, 545, 547, 548, 549 and 550 of the Bankruptcy Code, or any other avoidance actions under the Bankruptcy Code, but shall subject to entry of the Final Order include any proceeds thereof, subject to the Carve Out;
 - (3) Pursuant to § 364(c)(3) of the Bankruptcy Code, be secured by a perfected junior lien on all pre- and post-petition property of Debtor that is subject to valid, perfected and unavoidable liens in existence immediately prior to the Petition Date or to valid and unavoidable liens in existence immediately prior to the Petition Date that are perfected subsequent to the Petition Date as permitted by § 546(b) of the Bankruptcy Code, subject to the Carve Out; and
 - (4) Pursuant to § 364(d)(1) of the Bankruptcy Code, be secured by a first priority senior priming security interest in and lien upon all pre- and post-petition property of Debtor that is subject to the existing liens presently securing the Pre-Petition Debt, subject to the Carve Out. Such security interests and liens shall be senior in all respects to the interests in such property of the Regions arising from current and future liens of the Regions but shall not be senior to any valid, perfected and unavoidable interests of other parties arising out of liens, if any, on such property existing immediately prior to the Petition Date, or to any valid, perfected and unavoidable interests in such property arising out of liens to which the liens of Regions become subject subsequent to the Petition Date as permitted by section 546(b) of the Bankruptcy Code.

- (k) Perfection: The creation, perfection and priority of the Liens granted under and in connection with the DIP Financing Documents shall be automatic without the necessity of the execution, delivery or recordation of any filings, registrations or other notifications by Borrower of any security agreements, mortgages, financing statements, pledge agreements, control agreements or other similar agreements, documents or notices, although Lender shall be authorized to obtain and or file, and Borrower shall so provide, any of the foregoing upon the request of Lender in the exercise of its sole discretion.
- (l) Carve Out: The DIP Credit Agreement is subject to fund an amount equal to the aggregate sum of (a) all Bankruptcy Court costs and Bankruptcy Administrator fees from time to time incurred by Borrower prior to the Commitment Termination Date; (b) a maximum of \$8,000,000 for all Professional Expenses from time to time incurred by Borrower or any Committee appointed in the Chapter 11 Case that are incurred before the earlier of the Commitment Termination Date or receipt by Borrower of written notice of an Event of Default; and (c) a maximum of \$500,000 for all Professional Expenses from time to time incurred by Borrower or any Committee appointed in the Chapter 11 Case that are incurred after the earlier of the Commitment Termination Date or receipt by Borrower of written notice of an Event of Default. All liens and super-priority claims granted in the DIP Credit Agreement are subject to the Carve Out.
- (m) Covenants: Usual for transactions of this kind, including, without limitation, affirmative and negative covenants with respect to other indebtedness, as well as restrictions against the granting of new liens, and the disposition of assets, without consent.
- (n) Funding Conditions: Usual for transactions of this kind, including, without limitation, the entry of the Interim Order and, on or before February 28, 2009, the entry of the Final Order, satisfactory in form and substance to Lender approving, granting or authorizing (i) the transactions contemplated by the DIP Credit Agreement, and (ii) the liens and super-priority administrative claim status and the lien priorities described in the DIP Financing Documents.
- (o) Events of Default: The DIP Financing Documents contain certain defaults and events of default customarily contained in agreements for similar DIP financings, including, without limitation, conversion of any of the Case to chapter 7 of the Bankruptcy Code, appointment of a chapter 11 trustee in the Case, dismissal of the Case, and failure to make payments to Lender when due.
- (p) Release: Debtor agrees to release Lender and its affiliates from any and all claims, whether known or unknown, through the date of execution of the DIP Credit Agreement.

- (q) Other Provisions: The DIP Financing Documents provide for certain representations and warranties customary for transactions of this kind, all as more fully set forth therein.
- (r) Adequate Protection: Regions will receive replacement lien on all post-petition properties of the same type or kind as are covered by its pre-petition liens and security interests for the purpose of securing Regions against any decline in the value thereof resulting from the secured post-petition credit extended to Debtor by the Lender pursuant to this Order. Said replacement liens are subject and subordinate only to (i) the security interests and liens granted to the Lender pursuant to the DIP Documents and any liens on the Collateral and (ii) the Carve Out. the following as adequate protection for its interest in the Pre-Petition Collateral, including Cash Collateral (as defined in the attached Interim Order) (collectively, the “Adequate Protection Obligations”):

RELIEF REQUESTED

18. By this Motion, Debtor seeks authority to enter an order granting the relief as set forth in the proposed Interim Order, attached hereto as Exhibit “A.”

BASIS FOR RELIEF

A. Approval of Financing

19. As described above, it is essential to the success of Debtor's chapter 11 case that Debtor immediately obtain access to sufficient post-petition financing. The preservation of estate assets, Debtor's continuing viability and its ability to reorganize or sale, thus, depend heavily upon the expeditious approval of the DIP Financing and the related actions requested herein.

20. If a debtor is unable to obtain unsecured credit allowable as an administrative expense under § 503(b)(1) of the Bankruptcy Code, then the Court, after notice and a hearing, may authorize debtor to obtain credit or incur debt:

- (1) with priority over any or all administrative expenses of the kind specified in section 503(b) or 507(b) of this title;

(2) secured by a lien on property of the estate that is not otherwise subject to a lien; or

(3) secured by a junior lien on property of the estate that is subject to a lien.

11 U.S.C. § 364(c).

21. In the event debtor is unable to obtain credit under the provisions of § 364(c) of the Bankruptcy Code, debtor may obtain credit secured by a senior or equal lien on property of the estate that is already subject to a lien, commonly called a “priming lien.” 11 U.S.C. § 364(d). Such relief may be granted so long as there is adequate protection of the interests of the holder of the lien on the property on which the senior lien is proposed to be granted.

22. Debtor has pursued various potential avenues of post-petition financing, but has been unable to procure the required funds in the form of unsecured credit or unsecured debt with an administrative priority. In addition, Debtor has been unable to procure the required funds solely under § 364(c) of the Bankruptcy Code. Debtor negotiated the DIP Financing at arm’s length and pursuant to Debtor’s business judgment. The terms and provisions of the DIP Financing are fair and reasonable under the circumstances and reflect the most favorable terms upon which Debtor could obtain post-petition financing.

23. Moreover, Regions is adequately protected, as described in detail herein.

24. The terms and conditions of the DIP Credit Agreement are fair and reasonable and were negotiated by the parties in good faith and at an arm’s length. Accordingly, the Lender should be accorded the benefits of § 364(e) of the Bankruptcy Code in respect of the DIP Financing.

25. The DIP Financing will enable Debtor to, among other things, (a) maintain the continuity of its operations, (b) maximize the value of its business and properties for the benefit

of Debtor's estate and creditors, and (c) give Debtor's vendors, suppliers, and customers the necessary confidence to continue ongoing relationships with Debtor, which is essential to the successful reorganization or sale of Debtor's business.

B. Use of Cash Collateral and Adequate Protection

26. Section 363(c)(2) of the Bankruptcy Code provides that a debtor “may not use, sell, or lease cash collateral...unless (A) each entity that has an interest in such cash collateral consents; or (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section.” 11 U.S.C. § 363(c). Section 363(e) of the Bankruptcy Code provides that upon request of an entity that has an interest in property to be used by a debtor, the court shall prohibit or condition such use as is necessary to provide adequate protection of such interest. 11 U.S.C. § 363(e).

27. A debtor has the burden to establish that the holder of a lien to be subordinated, or whose cash collateral will be used, has adequate protection. 11 U.S.C. § 363(p)(1). Adequate protection must be determined on a case-by-case basis, permitting a debtor maximum flexibility in structuring its adequate protection proposal. *See Id.; In re Martin*, 761 F.2d 472, 474 (8th Cir. 1985); *In re George Ruggerie Chrysler-Plymouth, Inc.*, 727 F.2d 1017, 1019 (11th Cir. 1984). Nonetheless, “[a] debtor, attempting to reorganize a business under chapter 11, clearly has a compelling need to use ‘cash collateral’ in its effort to rebuild.” *George Ruggerie*, 727 F.2d at 1019.

28. Debtor requires access to its cash and the proceeds of existing accounts receivable and inventory to operate its business and preserve its value as a going concern. These essential items, however, constitute part of the Pre-Petition Collateral.

29. The proposed Interim Order, if approved, will provide Debtor with the ability to use the Cash Collateral while providing Regions with adequate protection, as contemplated by §§363(c)(2)(A) and 363(e) of the Bankruptcy Code. Under section 361 of the Bankruptcy Code, adequate protection may be provided by granting a lienholder an additional or replacement lien to the extent that the usage of the cash collateral results in a decrease in the value of such entity's interest in such property. As discussed above, the proposed Interim Order provides for replacement liens to protect Regions against any diminution in value of its interests in the Cash Collateral. The replacement liens shall be subject and subordinate only to the security interests and liens granted to Lender and the Carve-Out. Moreover, there is substantial equity in the Pre-Petition Collateral to protect Regions.

C. Interim Approval Should Be Granted

30. Rules 4001(b) and 4001(c) of the Federal Rules of Bankruptcy Procedure provide that a final hearing (the "Final Hearing") on a motion to use cash collateral pursuant to § 363 and to obtain credit pursuant to § 364 may not be commenced earlier than fifteen (15) days after the service of such motion. Upon request, however, the court is empowered to conduct a preliminary expedited hearing on the motion and authorize the use of cash collateral and the obtaining of credit to the extent necessary to avoid immediate and irreparable harm to a debtor's estate.

31. Pursuant to Rule 4001(b) and 4001(c), Debtor requests that the Court conduct an expedited preliminary hearing on the Motion (the "Interim Hearing") and grant the relief requested in the proposed Interim Order in order to (a) maintain Debtor's ongoing operations and (b) avoid the immediate and irreparable harm and prejudice to Debtor's estate and all parties in interest that would otherwise ensue.

32. Debtor has an urgent and immediate need for cash to continue to operate. Debtor will be immediately and irreparably harmed absent authorization from the Court to use cash collateral and obtain secured credit as requested on an interim basis pending a Final Hearing on the Motion. In the short-term, if Debtor is unable to provide customers with a continuous supply of product, competitors will capitalize on its inability to promptly fulfill the demand of its customer base, which likely will have a long-term negative impact on the value of Debtor's business, to the detriment of all parties in interest.

REQUEST FOR FINAL HEARING

33. Debtor also requests that the Court schedule the final hearing during the week that is three weeks after the date of this Motion, with objections, if any, to the Final Order being due in writing on or before the date that is at least five (5) business days prior to the Final Hearing.

NOTICE AND PRIOR MOTIONS

34. Notice of this Motion has been provided to (1) the Office of the Bankruptcy Administrator for the United States Bankruptcy Court for the Northern District of Alabama, Southern Division; (2) counsel to Regions Bank, Debtor's pre-petition lender; (3) counsel for Debtor's proposed post-petition lender; (4) the holders of Debtor's equity interests; (5) Debtor's twenty (20) largest unsecured creditors; and (6) the District Director of the Internal Revenue Service for the Northern District of Alabama. In light of the nature of the relief requested herein, Debtor submits that no other or further notice is necessary or required.

WHEREFORE, Debtor respectfully requests that the Court enter an order substantially similar to the order attached hereto as Exhibit "A" and further relief as this Court may deem just and proper.

/s/ Charles L. Denaburg

Charles L. Denaburg

Conflicts Counsel for Debtor
BRUNO'S SUPERMARKETS, LLC

OF COUNSEL:

NAJJAR DENABURG, P.C.

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Birmingham, Alabama 35203

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Dated: Birmingham, Alabama

February 5, 2009

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

IN RE: §
§
BRUNO’S SUPERMARKETS, LLC, § Case No. _____
§ (Chapter 11)
Debtor. §

INTERIM ORDER (I) AUTHORIZING DEBTOR (A) TO OBTAIN POST-PETITION FINANCING PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) AND 364(e) AND (B) TO UTILIZE CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363, (II) GRANTING ADEQUATE PROTECTION TO PRE-PETITION SECURED PARTIES PURSUANT TO 11 U.S.C. §§ 361, 362, 363 AND 364 AND (III) SCHEDULING FINAL HEARING PURSUANT TO BANKRUPTCY RULES 4001(b) AND (c)

CAME ON FOR CONSIDERATION the Debtor's Motion for Interim and Final Orders (I) Authorizing Debtor (A) To Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e), and (B) To Utilize Cash Collateral pursuant to 11 U.S.C. § 363, (II) Granting Adequate Protection To Pre-Petition Secured Parties pursuant to 11 U.S.C. §§ 361, 362, 363 and 364, and (III) Scheduling Final Hearing Pursuant To Bankruptcy Rules 4001(B) and (C) (the “Financing Motion”) filed by Bruno’s Supermarkets, LLC (the “Debtor”), as debtor and debtor in possession, seeking pursuant to, *inter alia*, §§ 363, 364(c)(1), 364(c)(2), 364(c)(3) and 364(d)(1) of title 11 of the United States Code (the “Bankruptcy Code”), and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the following:

- (i) authority for the Debtor to obtain postpetition credit from BI-LO, LLC (“BI-LO” or the “Lender”) up to the maximum aggregate amount of \$6,700,000 in the above-captioned chapter 11 bankruptcy case (the “Case”) in accordance with the terms and conditions set forth herein and in the annexed DIP Loan Agreement (as defined below) (collectively, the

“DIP Financing”), secured by automatically perfected first-priority liens and security interests in all of the Collateral (hereafter defined), subject to the Carve Out (hereafter defined), pursuant to Bankruptcy Code §364(d)(1), §364(c)(2) and §364(c)(3);

- (ii) authority for the Debtor to execute, deliver, and perform under the DIP Loan Agreement, mortgages and amendments, notes, security agreements, deeds of trust, and financing statements related to the DIP Loan Agreement, and all other related agreements and documents creating, evidencing, or securing indebtedness of the Debtor to the Lender on account of the DIP Financing as may hereafter be amended, modified, supplemented, ratified, assumed, extended, renewed, restated, or replaced, by and among the Debtor and the Lender, the terms of which are referenced and incorporated herein as if set forth *in haec verba*¹ (together with this Order (as defined below), the “DIP Financing Documents”);
- (iii) approval of the terms and conditions of the DIP Financing and the DIP Financing Documents as so executed and delivered, including the amount of the credit, the rate or pricing of the credit, the covenants, conditions, indemnities and the Debtor’s release of claims against Lender set forth in paragraph 19 of this Order;
- (iv) modification of the automatic stay of Bankruptcy Code §362 (the “Automatic Stay”), to the extent provided hereinbelow; and
- (v) granting to the Lender its superpriority claim on account of the DIP Financing pursuant to Bankruptcy Code §364(c)(1), §364(c)(2) and §364(c)(3), subject to the Carve Out.

The Debtor and the Lender have represented to the Court that they have agreed in good faith to the terms and conditions of this Interim Agreed Order Authorizing Postpetition Financing, Granting Senior Liens, Priority Administrative Expense Status, and Other Relief (the “Order”).

The Court finds notice of the interim hearing to have been sufficient and appropriate as required under the Bankruptcy Rules under the particular circumstances of this Case. The parties hereto have stipulated and agreed as follows, and based upon the pleadings, proffers of evidence, and

¹ One of the DIP Financing Documents is the Debtor-in Possession Credit Agreement, a copy of which is attached hereto as Schedule “1” (the “DIP Loan Agreement”), and incorporated herein as if set forth *in haec verba*. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the DIP Loan Agreement.

representations of counsel, the Court hereby approves and adopts said stipulations and agreements as findings of fact and conclusions of law, as appropriate, grants the relief requested herein, on an interim basis subject to entry of a final order, to prevent immediate and irreparable harm to the Debtor's estate and to facilitate the reorganization of the Debtor's business, and Orders:

STATEMENT OF JURISDICTION

1. This Court has jurisdiction over this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§ 1334 and 157.

NOTICE

2. The Debtor has given notice of the Financing Motion and of the interim hearing with respect thereto pursuant to Bankruptcy Rules 2002, 4001(b), 4001(c), and 9006, and as required by Bankruptcy Code §§102, 362, 363, and 364, to Regions Bank, the Debtor's twenty largest unsecured creditors, the Bankruptcy Administrator, the Internal Revenue Service, the holders of the Debtor's equity interests and all parties requesting notice.

FACTUAL AND PROCEDURAL BACKGROUND

3. On February 5, 2009 (the "Petition Date"), the Debtor filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code and thereby commenced the Case. The Debtor has continued in the management and possession of its business and property as debtor in possession pursuant to Bankruptcy Code §§1107 and 1108.

4. An Official Committee of Unsecured Creditors (the "Committee") has not been appointed in this Case as of the date hereof.

5. The Debtor operates a 66-store supermarket chain in Alabama and Florida under the "Bruno's", "Food World" and "Food Max" banners. The Debtor intends to pursue a plan of

reorganization as a going concern under the protection of this Court, as soon as reasonably practicable. To do that, it requires postpetition financing.

6. Pursuant to that certain Loan and Security Agreement dated as of July 28, 2008 between Regions Bank (“Regions”) as prepetition lender, and the Debtor, as prepetition borrower, (as heretofore modified or amended, the “Credit Agreement”) Regions established in favor of the Debtor a revolving term facility in the maximum amount of \$20,000,000. Although the Credit Agreement is secured by extensive security interests upon substantially all of the Debtor’s assets of a value far exceeding the approximately \$10.8 million balance due thereunder, Regions has declined to extend any postpetition credit to the Debtor on terms equal to, or more favorable than, those offered by Lender.

7. Headquartered in Greenville, South Carolina, BI-LO operates a regional supermarket chain under the “BI-LO” and “Super BI-LO” banners, with operations in South Carolina, North Carolina, Georgia, and Tennessee. Until two years ago, BI-LO owned the equity interest of the Debtor. Since that time, the two have been under separate ownership and management, although both share, indirectly, ultimate common ownership and are thus affiliates as that term is defined in § 101 of the Bankruptcy Code. Notwithstanding the separation, a few relationships persist. For example, BI-LO provides certain information technology services to the Debtor for which the Debtor pays a monthly reimbursement, and the Lender has provided letters of credit to support the Debtor’s workers compensation program and its procurement of grocery supplies from C&S Wholesale Grocers, Inc. BI-LO has also in the past several months loaned \$3.3 million to the Debtor on an unsecured basis.

NECESSITY FOR DIP FINANCING

8. The Debtor has been unable to obtain additional financing from Regions to conduct its business and maintain its assets. Without the DIP Financing, the Debtor will not have the

funds necessary to pay postpetition payroll, payroll and other taxes, inventory suppliers, and overhead; to maintain its assets; to provide financial information; to attempt to reorganize its affairs; or to perform any of the tasks which the Debtor believes are necessary to maximize the value of its assets. Indeed the Debtor will not be able to continue operations and will have to immediately close its stores and cease business without the financing provided by the Lender under this Order. In short, there is a grave risk of irreparable harm to the value of the estate if postpetition financing is not approved immediately.

9. The Debtor is unable to obtain financing from sources other than the Lender on terms more or equally as favorable than under the DIP Financing Documents. The Debtor has been unable to obtain unsecured credit allowable under Bankruptcy Code § 503(b)(1), or pursuant to Bankruptcy Code §§ 364(a), (b) and/or (c). Regions has declined to provide any postpetition credit on terms equal to, or more favorable than, those offered by Lender, and no other source of credit for the Debtor other than that provided by the DIP Financing exists at this time. The Debtor has negotiated with the Lender in good faith, and the terms of the credit requested by the Debtor and hereby approved by the Court are the product of negotiation and the best available in the circumstances.

10. Good, adequate, and sufficient cause has been shown to justify the granting of the relief requested in the Financing Motion. The extension of credit as provided under the terms and conditions in the DIP Financing Documents and this Order is necessary to preserve the estate and will prevent immediate and irreparable harm to the Debtor and its estate and assets. The Debtor has exercised good business judgment in connection with obtaining the DIP Financing pursuant to this Order.

BINDING AGREEMENT

11. The agreements and arrangements authorized in this Order have been negotiated at arms-length, are fair, reasonable, and equitable under the circumstances, reflect the Debtor's exercise of prudent business judgment consistent with its fiduciary duties, are supported by reasonably equivalent value and fair consideration, and are enforceable pursuant to their terms. The Lender and the Debtor have acted in good faith (including, without limitation, as that term is used in Bankruptcy Code §364) in the negotiation and preparation of this Order and the other DIP Financing Documents, have been represented by counsel, and intend to be and are bound by its terms.

12. The agreement of the Debtor to the terms and conditions of the DIP Financing is subject to approval of the Court.

AUTHORIZATION TO INCUR CREDIT

13. The Financing Motion is granted and approved on an interim basis, and any objections thereto that have not been previously withdrawn are overruled in their entirety. Subject to the terms hereof, this Order is valid immediately and is fully effective upon its entry, and the DIP Financing is hereby approved on an interim basis.

14. The Debtor is hereby authorized to incur the DIP Financing in strict accordance with the DIP Financing Documents and this Order. This Order is entered pursuant to, and shall be construed to be consistent with, Bankruptcy Code §364 and Bankruptcy Rule 4001(c)(2).

FINANCING PROTECTION AND RELEASE OF CLAIMS, IF ANY

15. Pursuant to Bankruptcy Code §§ 364(d)(1), and 364(c)(1), (2), and (3), to secure the prompt payment and performance of any and all obligations, liabilities, and indebtedness of the Debtor to the Lender under the DIP Financing Documents, of whatever kind or nature or description, consisting of all postpetition obligations, liabilities, and indebtedness of the Debtor

arising under the DIP Financing Documents and this Order, the Lender shall have and hereby is granted, subject and subordinate only to the Carve Out, the first-priority liens and security interests in all property of this estate other than causes of action arising under Bankruptcy Code §§544, 545, 547, 548, 549 and 550, including, without limitation (collectively the “Collateral”):

- (a) all Accounts,
- (b) all Inventory,
- (c) all General Intangibles,
- (d) all Equipment,
- (e) all Goods,
- (f) all Farm Products,
- (g) all Fixtures,
- (h) all Chattel Paper,
- (i) all Letter-of-Credit Rights,
- (j) all Payment Intangibles,
- (k) all Supporting Obligations,
- (l) all books, records, and information relating to the Collateral and/or to the operation of the Debtor's business, and all rights of access to such books, records, and information, and all property in which such books, records, and information are stored, recorded, and maintained,
- (m) all Real Property,
- (n) all Investment Property, Instruments, Documents, Deposit Accounts, money, policies and certificates of insurance, deposits, impressed accounts, compensating balances, cash, or other property,
- (o) all insurance proceeds, refunds, and premium rebates, including, without limitation, proceeds of fire and credit insurance, whether any of such proceeds, refunds, and premium rebates arise out of any of the foregoing ((a) through (o)) or otherwise,
- (p) all cash and non-cash proceeds of the foregoing ((a) through (o)),
- (q) all liens, guaranties, rights, remedies, and privileges pertaining to any of the foregoing ((a) through (o)), including the right of stoppage in transit, and
- (r) all securities, investment property, instruments, chattel paper, warehouse receipts, bills of lading, tax refunds, insurance proceeds, insurance premium refunds received by the Debtor, security deposits and utility deposits (both to the extent returned to the estate), bonds and proceeds of same, causes of action (whether by contract or tort, common law or statutory, equitable or otherwise, but excluding only causes of action arising under Bankruptcy Code §§ 544, 545, 547, 548, 549, and 550), and customer lists, whether acquired before or after the Petition Date, whether now owned and existing or hereafter acquired, created, or arising, and all products and proceeds thereof (including, without limitation, claims of the Debtor against third parties for loss or damage to such property), including all accessions thereto, substitutions and replacements therefor, and wherever located, and all assets acquired by the Debtor postpetition and recoveries by the estate under any provision of the Bankruptcy Code (but

excluding only causes of action arising under Bankruptcy Code §§ 544, 545, 547, 548, 549, and 550) or other applicable law,

as well as all protections of good faith credit providers under, without limitation, Bankruptcy Code §§ 364(c)(1), (c)(2), and (c)(3), 364(d)(1), and 364(e), and free from any application of Bankruptcy Code § 551, so as to provide the Lender with superpriority claims and to secure the DIP Financing, which shall include all the DIP Financing principal and interest, plus all reasonable fees, expenses, and other costs of the Lender in this Case (such reasonable fees, expenses, and other costs shall be subject to the Lender's Fee Procedure (as defined herein)). For the sake of clarity: the foregoing liens and security interests shall have priority over the prepetition liens and security interests of Regions.

16. All proceeds of the DIP Financing shall be used in the ordinary course of business subject to the budget attached hereto as Schedule "2" (the "Budget"), or, if not in the ordinary course of business, subject to approval of the Lender and the Court. Prior to any advance of DIP Financing to the Debtor by the Lender subsequent to the Interim DIP Funding described in the DIP Loan Agreement, the Debtor's chief restructuring officer (or other officer of the Debtor as may be consented to in writing by the Lender) shall review the proposed advance of DIP Financing for strict compliance with the Budget as to amount and purpose, and the Lender shall have received an officer's certificate from the Debtor which shall meet all requirements of the DIP Financing Documents.

17. Until the DIP Financing is fully satisfied by its terms, the Debtor shall not be authorized to obtain credit secured by a lien or security interest in the Collateral without the prior written consent of the Lender other than as expressly permitted in the DIP Loan Agreement.

18. To the extent that any applicable non-bankruptcy law otherwise would restrict the granting, scope, enforceability, attachment, or perfection of the liens and security interests in the

Collateral authorized or created by this Order, or otherwise would impose filing or registration requirements with respect to such liens, such law is hereby preempted to the maximum extent permitted by the Bankruptcy Code, otherwise applicable federal law, and the judicial power of the Court.

19. Upon entry of this Order, the Lender and its members, directors, officers, representatives, affiliates, agents, and professional persons shall be deemed released, acquitted, and forever discharged from any and all of the Debtor's and the Debtor's estate's claims, counterclaims, demands, controversies, avoidance actions, costs, contracts, debts, sums of money, accounts, reckonings, bonds, bills, damages, obligations, liabilities, objections, actions, and causes of action of any nature, type, or description, whether at law or in equity, by common law or statute, in contract, tort, or otherwise, known or unknown, asserted or unasserted, or suspected or unsuspected, arising from or related to (a) prepetition acts or omissions, if any, by the Lender with respect to the Debtor and (b) the extension of credit pursuant to the DIP Financing Documents and this Order; provided that the foregoing release shall not be applicable to any claims first arising subsequent to the date of this Order, or to any action by Debtor to enforce any terms of this Order or any DIP Financing Document.

20. The Debtor is authorized and directed to execute, deliver, perform, and comply with the terms and conditions of the DIP Financing Documents, and to be bound thereby, and the Debtor is directed to perform any and all acts required by the DIP Financing Documents and/or this Order.

21. The terms and conditions of the DIP Financing Documents and this Order shall be sufficient and conclusive evidence of the DIP Financing borrowing arrangements by and between the Debtor and the Lender, and of the Debtor's agreement to the terms and conditions of the DIP Financing pursuant to the DIP Financing Documents and this Order for all purposes,

including, without limitation, the payment of all principal, interest, and other fees and expenses, including reasonable attorneys fees and expenses of the Lender in connection with the DIP Financing and this Case (such reasonable fees and expenses shall be subject to the Lender's Fee Procedure (as defined below)), and all grants of liens and security interests and the automatic perfection of same hereunder.

22. This Order and the DIP Financing Documents shall be sufficient and conclusive evidence of the priority, perfection, attachment, and validity of all the Lender's security interests in and liens on the Collateral, and the liens and security interests granted and created herein shall, by virtue of this Order, constitute valid, automatically perfected, and unavoidable security interests, with the priorities granted hereunder, without the necessity of creating, filing, recording, or serving any financing statements or other documents that might otherwise be required under federal or state law in any jurisdiction or the taking of any other action to validate or perfect the security interests and liens granted to the Lender in this Order and the DIP Financing Documents in respect of the DIP Financing.

23. If the Lender, in its discretion, shall elect for any reason to file any such financing statements or other documents with respect to such security interests and liens, the Debtor is authorized and directed to execute, or cause to be executed, all such financing statements or other documents in respect of the DIP Financing upon the Lender's request, and the filing, recording, or service (as the case may be) of such financing statements or similar documents shall be deemed to have been made at the time of and on the date of entry of the order approving the DIP Financing, and the signature(s) of any person(s) designated by the Debtor, whether by letter to the Lender or by appearing on any one or more of the agreements or other documents respecting the security interests and liens of the Lender granted hereunder, shall bind the Debtor and its estate. The Lender may, in its sole and absolute discretion, execute such documents on

behalf of the Debtor as the Debtor's attorney-in-fact or file a certified copy of this Order in any filing or recording office in any county or other jurisdiction in which the Debtor has real or personal property, and, in such event, the subject filing or recording officer is authorized and directed to file or record such documents or certified copy of this Order.

24. The Debtor is hereby authorized and directed to perform all acts, take any action, and execute and comply with the terms of such other documents, instruments, and agreements, as the Lender may reasonably require, as evidence of and for the protection of the Collateral or which may be otherwise deemed reasonably necessary by the Lender to effectuate the terms and conditions of this Order and the DIP Financing Documents.

25. The Debtor is authorized and directed to pay or reimburse the Lender promptly for all reasonable fees, expenses, and other costs of the Lender's counsel, Vinson & Elkins L.L.P., and any financial advisor to the Lender in this Case subsequent to the Petition Date, subject to the following procedure (the "Lender's Fee Procedure"): (i) during the Case, after twenty (20) days notice and opportunity to object to the Debtor, the Committee (if any), and the Bankruptcy Administrator and after filing with the Court a copy of the redacted statements of such professionals, all interest, fees, costs, and expenses, including attorneys' fees, due at any time to the Lender or that are incurred as a result of the Case, may be charged by the Lender to the Debtor and shall be promptly paid by the Debtor on an interim basis; (ii) counsel for the Debtor, counsel for the Committee, and the Bankruptcy Administrator shall have ten (10) days upon delivery (the "Fee Objection Period") of redacted invoices of the Lender (provided that such redacted fee statements shall retain all privileges irrespective of any disclosure of any privileged matter, and any such disclosure shall be deemed inadvertent for all purposes and deemed stricken from any record in this Case or otherwise) and, unless an objection to same is delivered to the Lender and filed with the Court within the Fee Objection Period, such invoices shall be

immediately paid and the Lender shall be entitled to advance funds under the DIP Financing to pay such fees and expenses without further action or Order of this Court; (iii) in the event of any objection, any fees not objected to shall be paid (by the Debtor, or by advance under the DIP Financing as set forth above) with the objected to portion only subject to review as to reasonableness by the Court. Such payment shall not constitute satisfaction of any fees of such professionals other than those actually paid. Any reasonable postpetition fees and expenses of the Lender that are paid pursuant to the foregoing Lender's Fee Procedure shall be deemed allowed without further Order of this Court. All other reasonable out-of-pocket expenses of the Lender in this Case may be paid by the Debtor pursuant to the Lender's Fee Procedure. In addition, all out-of-pocket expenses of the Lender for enforcement costs and documentary taxes, if any, associated with the DIP Financing may be paid by the Debtor pursuant to the Lender's Fee Procedure.

26. From and after the date of entry of this Order, no act committed or action taken by the Lender to collect DIP Financing under this Order shall be used, construed, or deemed to hold the Lender to be in control of or participating in the governance, management, or operations of the Debtor for any purpose, without limitation, or to be acting as a "responsible person," "owner or operator," or a person in "control" with respect to the governance, management, or operation of the Debtor or its business (as such terms, or any similar terms, are used in the Internal Revenue Code, Comprehensive Environmental Response, Compensation and Liability Act, Bankruptcy Code, each as may be amended from time to time, or any other federal or state statute, at law, in equity, or otherwise) by virtue of the interests, rights, and remedies granted to or conferred upon the Lender in respect of the DIP Financing under the DIP Financing Documents or this Order including, without limitation, such rights and remedies as may be exercisable by the Lender in connection with this Order in respect of the DIP Financing.

27. Subject to the terms of this Order, the Automatic Stay is hereby modified to the extent necessary, if any, to permit the Lender to commit all acts and take all actions necessary to implement the DIP Financing, DIP Financing Documents, and this Order, except as to Events of Default as hereinafter set forth.

COLLATERAL INSURANCE, MAINTENANCE, TAXES, AND DEPOSITS

28. The Debtor shall maintain, with financially sound and reputable insurance companies, insurance of the kind, covering the Collateral in accordance with the DIP Financing Documents (covering such risks in amounts as shall be satisfactory to the Lender and shall name the Lender as loss payee thereunder).

29. The Debtor shall make any and all payments necessary to keep the Collateral in good repair and condition consistent with past practice and subject to ordinary wear and tear and not permit or commit any waste thereof. The Debtor shall exercise its business judgment and, in so doing shall preserve, maintain, and continue all patents, licenses, privileges, franchises, certificates, and the like necessary for the operation of its business.

30. To the extent the Debtor has made or makes any deposits for the benefit of utility companies or any other entity (and the Debtor shall not make any such deposits which are not included in the Budget without first obtaining the consent of the Lender), such deposits shall be, and hereby are, upon any return of same to the Debtor, subject to first priority perfected liens and security interests of the Lender in respect of the DIP Financing granted by the DIP Financing Documents and this Order. The Debtor may not use or transfer any such returned deposits, and the Debtor assigns and sets over its rights in and to all such returned deposits to the Lender.

REPORTING REQUIREMENTS

31. The Debtor is authorized and directed to provide to the Lender and the Committee all the documentation, reports, schedules, assignments, financial statements, insurance policies,

endorsements, inspection, audits, and other information requested by the Lender under or as required by the DIP Financing Documents (the "Loan Documents Reports"), plus any other such information as may reasonably be requested by the Lender from time to time, unless the Lender waives or modifies such requirements in writing. Upon three (3) business days' prior notice to the Debtor and the Debtor's counsel, the Lender and its agents shall have access during normal business hours to the Debtor's business premises and to the Collateral to review, appraise, and evaluate the physical condition of the Collateral and to inspect the financial records and all other records of the Debtor concerning the operation of the Debtor's business, for review of the Debtor's overall financial condition, the expenditure of funds generated therefrom, the accrual of expenses relating thereto, and any and all other records relating to the operations of the Debtor. The Debtor shall cooperate fully with the Lender regarding such reviews, evaluations, and inspections and shall make its employees and professionals reasonably available to the Lender and its professionals and consultants to conduct such reviews, evaluations, and inspections.

PROFESSIONAL FEES; ADMINISTRATION

32. As used herein, the term "Carve Out" shall mean an amount equal to the aggregate sum of (a) all Court costs and Bankruptcy Administrator fees from time to time incurred by Borrower prior to the Commitment Termination Date (as defined in the DIP Loan Agreement); (b) a maximum of \$8,000,000.00 for all of the Professional Expenses (as defined in the DIP Loan Agreement) from time to time incurred by Borrower or any Committee appointed in the Case that are incurred *before* the earlier of the Commitment Termination Date or receipt by Borrower of written notice of an Event of Default (as defined in the DIP Loan Agreement) and approved by the Court; and (c) a maximum of \$500,000.00 for all Professional Expenses from time to time incurred by Borrower or any Committee appointed in the Case that are incurred *after* the earlier of the Commitment Termination Date or receipt by Borrower of written notice of

an Event of Default and approved by the Court. Except for the Carve Out, no priority claims shall be allowed which are or will be prior to or on a parity with the superpriority claims or secured claims of the Lender against the Debtor and its estate arising out of the DIP Financing Documents in respect of the DIP Financing or this Order. The Lender's secured claims and superpriority administrative expense status shall be subject and subordinate only to the Carve Out.

33. No advances under the DIP Financing or Carve Out funds shall be used for the payment or reimbursement of any fees, expenses, costs, or disbursements of any of the Professionals incurred in connection with the prosecution, assertion, or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defense, or contested matter, the purpose of which is to seek any order, judgment, determination, or similar relief: (i) invalidating, challenging, setting aside, avoiding, subordinating in whole or in part any of the DIP Financing, the Lender's liens and security interests provided by the DIP Financing Documents, or this Order; or (ii) preventing, hindering, interfering with, or delaying, whether directly or indirectly, the Lender's assertion, enforcement, enjoyment, receipt, or realization upon any Collateral.

34. No obligations incurred, payments, or other transfers made by or on behalf of the Debtor pursuant hereto or on account of the DIP Financing with the Lender shall be avoidable or recoverable from the Lender under any section of the Bankruptcy Code or any other federal, state, or other applicable law. Bankruptcy Code § 506(c) is not applicable to the Lender or the DIP Financing.

35. Except as contemplated by the Budget or otherwise in the ordinary course of the Debtor's business, the Debtor shall not sell, transfer, lease, encumber, or otherwise dispose of all or a substantial part of the Collateral without the approval of the Court and, if the terms of such

sale, etc. are not deemed by the Professional Person serving as Debtor's financial advisor to be fair and reasonable, the Lender.

36. In addition to any other right, remedy, or claim that such parties may have, the Lender shall have the right to assert a priority claim over all other administrative expense claims allowable under section 507(a)(1), all as provided by section 507(b) of the Bankruptcy Code, for any failure of any kind or any form of adequate protection granted to the Lender pursuant to this Order, the Cash Collateral Order, the final DIP Financing Order (when entered), other orders of this Court, or applicable law.

EVENTS OF DEFAULT; REMEDIES

37. Events of default shall be as follows: (i) any failure by the Debtor to pay interest, principal, or other indebtedness or obligations under the DIP Financing Documents or this Order when due; (ii) any Event of Default under the DIP Financing Documents or failure to comply with or breach by the Debtor of any term or this Order; (iii) the failure of the Court to enter a final Order approving the DIP Financing on or before February 28, 2009; or (iv) the occurrence of the Expiration Date (as defined below); (any of the foregoing events of default or other events of default under the DIP Financing Documents being referred to below in this Order, individually, as a "DIP Event of Default", or collectively, as "DIP Events of Default").

38. The Debtor will promptly notify counsel to the Lender in writing of the occurrence of any DIP Event of Default. If any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under the DIP Financing Documents or any other note, evidence of indebtedness, indenture, or other obligation to which or with respect to which the Debtor is a party or obligor, whether as principal, guarantor, surety, or otherwise, the Debtor shall forthwith give written notice thereof to the Lender, describing the notice or action and the nature of the claimed default.

39. Upon the occurrence of any DIP Event of Default and five (5) days written notice, served via email and facsimile, to the Debtor and the Committee (if any), of such DIP Event of Default, after opportunity for a hearing by the Court during such notice period, and subject to any contrary order of the Court, the following shall occur: (i) the principal of and accrued interest on the outstanding indebtedness under the DIP Financing may, at the option of the Lender, be declared immediately due and payable; and (ii) the Automatic Stay shall terminate with respect to the DIP Financing and the Lender may commit any act and take any action or exercise any other right or remedy permitted under the DIP Financing Documents, this Order, and applicable law, each and all without further action or Order of this Court. In any event, the Lender may, in its sole and absolute discretion, make additional advances under the terms of the DIP Financing with all benefits and protections granted to the Lender under this Order and the DIP Financing Documents inuring to such additional advances, but the Debtor shall have no right to use any of the Collateral during the five (5) day notice period referenced herein.

40. Additionally, upon the termination of DIP Financing and the termination of the Automatic Stay in favor of the Lender, the Debtor shall (i) immediately marshal all Collateral for the benefit of the Lender; (ii) provide adequate security for the Collateral; (iii) turn over the Collateral to the Lender or the Lender's designee; (iv) cooperate fully with the Lender in the pursuit of Lender's rights and remedies against the Collateral; and (v) immediately, and on an ongoing, not less than weekly, basis, pay to the Lender any and all Cash of the Debtor's estate, and the Lender is authorized to offset and/or apply any of the Cash or other funds of this estate, as applicable, against the DIP Financing in a manner deemed appropriate in Lender's sole and absolute discretion and/or to direct those entities holding funds of these estates on deposits to transfer same to the Lender for application against the DIP Financing.

41. Upon termination of the DIP Financing and the termination of the Automatic Stay in favor of the Lender, the Lender may, in its discretion and without liability of any kind, in connection with the enforcement of its rights and remedies to collect the DIP Financing against the Collateral, use any real or personal property constituting Collateral that is owned by the Debtor or owned by or subject to a lien of any third party and which are used by the Debtor in its business, without the payment of fees or rentals to the Debtor and without prejudice to any Lender's rights to foreclose, repossess, or exercise other remedies as a secured party.

42. Until all of the DIP Financing obligations shall have been indefeasibly paid and satisfied in full by their terms, and without further order of the Court: (a) no other entity shall foreclose or otherwise seek to enforce any lien or other right such other party may have in and to any property of the estate of the Debtor upon which the Lender holds a senior lien or security interest; and (b) Debtor shall not, without prior written approval from the Lender, (i) deviate from the annexed Budget or (ii) engage in any transaction that is not in the ordinary course of the Debtor's business.

ADEQUATE PROTECTION FOR REGIONS' LIENS AND SECURITY INTERESTS

43. The Debtor is hereby authorized to use all of Regions' Cash Collateral, and Regions is directed promptly to turn over to the Debtor all Cash Collateral received or held by it, provided that Regions is granted adequate protection as hereinafter set forth. As used herein, "Cash Collateral" shall collectively mean (i) all proceeds of any collateral securing the Debtor's prepetition indebtedness to Regions under the Credit Agreement, and (ii) all funds of Debtor on deposit in, or credited to, any account of Debtor with Regions.

44. As adequate protection for the prepetition liens and security interests of Regions, Regions shall have replacement liens on all postpetition properties of the same type or kind as are covered by its prepetition liens and security interests for the purpose of securing Regions

against any decline in the value thereof resulting from the secured postpetition credit extended to the Debtor by the Lender pursuant to this Order.

OTHER TERMS

45. All postpetition advances under the DIP Financing Documents are made in reliance on each and every term of this Order, and until the DIP Financing has been repaid in full, there shall not at any time be entered in the Case any other order which (i) authorizes the use of any Cash, or the sale, lease, or other disposition of the Collateral (except to the extent consented to by the Lender); (ii) authorizes the obtaining of credit or the incurring of indebtedness secured by a lien or security interest in property in which the Lender holds liens or security interests; (iii) except as expressly set forth herein, grants to any party or claim a priority administrative claim status that is equal or superior to the superpriority status granted to the Lender herein; or (iv) provides for the return of any item of Collateral pursuant to Bankruptcy Code § 546(h). Payment of the DIP Financing in full shall not constitute consent by the Lender to any of the items listed in the previous sentence.

46. Unless otherwise provided in the DIP Loan Agreement, in the event that the Lender receives any monies in connection with the enforcement of any of the DIP Financing Documents, or otherwise with respect to the realization upon any of the Collateral, such monies shall be applied as follows: (i) first, to reimburse the Lender for any reasonable costs and expenses which shall have been incurred by the Lender in connection with the collection of such monies and (ii) second, to the Lender as a paydown of the obligations as set forth in the DIP Loan Agreement.

47. Except as expressly set forth herein, the Debtor waives promptness, diligence, presentment, demand, protest, notice of acceptance, notice of any DIP Facility obligations incurred, and all other notices of any kind, all defenses which may be available by virtue of any

valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of any other entity or other Person primarily or secondarily liable with respect to any of the DIP Facility obligations, and all suretyship defenses generally, except as otherwise provided herein. Without limiting the generality of the foregoing, the Debtor agrees to the provisions of any instrument evidencing, securing, or otherwise executed in connection with any DIP Facility obligation and agrees that the obligations of such Debtor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (i) the failure of the Lender to assert any claim or demand or to enforce any right or remedy against any other Person primarily or secondarily liable with respect to any of the DIP Facility obligations; (ii) the addition, substitution or release of any entity or other Person primarily or secondarily liable for any DIP Facility obligation; (iii) the adequacy of any rights which the Lender may have against any collateral security or other means of obtaining repayment of any of the DIP Facility obligations; (iv) the impairment of any collateral securing any of the DIP Facility obligations, including without limitation the failure to perfect or preserve any rights which the Lender might have in such collateral security or the substitution, exchange, surrender, release, loss, or destruction of any such collateral security; or (v) any other act or omission which might in any manner or to any extent vary the risk of such Debtor or otherwise operate as a release or discharge of such Debtor, all of which may be done without notice to such Debtor. To the fullest extent permitted by law, the Debtor hereby expressly waives any and all rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law which would otherwise prevent the Lender from bringing any action, including any claim for a deficiency, or exercising any other right or remedy (including any right of set-off), against such Debtor before or after the Lender's commencement or completion of any foreclosure action, whether judicially, by exercise

of power of sale, or otherwise, or (B) any other law which in any other way would otherwise require any election of remedies by the Lender.

48. The terms hereunder and under the DIP Financing Documents in respect of the DIP Financing, the security interests and liens granted to the Lender hereunder, and the rights of the Lender pursuant to this Financing Order with respect to the Collateral shall not be altered, modified, extended, impaired, or affected by any plan of reorganization of the Debtor without the prior written approval of the Lender.

49. The terms and provisions of this Order and any actions taken pursuant hereto, except for any obligation of the Lender under the DIP Financing Documents in respect of the DIP Financing, shall survive entry of any order that may be entered converting to chapter 7 or dismissing the Debtor's Case. The terms and provisions of this Order as well as the priorities in payment, liens, and security interests granted in respect of the DIP Financing pursuant to this Order and the DIP Financing Documents shall continue in these or any superseding case of the Debtor under the Bankruptcy Code, and such priorities in payment, liens, and security interests shall maintain their priority as provided by this Order until the DIP Financing is indefeasibly satisfied in full by its terms and discharged, and the Lender shall have no further obligation or financial accommodation to the Debtor.

50. The provisions of this Order shall inure to the benefit of the Debtor and the Lender, and they shall be binding upon (a) the Debtor and its successors and assigns, including any trustees or other fiduciaries hereafter appointed as legal representatives of the Debtor or with respect to property of the estate of the Debtor, whether under chapter 11 of the Bankruptcy Code or any subsequent chapter 7 case, and (b) all creditors of the Debtor and other parties in interest.

51. If an order is entered, whether *sua sponte* by the Court or otherwise, dismissing the Case or converting the Case to chapter 7, such order shall recognize that such dismissal or

conversion shall not affect or diminish the Lender's rights, priorities, or remedies hereunder or under applicable law.

52. If any or all of the provisions of this Order are hereafter modified, vacated, or stayed, such modification (which shall not occur without the prior written agreement of the Lender), vacation, or stay shall not affect (a) the validity of any obligation, indebtedness, or liability incurred by the Debtor to the Lender in respect of the DIP Financing before the effective date of such modification, vacation, or stay or (b) the validity or enforceability of any security interest, lien, priority, release of claims, or other protection in respect of the DIP Financing authorized or created hereby or pursuant to the DIP Financing Documents. Notwithstanding any such modification, vacation, or stay, any indebtedness, obligations, or liabilities incurred by the Debtor to the Lender in respect of the DIP Financing before the effective date of such modification, vacation, or stay shall be governed in all respects by the original provisions of this Order, and the Lender shall be entitled to all the rights, remedies, privileges, and benefits granted herein and pursuant to the DIP Financing Documents with respect to all such indebtedness, obligations, or liabilities in respect of the DIP Financing.

53. The Debtor irrevocably waives any right to seek any modifications or extensions of this Order without the prior written consent of the Lender.

54. To the extent the terms and conditions of the DIP Financing Documents are expressly in conflict with the terms and conditions of this Order, the terms and conditions of this Order shall control.

55. The Debtor's counsel shall serve this Order on all of the following parties: (i) the Bankruptcy Administrator for the Northern District of Alabama; (ii) the attorneys for the Lender; (iii) all creditors known to Debtor who have or may assert liens against the Debtor's assets; (iv)

the United States Internal Revenue Service; and (v) all parties required to be served under the Bankruptcy Code or Bankruptcy Rules.

56. No approval, agreement, or consent requested of the Lender by the Debtor pursuant to the terms of this Order or otherwise shall be inferred from any action, inaction or acquiescence of the Lender other than a writing acceptable to the Lender which is signed by the Lender and expressly shows such approval, agreement, or consent, without limitation. Nothing herein shall in any way affect the rights of Lender as to any non-debtor entity, without limitation.

57. This Order and the findings of fact and conclusions of law contained herein shall be effective upon entry of this Order by the Court. To the extent any findings may constitute conclusions, and vice versa, they are hereby deemed as such.

58. This Court hereby expressly retains jurisdiction over all persons and entities, co-extensive with the powers granted to the Court under the Bankruptcy Code, to enforce the terms of this Order and to adjudicate any and all disputes in connection therewith.

59. Subject to the terms hereof, nothing herein shall be deemed or construed to waive, limit, or modify the rights of any party to seek additional relief in this Case in accordance with any provision of the Bankruptcy Code or applicable law or the rights of any other party to oppose the same.

60. Except as otherwise specified herein, any notice, objection, report, or other document required to be given hereunder shall be deemed given upon its deposit in the United States mail, postage pre-paid, and addressed as follows:

(a) if to the Lender:

BI-LO, LLC
Attn: Dwane Bryant, General Counsel
208 BI-LO Boulevard
Greenville, SC 29607
Fax: 864-987-1105

Email: dbryant@bi-lo.com

with a copy to counsel to the Lender:

Josiah M. Daniel III
VINSON & ELKINS L.L.P.
3700 Trammell Crow Center
2001 Ross Avenue
Dallas, TX 75201
Fax: 214-999-7718
Email: jdaniel@velaw.com

(b) if to the Debtor:

Bruno's Supermarkets, LLC.
Attn: James Grady, CRO
1800 International Park Drive, Suite 500
Birmingham, AL 35243
Fax:
Email:

with a copy to counsel to the Debtor:

Charles L. Denaburg
Najjar Denaburg, P.C.
2125 Morris Avenue
Birmingham, Alabama 35203
Phone: 205.250.8400
Fax: 205.326.3837
CDenaburg@najjar.com

61. Nothing contained herein shall waive or modify any rights and remedies which the Lender have or may come to have under the DIP Financing Documents or this Order, at law, in equity, or otherwise.

62. THE DIP FINANCING DOCUMENTS OR DOCUMENTS EXECUTED IN CONNECTION THEREWITH OR RELATING THERETO AND THIS ORDER (AND A FINAL FINANCING ORDER, WHEN ENTERED) REPRESENT THE FINAL AGREEMENT AMONG THE LENDER AND THE DEBTOR WITH RESPECT TO THE DIP FINANCING AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR,

CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF SUCH PARTIES.
THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN SUCH PARTIES.

63. The Financing Motion is approved as provided herein.

64. The terms of this Interim Order, and any authorizations granted hereunder for the benefit of the Debtor, shall automatically expire upon the earliest to occur of (i) the termination of the DIP Financing in accordance with the terms of the DIP Loan Agreement, (ii) the occurrence of an Event of Default, (iii) confirmation of a plan of reorganization under chapter 11, (iv) entry of a final DIP Order by this Court, or (v) February 27, 2009 at 5:00 p.m., at which time all of the Debtor's authority to obtain credit under this Order shall terminate, as shall the Lender's obligation to provide the DIP Financing, unless extended by written agreement of all of the parties hereto, a copy of which shall be promptly filed with this Court by the Debtor (the "Expiration Date").

65. The final hearing on the Financing Motion, pursuant to Bankruptcy Rule 4001(c)(2), shall be held on February __, 2009 at __:00 __.m. in the courtroom of The Honorable _____, United States Bankruptcy Court, Birmingham, Alabama. Objections, if any, to the Financing Motion shall be in writing, shall set forth with particularity the grounds for such objections, shall be filed with the Clerk of the Bankruptcy Court, and personally served upon (i) attorneys for the Debtor, (ii) the Bankruptcy Administrator for the Northern District of Alabama, (iii) the attorneys for Lender, (iv) all creditors known to Debtor who have or may assert liens against the Debtor's assets, (v) the United States Internal Revenue Service, (vi) the twenty (20) largest unsecured creditors of the Debtor, and (vii) all parties in interest who have filed a notice of appearance or upon whom service must be effected under the Bankruptcy Rules or the Local Rules of the Northern District of Alabama, Southern Division so as to be actually received by Noon (Central Time) on February __, 2009.

SIGNED this ____ day of February, 2009.

UNITED STATES BANKRUPTCY JUDGE

AGREED TO AND ACCEPTED:

Charles L. Denaburg
NAJJAR DENABURG, P.C.
2125 Morris Avenue
Birmingham, Alabama 35203
Phone: 205.250.8400
Fax: 205.326.3837
CDenaburg@najjar.com

By: _____
One of Counsel

ATTORNEYS FOR THE DEBTOR AND DEBTOR IN POSSESSION

Josiah M. Daniel III
VINSON & ELKINS L.L.P.
3700 Trammell Crow Center
2001 Ross Avenue
Dallas, TX 75242
Tel: 214-220-7718
Fax: 214-999-7718
Email: jdaniel@velaw.com

By: _____
One of Counsel

ATTORNEYS FOR THE LENDER

SCHEDULE 1 – DIP LOAN AGREEMENT

SCHEDULE 2 – BUDGET

Bruno's Supermarkets, LLC

In Court (Close 10 Only; Using Hilco Liquidation)

(Dollars in Thousands)

Week Period	Assume Filing of 2/8															
	2/7/2009	2/14/2009	2/21/2009	2/28/2009	3/7/2009	3/14/2009	3/21/2009	3/28/2009	4/4/2009	4/11/2009	4/18/2009	4/25/2009	5/2/2009	5/9/2009	5/16/2009	5/23/2009
Week 5																
Week 6																
Week 7																
Week 8																
Week 9																
Week 10																
Week 11																
Week 12																
Week 13																
Week 14																
Week 15																
Week 16																

Receipts:																
Net Operating Inflows	\$ 14,064	\$ 14,260	\$ 13,057	\$ 13,374	\$ 14,543	\$ 12,527	\$ 12,388	\$ 12,840	\$ 14,067	\$ 13,589	\$ 13,440	\$ 13,054				
Liquidity Impacts																
3rd Party Advisory / Counsel Fees	\$ (315)	\$ (325)	\$ (325)	\$ (325)	\$ (400)	\$ (325)	\$ (325)	\$ (325)	\$ (365)	\$ (290)	\$ (290)	\$ (290)				
Residual Liquidation Value after Store Closure					\$ 500											
Other Initiatives																
Lower Admin - \$2MM Annual	\$	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38	\$ 38				
401k - \$7 Annual	\$	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13				
Total Initiatives / 3rd Party Fees	\$ (315)	\$ (273)	\$ (273)	\$ (273)	\$ (348)	\$ 227	\$ (273)	\$ (273)	\$ (313)	\$ (238)	\$ (238)	\$ (238)				
Total Inflows	\$ 13,749	\$ 13,987	\$ 12,784	\$ 13,101	\$ 14,195	\$ 12,754	\$ 12,115	\$ 12,567	\$ 13,754	\$ 13,351	\$ 13,202	\$ 12,816				

Disbursements:																
Sales Tax Backlog Payments																
December Taxes	(2,110)	-	-	-	-	-	-	-	-	-	-	-				
January Taxes	(2,110)	-	-	-	-	-	-	-	-	-	-	-				
Total Backlog Payments	\$ (4,220)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Key Disbursements:																
C&S Payments *	(4,937)	(5,539)	(4,783)	(4,231)	(4,496)	(4,685)	(4,473)	(4,287)	(4,595)	(5,833)	(4,393)	(4,447)				
DSD Payments *	(1,665)	(2,088)	(2,127)	(2,080)	(1,898)	(1,885)	(1,987)	(1,961)	(1,981)	(1,896)	(2,046)	(2,221)				
Est. Critical Vendor Payments	(750)	(2,000)	(838)	(868)	(853)	(790)	(741)	(747)	(850)	(757)	(775)	(769)				
Cardinal Pharmacy Drugs *	(1,688)	(1,608)	(2,500)	(1,608)	(1,751)	(1,688)	(2,440)	(1,668)	(1,479)	(1,516)	(1,436)	(2,328)				
Store Payroll	(1,338)	(1,338)	(2,429)	(1,754)	(1,627)	(1,572)	(1,553)	(1,669)	(1,621)	(1,562)	(1,560)	(1,560)				
Utilities/Supplies/Misc *	(80)	-	(447)	(1,297)	(80)	(447)	(447)	(1,297)	(80)	(447)	(447)	(1,297)				
Rent (incl. CAM, Insurance, Taxes)	(1,668)	(1,679)	(1,081)	(1,197)	(1,926)	(2,021)	(781)	(1,197)	(1,911)	(1,938)	(1,123)	(1,653)				
Western Union Cash Out	-	-	-	-	-	(2,647)	-	-	-	-	(2,626)	-				
Sales Taxes - Out	(12,023)	(15,109)	(14,195)	(13,034)	(12,632)	(12,641)	(15,050)	(12,824)	(12,517)	(13,503)	(14,409)	(14,274)				
Key Disbursements	\$ (14,133)	\$ (15,109)	\$ (14,195)	\$ (13,034)	\$ (12,632)	\$ (12,641)	\$ (15,050)	\$ (12,824)	\$ (12,517)	\$ (13,503)	\$ (14,409)	\$ (14,274)				
Total Disbursements	\$ (18,353)	\$ (18,118)	\$ (18,172)	\$ (16,068)	\$ (15,268)	\$ (15,262)	\$ (17,101)	\$ (15,641)	\$ (15,034)	\$ (16,020)	\$ (15,812)	\$ (15,948)				

Operating Cash Flow																
Operating Cash Flow	\$ (384)	\$ (1,122)	\$ (1,411)	\$ 67	\$ 1,563	\$ 113	\$ (2,935)	\$ (257)	\$ 1,237	\$ (131)	\$ (1,207)	\$ (4,959)				
Cumulative OCF	\$ (1,505)	\$ (2,627)	\$ (4,038)	\$ (3,971)	\$ (2,408)	\$ (945)	\$ (1,374)	\$ (4,109)	\$ (4,366)	\$ (3,130)	\$ (3,281)	\$ (5,947)				
Revolver Fluctuations																
Beginning Inventory	43,410	43,410	41,460	39,510	38,210	37,560	36,910	36,910	36,910	36,910	36,910	36,910				
LESS: Inventory Reduction from Store Closures	-	(1,950)	(1,950)	(1,300)	(650)	(650)	-	-	-	-	-	-				
Net Inventory	43,410	41,460	39,510	38,210	37,560	36,910	36,910	36,910	36,910	36,910	36,910	36,910				
Effective Advance	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%				
Net Availability before Script Advance	\$ 17,364	\$ 16,584	\$ 15,804	\$ 15,284	\$ 15,024	\$ 14,764	\$ 14,764	\$ 14,764	\$ 14,764	\$ 14,764	\$ 14,764	\$ 14,764				
Advance on Script Value at 50% (80k scripts)	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600				
Total Availability	\$ 20,964	\$ 20,184	\$ 19,404	\$ 18,884	\$ 18,624	\$ 18,364	\$ 18,364	\$ 18,364	\$ 18,364	\$ 18,364	\$ 18,364	\$ 18,364				
Revolver Balance - Beginning	\$ 10,831	\$ 11,214	\$ 12,336	\$ 13,747	\$ 13,681	\$ 12,118	\$ 12,005	\$ 14,940	\$ 14,940	\$ 15,197	\$ 13,961	\$ 14,112				
LESS: Operating Stores Net Inflow	(13,749)	(12,958)	(11,670)	(12,347)	(13,622)	(12,254)	(12,567)	(13,754)	(13,567)	(13,754)	(13,551)	(12,816)				
LESS: Store Closers Liquidation Proceeds	(1,029)	(1,029)	(1,114)	(754)	(573)	(500)	-	-	-	-	-	-				
Subtotal: Total Inflows	(13,749)	(13,987)	(12,784)	(13,101)	(14,195)	(12,754)	(12,641)	(15,050)	(12,824)	(13,754)	(13,551)	(12,816)				
ADD: Advance from Revolver	14,133	15,109	14,195	13,034	12,632	12,641	15,050	12,824	12,517	13,503	14,409	14,274				
Revolver Balance - Ending	\$ 11,214	\$ 12,316	\$ 13,747	\$ 13,681	\$ 12,118	\$ 12,005	\$ 14,940	\$ 14,940	\$ 15,197	\$ 13,961	\$ 14,112	\$ 12,816				
Net Liquidity	\$ 9,750	\$ 7,848	\$ 5,657	\$ 5,203	\$ 6,506	\$ 6,359	\$ 3,424	\$ 3,167	\$ 4,403	\$ 4,252	\$ 3,045	\$ 1,586				

* For presentation purposes, the Company has assumed a filing date of 2/8/09 and has assumed that all merchandise vendors and certain service providers will require COD or CIA terms beginning the week ending 2/14/09. Amounts included as "Key Disbursement"

EXHIBIT B

DEBTOR IN POSSESSION CREDIT AGREEMENT

dated as of

February 5, 2009

by and between

BRUNO'S SUPERMARKETS, LLC,
a Delaware limited liability company
(**Borrower**)

and

BI-LO, LLC,
a Delaware limited liability company
(**Lender**)

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APPENDIX A
GENERAL DEFINITIONS

SCHEDULES AND EXHIBITS

Exhibit A	Form of Notice of Borrowing
Schedule 7.1	Location of Collateral

DEBTOR IN POSSESSION CREDIT AGREEMENT

THIS DEBTOR IN POSSESSION CREDIT AGREEMENT dated as of February 5, 2009, is by and between, **BRUNO'S SUPERMARKETS, LLC**, a Delaware limited liability company ("**Borrower**") and **BI-LO, LLC**, a Delaware limited liability company ("**Lender**"). Capitalized terms used in this Agreement have the meanings assigned to them in Appendix A, General Definitions.

RECITALS:

A. Borrower is a debtor-in-possession under Chapter 11 of the Bankruptcy Code in the case (the "**Chapter 11 Case**") pending in the United States Bankruptcy Court for the Northern District of Alabama Southern Division (the "**U.S. Court**"). Borrower has requested that Lender extend financing on a secured basis to Borrower in connection with the Chapter 11 Case in accordance with the provisions of this Agreement.

B. Lender is willing to make loans and other extensions of credit to Borrower, subject to the terms and conditions of this Agreement and subject to the terms and conditions set forth in the Financing Orders.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

ARTICLE 1 DIP FACILITY

Subject to the terms and conditions of, and in reliance upon the representations and warranties made in, this Agreement and the other DIP Financing Documents, Lender agrees to make the DIP Facility available to Borrower, in an aggregate amount up to the Commitment, as follows:

Section 1.1 Post-Petition Loans.

(a) General. The DIP Facility shall be a two stage facility comprised of (i) an Interim DIP Funding, and (ii) a Final DIP Funding as more fully set forth below. Fundings under the DIP Facility (the "**Post-Petition Loans**") shall bear interest as set forth in Article 2 hereof and shall be secured by all of the Collateral. Amounts borrowed under the DIP Facility and repaid or prepaid may not be reborrowed.

(b) Tranche A - Interim DIP Funding. As soon as practicable after (i) commencement of the Chapter 11 Case, (ii) the U.S. Court enters an Interim Financing Order, and (iii) the satisfaction of the additional conditions precedent noted below, Lender shall fund into a Deposit Account of Borrower an amount approved by the U.S. Court, which amount shall not exceed \$4,000,000.00 (the "**Interim DIP Funding**"); provided, however, that Lender shall not be obligated to provide any Interim DIP Funding if any one or more of the following occurs: (i) a Default or Event of Default has occurred and is continuing, or (ii) the U.S. Court has not entered the Interim Financing Order on or before February 9, 2009.

(c) Tranche B - Final DIP Funding. As soon as practicable after the U.S. Court (i) enters a Final Financing Order and (ii) the satisfaction of the additional conditions precedent noted below (including, without limitation, the acceptable completion of credit documentation in the absolute discretion of Lender), Borrower shall be eligible to make Borrowings under this Agreement up to an aggregate amount equal to the Commitment less the amount of the Interim DIP Funding (the "**Final DIP Funding**"); *provided, however*, that Lender shall not be obligated to provide any Final DIP Funding if any one or more of the following occurs: (i) a Default or Event of Default has occurred and is continuing, or (ii) the U.S. Court has not entered the Final Financing Order on or before February 28, 2009.

Section 1.2 Use of Proceeds. The proceeds of the Post-Petition Loans and any Net Proceeds not required to be applied as provided in Section 4.7(b) shall be used during the pendency of the Chapter 11 Case for short-term working capital liquidity needs of Borrower as more fully set forth herein (and shall not in any event be used to pay any pre-petition Claims without Lender's prior written consent). Notwithstanding anything to the contrary contained herein and in the Budget, in no event shall proceeds of Post-Petition Loans and any such Net Proceeds be used to pay any Professional Expenses incurred in connection with the assertion of or joinder in any claim, counterclaim, action, contested matter, objection, defense or other proceeding, the purpose of which is to seek or the result of which would be to obtain any order, judgment, declaration, or similar relief (a) invalidating, setting aside, avoiding or subordinating, in whole or in part, any of the Obligations or Liens and security interests in any of the Collateral granted to Lender under this Agreement or the Financing Orders; (b) declaring any of the DIP Financing Documents to be invalid, not binding or unenforceable in any respect, (c) preventing, enjoining, hindering or otherwise delaying Lender's enforcement of any of the DIP Financing Documents or any realization upon any Collateral (unless such enforcement or realization is in direct violation of an explicit provision in any of the Financing Orders); (d) declaring any Liens granted or purported to be granted under any of the DIP Financing Documents to have a priority other than the priority set forth therein; or (e) objecting to the amount or method of calculation by Lender of any of the Obligations. Nothing in this Section 1.2 shall be construed to waive Lender's right to object to any requests, motions or applications made in or filed with the U.S. Court, including any applications for interim or final allowances of Professional Expenses.

ARTICLE 2 INTEREST, FEES AND CHARGES

Section 2.1 Interest

(a) Rates of Interest. Borrower agrees to pay interest in respect of all unpaid principal amounts of the Post-Petition Loans from the respective dates such principal amounts are advanced until paid (whether at stated maturity, on acceleration or otherwise) at a rate per annum equal to three percent (3%) plus the Lender Cost of Funds in effect from time to time. The rate of interest for all Post-Petition Loans shall be increased or decreased, as the case may be, by an amount equal to any increase or decrease in the Lender Cost of Funds, with such adjustments to be effective as of the opening of business on the day that any such change in the Lender Cost of Funds becomes effective.

(b) Default Rate of Interest. From and after the occurrence of any Event of Default, but only so long as such Event of Default is continuing, the principal amount of the Obligations shall bear interest at the Default Rate.

Section 2.2 Computation of Interest and Fees. Interest shall be calculated on a daily basis, commencing on the date of funding of the initial Post-Petition Loan, and shall be payable monthly, in arrears, on the last Business Day of each month. All interest, fees and other charges provided for in this Agreement shall be calculated daily and shall be computed on the actual number of days elapsed over a year of 360 days.

Section 2.3 Reimbursement Obligations. Borrower shall reimburse Lender for all reasonable legal, accounting, appraisal and other fees and expenses incurred by Lender in connection with (i) the negotiation and preparation of any of the DIP Financing Documents, any amendment or modification to any of the DIP Financing Documents, any waiver of any Default or Event of Default thereunder, or any restructuring or forbearance with respect thereto; (ii) the administration of the DIP Financing Documents and the transactions contemplated thereby; (iii) any action reasonably taken to perfect or maintain the perfection or priority of any of Liens with respect to any of the Collateral; (iv) any inspection of or audits conducted with respect to Borrower's books and records or any of the Collateral; (v) any effort to verify, protect, preserve, or restore any of the Collateral or to collect, sell, liquidate or otherwise dispose of or realize upon any of the Collateral; (vi) any litigation, contest, dispute, suit, proceeding or action (whether instituted by or against Lender, Borrower or any other Person) in any way arising out of or relating to any of the Collateral (or the validity, perfection or priority of any Liens thereon), any of the DIP Financing Documents or the validity, allowance or amount of any of the Obligations; (vii) the protection or enforcement of any rights or remedies of Lender in any Insolvency Proceeding; and (viii) any other action taken by Lender to enforce any of the rights or remedies of Lender against Borrower or any Account Debtors to enforce collection of any of the Obligations or payments with respect to any of the Collateral. All amounts chargeable to Borrower under this Section 2.3 shall constitute Obligations that are secured by all of the Collateral and shall be payable to Lender on demand. Borrower shall also reimburse Lender for reasonable expenses incurred by Lender in its administration of any of the Collateral to the extent and in the manner provided in Article 7 hereof or in any of the other DIP Financing Documents. The foregoing shall be in addition to, and shall not be construed to limit, any other provision of any of the DIP Financing Documents regarding the reimbursement by Borrower of costs, expenses or liabilities suffered or incurred by Lender.

Section 2.4 Maximum Interest. In no event whatsoever shall the aggregate of all amounts deemed interest hereunder and charged or collected pursuant to the terms of this Agreement exceed the Maximum Rate, nor shall any provisions hereof be construed as a contract to pay for the use, forbearance or detention of money with interest at a rate or in an amount in excess of the Maximum Rate. If any provisions of this Agreement contravene any Applicable Law, such provisions shall be deemed amended to conform to such Applicable Law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided, in this Agreement or otherwise in connection with this loan transaction, the provisions of this paragraph shall govern and prevail, and neither Borrower nor the sureties, guarantors, successors

or assigns of Borrower shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the Maximum Rate shall be deemed charged, required or permitted by any court of competent jurisdiction, any such excess shall be applied as a payment and reduction of the principal of indebtedness evidenced by this Agreement; and, if the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to Borrower. In determining whether or not the interest paid or payable exceeds the Maximum Rate, Borrower shall, to the extent permitted by Applicable Law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the indebtedness evidenced by this Agreement so that the interest for the entire term does not exceed the Maximum Rate.

ARTICLE 3 LOAN ADMINISTRATION

Section 3.1 Manner of Borrowing and Funding Post-Petition Loans. Borrowings under the Commitment established pursuant to Article 1 hereof shall be made and funded as follows:

(a) Notice of Borrowing.

(i) Following the U.S. Court's entry of the Final Financing Order, whenever Borrower desires to make a Borrowing under this Agreement (other than with respect to the Interim DIP Funding), Borrower shall give Lender prior written notice of such Borrowing request (a "**Notice of Borrowing**"), which shall be in the form of Exhibit A annexed hereto and signed by a Senior Officer. Such Notice of Borrowing shall be given by Borrower no later than 11:00 a.m., South Carolina time, at the office of Lender, as designated by Lender from time to time at least three (3) Business Days prior to the requested funding date of such Borrowing, but no more frequently than once per week. Notices received after 11:00 a.m. shall be deemed received on the next Business Day. Each Post-Petition Loan shall be in the minimum amount of \$500,000 (unless deemed requested pursuant to Section 3.1(a)(ii) or otherwise agreed by Lender). Each Notice of Borrowing shall be irrevocable and shall specify (A) the principal amount of the Borrowing, (B) the date of Borrowing (which shall be a Business Day), (C) and the proposed use of the proceeds thereof.

(ii) Unless payment is otherwise timely made by Borrower, the becoming due of any amount required to be paid under this Agreement or any of the other DIP Financing Documents with respect to the Obligations (whether as principal, accrued interest, fees or other charges) shall be deemed irrevocably to be a request for a Post-Petition Loan on the due date of, and in an aggregate amount required to pay, such principal, accrued interest, fees or other charges, and the proceeds of such Post-Petition Loan may be disbursed by way of direct payment of the relevant Obligation.

(b) Fundings by Lender. Subject to its receipt of a Notice of Borrowing as provided in Section 3.1(a)(i), and in compliance with the terms and conditions hereof, Lender shall make the proceeds of the Post-Petition Loan available to Borrower by disbursing such

proceeds in accordance with Borrower's disbursement instructions set forth in the applicable Notice of Borrowing.

(c) Disbursement Authorization. Borrower hereby irrevocably authorizes Lender to disburse the proceeds of each Post-Petition Loan requested by Borrower, or deemed to be requested pursuant to Section 3.1(a), as follows: (i) the proceeds of each Post-Petition Loan requested under Section 3.1(a)(i) shall be disbursed by Lender in accordance with the terms of the Notice of Borrowing; and (ii) the proceeds of each Post-Petition Loan requested or deemed requested under Section 3.1(a)(ii) shall be disbursed by Lender by way of direct payment of the relevant interest or other Obligation. Any proceeds disbursed in payment of any of the Obligations shall be deemed to have been received by Borrower.

ARTICLE 4 PAYMENTS

Section 4.1 General Payment Provisions. All payments (including all prepayments) of principal of and interest on the Post-Petition Loans and other Obligations that are payable to Lender shall be made to Lender in Dollars, without any offset or counterclaim and free and clear of (and without deduction for) any present or future Taxes, by wire transfer of immediately available funds not later than 12:00 noon, South Carolina time, on the due date.

Section 4.2 Repayment of Post-Petition Loans.

(a) Payment of Principal. The outstanding principal amounts with respect to the Post-Petition Loans shall be due and payable on the Commitment Termination Date.

(b) Payment of Interest. Interest accrued on each Post-Petition Loan shall be due and payable on the first Business Day of each month (for the immediately preceding month), computed through the last calendar day of the preceding month. Accrued but unpaid interest shall also be paid by Borrower on the Commitment Termination Date.

Section 4.3 Payment of Other Obligations. The balance of the Obligations requiring the payment of money, including Extraordinary Expenses incurred by Lender, shall be repaid by Borrower to Lender as and when provided in the DIP Financing Documents, or, if no date of payment is otherwise specified in the DIP Financing Documents, on demand.

Section 4.4 Marshalling; Payments Set Aside. Lender shall not be under any obligation to marshal any assets in favor of Borrower or against or in payment of any or all of the Obligations. To the extent that Borrower makes a payment or payments to Lender or Lender receives payment from the proceeds of any Collateral or exercises its right of setoff, and such payment or payments or the proceeds of Collateral or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party, then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred. The provisions of the immediately preceding sentence of this Section 4.4 shall survive any termination of the Commitment and Full Payment of the Obligations.

Section 4.5 Application of Payments and Collections. All monies to be applied to the Obligations, whether such monies represent voluntary payments by Borrower or are received pursuant to demand for payment or realized from any disposition of Collateral, shall be applied as follows: (i) first, to pay the amount of Extraordinary Expenses and amounts owing to Lender pursuant to Section 13.11 hereof that have not been reimbursed to Lender by Borrower, together with interest accrued thereon at the rate then applicable; (ii) second, to pay any Indemnified Amount that has not been paid to Lender by Borrower, together with interest accrued thereon at the rate then applicable; (iii) third, to pay any fees due and payable to Lender; (iv) fourth, in payment of accrued interest in respect of the Post-Petition Loans; (v) fifth, in payment of the unpaid principal of the Post-Petition Loans; and (vi) sixth, in payment of any other Obligations then outstanding.

Section 4.6 Receipt of Payments and Collections. All payments received by Lender by 12:00 noon, South Carolina time, on any Business Day shall be deemed received on that Business Day. All Payment Items received by Lender after 12:00 noon, South Carolina time, on any Business Day shall be deemed received on the next Business Day. Except to the extent that the manner of application to the Obligations of payments or proceeds of Collateral is expressly governed by other provisions of this Agreement, Borrower irrevocably waives the right to direct the application of any and all payments and Collateral proceeds at any time or times received by Lender from or on behalf of Borrower, and Borrower does hereby irrevocably agree that Lender shall have the continuing exclusive right to apply and reapply any and all such payments and Collateral proceeds received at any time or times hereafter by Lender or its agent against the Obligations, in such manner as Lender may deem advisable, notwithstanding any entry by Lender upon any of its books and records.

Section 4.7 Prepayments.

(a) Voluntary Prepayments. Borrower may, upon at least three (3) Business Days notice to Lender, prepay the Post-Petition Loans at any time without premium or penalty.

(b) Mandatory Prepayments. A mandatory prepayment of the Post-Petition Loans shall be due on any date Borrower shall receive Net Proceeds from any Asset Disposition in an amount equal to such Net Proceeds; provided, that, notwithstanding the foregoing to the contrary, so long as no Event of Default exists, such mandatory prepayment shall only be required to the extent the aggregate amount of Net Proceeds from all Asset Dispositions following the date hereof exceeds \$5,000,000.

ARTICLE 5
DIP TERM AND TERMINATION OF COMMITMENT

Section 5.1 Term of Commitment. Subject to Lender's right to cease making Post-Petition Loans to Borrower when any Default exists and is continuing or upon the Commitment Termination Date, the Commitment shall be in effect for the DIP Term. The DIP Term may be extended by written agreement between Borrower and Lender without further notice or hearing or order by the U.S. Court.

Section 5.2 Termination.

(a) Termination by Lender. Lender may terminate the DIP Facility (and any Commitment thereunder) at any time, without notice to Borrower, after the occurrence and during the continuance of an Event of Default.

(b) Termination by Borrower. Borrower may terminate the DIP Facility at any time upon 10 days prior written notice to Lender; provided, however, no such termination by Borrower shall be effective until Full Payment of the Obligations. Any notice of termination given by Borrower shall be irrevocable unless Lender otherwise agrees in writing. Borrower may elect to terminate the DIP Facility in its entirety only.

(c) Effect of Termination. On the Commitment Termination Date, all of the Obligations shall be immediately due and payable, and Lender shall have no further obligation to make any Post-Petition Loans. All undertakings, agreements, covenants, warranties and representations of Borrower contained in the DIP Financing Documents shall survive any such termination and Lender shall retain its Liens in the Collateral and all of its rights and remedies under the DIP Financing Documents notwithstanding such termination until Full Payment of the Obligations. The provisions of Section 2.3, Section 4.4, and this Section 5.2(c) and all obligations of Borrower to indemnify Lender pursuant to this Agreement shall in all events survive any termination of the Commitment.

ARTICLE 6
COLLATERAL SECURITY AND GUARANTEE

Section 6.1 Grant of Security Interest in Collateral. To secure the prompt and Full Payment and performance of all of the Obligations, Borrower hereby grants to Lender, a continuing security interest in and Lien upon all of the following Property and interests in Property of Borrower, whether now owned or existing or hereafter created, acquired or arising (irrespective of whether the same existed on or was created or acquired after the Petition Date), but in all events excluding causes of action arising under Bankruptcy Code §§544, 545, 547, 548, 549 and 550 and subject to and subordinate to the Carve-Out:

- (a) all Accounts,
- (b) all Inventory,
- (c) all General Intangibles,
- (d) all Equipment,
- (e) all Goods,
- (f) all Farm Products,
- (g) all Fixtures,
- (h) all Chattel Paper,

- (i) all Letter-of-Credit Rights,
- (j) all Payment Intangibles,
- (k) all Supporting Obligations,
- (l) all books, records, and information relating to the Collateral and/or to the operation of Borrower's business, and all rights of access to such books, records, and information, and all property in which such books, records, and information are stored, recorded, and maintained.
- (m) all Real Property,
- (n) all Investment Property, Instruments, Documents, Deposit Accounts, money, policies and certificates of insurance, deposits, impressed accounts, compensating balances, cash, or other property,
- (o) all insurance proceeds, refunds, and premium rebates, including, without limitation, proceeds of fire and credit insurance, whether any of such proceeds, refunds, and premium rebates arise out of any of the foregoing ((a) through (o)) or otherwise,
- (p) all cash and non-cash proceeds of foregoing ((a) through (o))
- (q) all liens, guaranties, rights, remedies, and privileges pertaining to any of the foregoing (a) through (p)), including the right of stoppage in transit, and
- (r) securities, investment property, instruments, chattel paper, warehouse receipts, bills of lading, tax refunds, insurance proceeds, insurance premium refunds received by Borrower, security deposits and utility deposits (both to the extent returned to the estate), bonds and proceeds of same, causes of action (whether by contract or tort, common law or statutory, equitable or otherwise, but excluding only causes of action arising under Bankruptcy Code §§ 544, 545, 547, 548, 549, and 550), and customer lists, whether acquired before or after the Petition Date, whether now owned and existing or hereafter acquired, created, or arising, and all products and proceeds thereof (including, without limitation, claims of Borrower against third parties for loss or damage to such property), including all accessions thereto, substitutions and replacements therefor, and wherever located, and all assets acquired by Borrower postpetition and recoveries by the estate under any provision of the Bankruptcy Code (but excluding only causes of action arising under Bankruptcy Code §§ 544, 545, 547, 548, 549, and 550) or other applicable law.

In no event shall the Lien granted above extend to the interest of Borrower in any Avoidance Claims, and the Lien granted above shall for all purposes be and remain subject and subordinate in all respects to the Carve-Out.

Section 6.2 Other Collateral. In addition to the items of Property referred to in Section 6.1 above, the Obligations shall also be secured by all of the other items of Property from time to time described in the Financing Orders or any of the Security Documents as security for all of the Obligations.

Section 6.3 Lien on Deposit Accounts. In connection with the Lien granted above on Borrower's Deposit Accounts, Borrower hereby authorizes and directs each bank or other depository to pay or deliver to Lender upon its written demand therefor made at any time upon the occurrence and during the continuation of an Event of Default and without further notice to Borrower (such notice being hereby expressly waived), all balances in each Deposit Account maintained by Borrower with such depository for application to the Obligations then outstanding, and the rights given Lender in this Section shall be cumulative with and in addition to Lender's other rights and remedies in regard to the foregoing Property as proceeds of Collateral. Borrower hereby irrevocably appoints Lender as their attorney-in-fact to collect any and all such balances to the extent any such payment is not made to Lender by such bank or other depository after demand thereon is made by Lender pursuant hereto.

Section 6.4 Lien Perfection; Further Assurances. Pursuant to the terms of the Financing Orders, the Lien and security interest of Lender in and to all Collateral described herein or in any other Security Document shall be perfected automatically and without further action by Lender. No filing or registration of any kind shall be required in order to perfect the Liens granted herein or in any other Security Document. Nevertheless, Lender may elect, from an abundance of caution and in order to remove uncertainty, to file or record all such financing statements, mortgages, security agreements, fixture filings or other evidences of perfection as Lender may deem appropriate, and no such filing or recording shall in any manner alter, diminish or otherwise limit the automatic perfection of all Liens granted by the Financing Orders. Promptly after Lender's request therefor, but subject to Section 9.1(p), Borrower shall execute or cause to be executed and deliver to Lender such instruments, assignments, title certificates or other documents as are necessary under the UCC or other Applicable Law (including any motor vehicle certificates of title act) to perfect (or continue the perfection of) Lender's Lien upon the Collateral, and shall take such other action as may be requested by Lender to give effect to or carry out the intent and purposes of this Agreement. Borrower hereby authorizes Lender to file any financing statement which may be necessary under the UCC. The parties agree that a carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

Section 6.5 Lien Priority. The Liens and security interests granted to Lender pursuant to the provisions of this Article 6 and pursuant to any of the DIP Financing Documents shall be first priority Liens and security interests in the Collateral owned by Borrower, subject only to (a) valid, perfected, nonavoidable and enforceable Liens which constitute Permitted Liens, and (b) the Carve-Out, and except as expressly provided otherwise in the Financing Orders.

ARTICLE 7 COLLATERAL ADMINISTRATION

Section 7.1 General Provisions.

(a) Locations of Collateral. All tangible items of Collateral, other than Inventory in transit, shall at all times be kept by Borrower at one or more of the business locations of Borrower existing as of the date hereof and shall not be moved therefrom, without the prior written approval of Lender, except that prior to an Event of Default and acceleration of the maturity of the Obligations in consequence thereof, Borrower may (i) make sales or other

dispositions of any Collateral to the extent authorized by Section 7.4(b) hereof and (ii) move Inventory or any record relating to any Collateral to a location in the United States other than those locations at which Collateral is located as of the date hereof, so long as Borrower has given Lender at least 10 days prior written notice of such new location.

(b) Insurance of Collateral; Condemnation Proceeds. Borrower shall maintain and pay for insurance upon all Collateral, wherever located, covering casualty, hazard, public liability, and such other risks in such amounts and with such insurance companies as are reasonably satisfactory to Lender. All proceeds payable under each such policy shall be payable to Lender for application to the Obligations. Borrower shall deliver the originals or certified copies of such policies to Lender with loss payable endorsements reasonably satisfactory to Lender, naming Lender as sole loss payee, assignee or additional insured, as appropriate. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than 30 days prior written notice to Lender in the event of cancellation of the policy for any reason. If Borrower fails to provide and pay for such insurance, Lender may, at its option, but shall not be required to, procure the same and charge Borrower therefor. Borrower agrees to deliver to Lender, promptly as rendered, true copies of all reports made in any reporting forms to insurance companies. For so long as no Event of Default exists and is continuing, Borrower shall have the right to settle, adjust and compromise any claim with respect to any insurance maintained by Borrower provided that all proceeds thereof are applied in the manner specified in this Agreement, and Lender agrees promptly to provide any necessary endorsement to any checks or drafts issued in payment of any such claim. At any time that an Event of Default exists and is continuing, only Lender shall be authorized to settle, adjust and compromise such claims. Lender shall have all rights and remedies with respect to such policies of insurance as are provided for in this Agreement and the other DIP Financing Documents.

(c) Protection of Collateral. All expenses of protecting, storing, warehousing, insuring, handling, maintaining and shipping any Collateral, all Taxes imposed under any Applicable Law on any of the Collateral or in respect of the sale thereof, and all other payments required to be made by Lender to any Person to realize upon any Collateral shall be borne and paid by Borrower. If Borrower fails to pay promptly any portion thereof when due, Lender may, at its option, but shall not be required to, pay the same and charge Borrower therefor. Lender shall not be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except for reasonable care in the custody thereof while any Collateral is in Lender's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other Person whomsoever, but the same shall be at Borrower's sole risk.

(d) Defense of Title to Collateral. Borrower shall at all times defend its title to the Collateral and Lender's Liens therein against all Persons and all claims and demands whatsoever.

Section 7.2 Administration of Accounts.

(a) Records and Schedules of Accounts. Borrower shall keep accurate and complete records of its Accounts and all payments and collections thereon and shall submit to

Lender on such periodic basis as Lender shall request a sales and collections report for the preceding period, in form satisfactory to Lender.

(b) Account Verification. Whether or not a Default or an Event of Default exists, Lender shall have the right at any time, in the name of Lender, any designee of Lender or Borrower, to verify the validity, amount or any other matter relating to any Accounts of Borrower by mail, telephone, telegraph or otherwise. Borrower shall cooperate fully with Lender in an effort to facilitate and promptly conclude any such verification process.

Section 7.3 Administration of Inventory

(a) Records and Reports of Inventory. Borrower shall keep accurate and complete records of its Inventory and shall furnish Lender periodic inventory reports in form and detail reasonably satisfactory to Lender and certified to be true and correct by the chief financial officer (or any other officer acceptable to Lender in its sole discretion) of Borrower.

(b) Returns of Inventory. Borrower shall not return any of its Inventory to a supplier or vendor thereof, or any other Person, whether for cash, credit against future purchases or then existing payables, or otherwise, unless (i) such return is in the Ordinary Course of Business of Borrower and such Person; (ii) no Default or Event of Default exists or would result therefrom; (iii) Borrower promptly notifies Lender thereof if the aggregate value of all Inventory returned in any month exceeds \$50,000; and (iv) such return is not made for the purpose of allowing such Person to credit its claim against an obligation arising prior to the Petition Date.

Section 7.4 Administration of Equipment.

(a) Records and Schedules of Equipment. Borrower shall keep accurate records itemizing and describing the kind, type, quality, quantity and cost of its Equipment and all dispositions made in accordance with Section 7.4(b) hereof, and shall furnish Lender with a current schedule containing the foregoing information on at least an annual basis and more often if requested by Lender. Promptly after request therefor by Lender, Borrower shall deliver to Lender any and all evidence of ownership, if any, of any of the Equipment.

(b) Dispositions of Equipment. Borrower will not sell, lease or otherwise dispose of or transfer any of the Equipment or any part thereof without the prior written consent of Lender; provided, however, that the foregoing restriction shall not apply, for so long as no Default or Event of Default exists, to (i) dispositions of Equipment in the Ordinary Course of Business, (ii) dispositions of Equipment which, in the aggregate has a fair market value or book value, whichever is less, of \$100,000 or less, provided that all Net Proceeds thereof are remitted to Lender for application to the Obligations, or (iii) replacements of Equipment that is substantially worn, damaged or obsolete with Equipment of like kind, function and value, provided that the replacement Equipment shall be acquired prior to or concurrently with any disposition of the Equipment that is to be replaced, the replacement Equipment shall be free and clear of Liens other than Permitted Liens that are not Purchase Money Liens, and Borrower shall have given Lender at least 10 days prior written notice of such disposition.

(c) Condition of Equipment. The Equipment is in good operating condition and repair consistent with its age and prior use, and all necessary replacements of and repairs

thereto shall be made so that the value and operating efficiency of the Equipment shall be maintained and preserved, reasonable wear and tear excepted. Borrower will not permit any of the Equipment to become affixed to any Real Property leased to Borrower so that an interest arises therein under the real estate laws of the applicable jurisdiction unless the landlord of such Real Property has executed a landlord waiver or leasehold mortgage in favor of and in form acceptable to Lender, and Borrower will not permit any of the Equipment to become an accession to any personal Property that is subject to a Lien unless the Lien is a Permitted Lien.

Section 7.5 Investment Property. Borrower shall not grant control over any Investment Property to any Person other than Lender.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES

Section 8.1 General Representations and Warranties. To induce Lender to enter into this Agreement and to make available the Commitment, Borrower warrants and represents to Lender that:

(a) Organization and Qualification. Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has the power to own Properties and to transact the business in which it is presently engaged or proposed to be engaged and is duly qualified and in good standing in each jurisdiction in which it presently is, or proposes to be, engaged in business, other than failures to be so qualified and in good standing that could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority. The execution, delivery and performance by Borrower of the DIP Financing Documents are within Borrower's limited liability company power, have been duly authorized by all necessary or proper corporate action and, on the date of initial funding of Post-Petition Loans hereunder, will be authorized by the Interim Financing Order pursuant to Sections 363 and 364 of the Bankruptcy Code; are not in contravention of any provision of its own Organizational Documents; will not violate any Applicable Law (following entry of the Interim Financing Order); does not require the consent or approval of any Governmental Authority or any other Person other than the entry by the U.S. Court of the Interim Financing Order and thereafter the Final Financing Order.

(c) Enforceable Agreements. Each of the DIP Financing Documents has been duly executed and delivered by Borrower and constitutes a legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms, subject to the Financing Orders.

(d) Priority of Liens. Upon entry of the Interim Financing Order, and thereafter upon entry of the Final Financing Order, the security interests granted pursuant to the DIP Financing Documents constitute valid, enforceable, perfected and first priority Liens on the Collateral owned by Borrower, except to the extent otherwise expressly provided in the Financing Orders and except for Permitted Liens.

(e) No Default. No Default or Event of Default exists at the time, or would result from the funding, of any Post-Petition Loan or other extension of credit hereunder;

(f) Not a Regulated Entity. Borrower is not (i) an “investment company” or a “person directly or indirectly controlled by or acting on behalf of an investment company” within the meaning of the Investment Company Act of 1940; or (ii) a “holding company,” or a “subsidiary company” of a “holding company,” or an “affiliate” of a “holding company” or of a “subsidiary company” of a “holding company,” within the meaning of the Public Utility Holding Company Act of 1935.

(g) Margin Stock. Borrower is not engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock.

(h) Equity Interests. Borrower does not own any Equity Interests in any Person.

(i) Subsidiaries. Borrower does not have any Subsidiaries, whether direct or indirect.

Section 8.2 Reaffirmation of Representations and Warranties. All of the foregoing representations and warranties made by Borrower in this Agreement or in any of the other DIP Financing Documents shall survive the execution and delivery of this Agreement and such other DIP Financing Documents, and shall be deemed to have been remade and reaffirmed on each day that any Obligations are outstanding or that Borrower requests or is deemed to have requested the funding of a Post-Petition Loan under the DIP Facility.

ARTICLE 9 COVENANTS AND CONTINUING AGREEMENTS

Section 9.1 Affirmative Covenants. During the DIP Term and thereafter until Full Payment of the Obligations, Borrower covenants that it shall:

(a) Business and Existence. Preserve and maintain its separate corporate existence and all rights, privileges, and franchises in connection therewith, and maintain its qualification and good standing in all states in which such qualification is necessary to the ownership of its Properties or the conduct of its businesses.

(b) Business Records. Keep adequate records and books of account with respect to its business activities in which proper entries are made in accordance with GAAP reflecting all financial transactions.

(c) Visits and Inspections. Permit representatives of Lender, from time to time, as often as may be reasonably requested, but only during normal business hours, to visit and inspect the Properties, inspect and make extracts from their books and records, and discuss with their officers, employees and independent accountants, the business, assets, liabilities, financial condition, business prospects and results of operations of Borrower.

(d) Further Assurances. At Lender's request, promptly execute or cause to be executed and deliver to Lender any and all documents, instruments and agreements deemed necessary by Lender to give effect to or carry out the terms or intent of this Agreement or any of the DIP Financing Documents.

(e) Compliance With Orders. Comply with the Interim Financing Order, the Final Financing Order and all other orders entered by the U.S. Court in the Chapter 11 Case.

(f) Financial Statements. Cause to be prepared and to be furnished to Lender the following:

(i) as soon as available, and in any event within 30 days after the end of each month hereafter, unaudited interim consolidated financial statements of Parent and its Subsidiaries as of the end of such month and the related unaudited consolidated statements of income and cash flow for such month and for the portion of Parent's Fiscal Year then elapsed, certified by the chief financial officer of Parent as prepared in accordance with GAAP and fairly presenting the consolidated financial position and results of operations of Parent and its Subsidiaries for such month and period subject only to changes from audit and year-end adjustments and the ongoing restatement process and except that such statements need not contain notes; and

(ii) such other data and information (financial or otherwise) as Lender, from time to time, may reasonably request, bearing upon or related to the Collateral or Borrower's financial condition or results of operations;

Concurrently with the delivery of the financial statements described in clause (i) of this Section 9.1(f), or more frequently if requested by Lender during any period that a Default or Event of Default exists, Borrower shall cause to be prepared and furnish to Lender a Compliance Certificate.

(g) Notices. Notify Lender in writing, promptly after Borrower's obtaining knowledge thereof, of the termination or breach of any Material Contract; the occurrence of any Default or Event of Default; Borrower's violation (or asserted violation) of any Applicable Law (including the Bankruptcy Code or any Environmental Law); any claim that Borrower may make under any policy of insurance with respect to the Collateral; any pleading filed with the U.S. Court seeking relief from stay or conversion or dismissal of any Chapter 11 Case; the delivery or receipt by Borrower of notices relating to the C&S Contract (which notification to Lender shall include copies of such notices); and any proposed sale of any of the Collateral (including with such notice copies of drafts of all instruments and agreements applicable to any such sale), which shall specify the identity of the proposed purchaser, the terms of the proposed sale and the expected date of closing, subject to U.S. Court approval. Borrower shall provide, or shall cause their counsel in its Chapter 11 Case to provide, Lender's counsel with copies of all pleadings, motions, reports, applications and other papers filed by Borrower with the U.S. Court as well as copies of all billing and expense statements received from any Professional Person. Borrower shall include counsel for Lender on any "Special Notice List" or other similar list of parties to be served with papers in its Chapter 11 Case.

(h) Insurance. In addition to the insurance required herein with respect to the Collateral, maintain with financially sound and reputable insurers, insurance with respect to its Properties and business against such casualties and contingencies of such type (including product liability, business interruption, larceny, embezzlement or other criminal misappropriation insurance) and in such amounts as is customary in the business of Borrower.

(i) Compliance With Laws. Comply with all Applicable Law, including ERISA, FLSA, OSHA, all Environmental Laws, the Bankruptcy Code and all laws, statutes, regulations and ordinances regarding the collection, payment and deposit of Taxes, and obtain and keep in force any and all Governmental Approvals necessary to the ownership of its Properties or to the conduct of its business, to the extent that any such failure to comply, obtain or keep in force could be reasonably expected to have a Material Adverse Effect.

(j) Taxes. Pay and discharge all Taxes prior to the date on which such Taxes become delinquent or penalties attach thereto, except and to the extent only that such Taxes are being Properly Contested or are not permitted to be paid currently under federal bankruptcy law.

(k) Reports to the U.S. Trustee. As soon as available, and in any event within 2 Business Days after the filing thereof, provide to Lender a copy of each report filed by Borrower with the office of the United States Trustee.

(l) Proposed Sale of Assets. Promptly upon receipt thereof, provide to Lender any and all documentation that in any way relates to a written solicitation, offer, or proposed sale or disposition of any material amount of real or personal Property of Parent or any of its Subsidiaries, including letters of inquiry, solicitations, letters of intent or asset purchase agreements.

(m) Utility Deposits. To the extent Borrower has made or makes any deposits for the benefit of utilities companies or any other Person, Borrower acknowledges that Lender has been granted a first priority perfected Lien in such deposits, subject to any right of setoff by such utility company. Borrower shall not use or transfer such deposits, and Borrower hereby assigns and sets over all such deposits to Lender, subject to any right of setoff by such utility company.

(n) Payment of Administrative Expenses. Make all payments of (i) post-petition operating costs and expenses as and when due and (ii) administrative costs and expenses as and when such administrative costs and expenses are due and payable, as approved by the U.S. Court.

(o) C&S Contract. Borrower shall pay when due all amounts owing under the C&S Contract.

(p) Other Information. Promptly (and in any event within 5 Business Days) after any request of Lender, deliver to Lender such additional financial or other information concerning the acts, conduct, properties, assets, liabilities, operations, businesses, financial condition or transactions of Borrower, or concerning any matter which may affect the administration of Borrower's Estate, as Lender may from time to time reasonably request.

Section 9.2 Negative Covenants. During the DIP Term and thereafter until Full Payment of the Obligations, Borrower covenants that it shall not:

(a) Fundamental Changes. Merge or consolidate with any Person, acquire a material amount of assets of any Person, or liquidate, wind up its affairs or dissolve itself.

(b) Limitation on Liens. Create or suffer to exist any Lien upon any of its Property, income or profits, whether now owned or hereafter acquired, except: (i) Liens in existence on the Petition Date and not required to be terminated as noted thereon; (ii) Liens for Taxes (excluding any Lien imposed pursuant to any of the provisions of ERISA) not yet due or being Properly Contested; (iii) statutory Liens (excluding Liens imposed pursuant to any of the provisions of ERISA) securing the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons for labor, materials, supplies or rentals incurred in the Ordinary Course of Business, but only if the payment thereof is not at the time required or the Debt secured by such Lien is being Properly Contested; (iv) Liens existing in respect of deposits made in the Ordinary Course of Business in connection with workmen's compensation, unemployment insurance, social security and other like laws; (v) reservations, exceptions, easements, rights-of-way, and other similar encumbrances affecting Real Property of Borrower that were in existence on the Petition Date; (vi) Liens securing Permitted Purchase Money Debt; and (vii) such other Liens as Lender may consent to in writing from time to time, in its sole and absolute discretion (collectively, the "**Permitted Liens**").

(c) Disposition of Assets. Sell, lease or otherwise dispose of any of their Property, including any disposition of the Collateral as part of a sale and leaseback transaction, to or in favor of any Person, except (i) sales of Inventory in the Ordinary Course of Business for so long as no Event of Default exists hereunder, (ii) dispositions of Equipment as authorized by Section 7.4 hereof, (iii) dispositions of Property that are authorized by the U.S. Court after notice and hearing, provided that, to the extent required herein, the Net Proceeds thereof are remitted to Lender for application to the Obligations, (iv) dispositions which result in Full Payment of all of the Obligations, (v) dispositions specifically itemized in the Budget and (vi) the rejection pursuant to Section 365 of the Bankruptcy Code of unexpired leases and executory contracts.

(d) Compromise of Accounts. Compromise or settle, or extend the time of payment of, any Account in excess of \$50,000 without Lender's prior written consent.

(e) Payment of Claims. Make any payment of principal or interest on account of any Claim against Borrower that arose prior to the Petition Date, other than rent under leases in existence on the Petition Date, and "first day orders" to the extent approved by order of the U.S. Court, the Claims of Critical Vendors to the extent approved by Lender, and any other payments authorized by the U.S. Court.

(f) Filing of Motions and Applications. Apply to the U.S. Court for authority to (i) take any action that is prohibited by the terms of any of the DIP Financing Documents, (ii) refrain from taking any action that is required to be taken by the terms of any of the DIP Financing Documents or the Financing Orders (iii) permit any Debt or Claim to be pari passu with or senior to any of the Obligations, or (iv) use any cash proceeds of the Collateral other than in payment of the Obligations or as otherwise expressly authorized herein.

(g) Modifications to Orders. Seek or consent to any amendment, supplement or any other modification of any of the terms of the Financing Orders.

(h) Restricted Investments. Make or have any new Restricted Investment.

(i) Permitted Debt. Incur or suffer to exist any Debt other than Claims and Debt in existence on the Petition Date; the Obligations; Capitalized Lease Obligations not to exceed \$100,000.00 and Permitted Purchase Money Debt; Debt (other than Debt for Money Borrowed, Capitalized Lease Obligations and Permitted Purchase Money Debt) incurred in the Ordinary Course of Business during the Chapter 11 Case, so long as such Debt is not past due and payable and is not secured by any Lien that is not a Permitted Lien; and Permitted Contingent Obligations.

(j) Conduct of Business. Engage in any business other than the business engaged in by it on the Petition Date and any business or activities that are substantially similar, related or incidental thereto.

(k) Use of Proceeds. Use any proceeds of Post-Petition Loans for a purpose that is not expressly permitted by Section 1.2 of this Agreement.

(l) Accounting Changes. Change any method of accounting or accounting practice used by it, except for any change required by GAAP or Applicable Law.

(m) Organization Documents. Amend, modify or otherwise change any of the terms or provisions in any of its Organization Documents as in effect on the date hereof, except for changes that do not affect in any way Borrower's rights and obligations to enter into and perform the DIP Financing Documents to which it is a party and to pay all of the Obligations and that do not otherwise have a Material Adverse Effect.

(n) Budget. Make or commit or agree to make any expenditures in any given week or on a cumulative basis which are not set forth in the Budget, subject to cumulative variances not to exceed five percent (5%) of such aggregate expenditures.

ARTICLE 10 CONDITIONS PRECEDENT

Section 10.1 Conditions Precedent to Interim DIP Funding. Notwithstanding any other provision of this Agreement or any of the other DIP Financing Documents, and without affecting in any manner the rights of Lender under other sections of this Agreement, Lender shall not be required to fund any Post-Petition Loan requested by Borrower, unless, on or before, the date of the Interim Financing Order, as applicable, each of the following conditions has been and continues thereafter to be satisfied:

(a) All of the DIP Financing Documents shall have been executed in form and substance satisfactory to Lender by each of the signatories thereto, and Borrower shall be in material compliance with all of the terms thereof, and all representations and warranties contained therein shall be true and correct in all material respects.

(b) No Default or Event of Default shall exist at the time of, and would not result from the funding of, any requested Post-Petition Loan, and no event shall have occurred and no condition shall exist since the Petition Date that has had or could reasonably be expected to have a Material Adverse Effect.

(c) The Interim Financing Order shall have been entered, shall be in full force and effect and shall not have been vacated, reversed, modified or stayed in any respect (and, if such order is the subject of a pending appeal, no performance of any obligation of any party shall have been stayed pending such appeal).

(d) Lender shall have received the Budget and found it to be acceptable in form and substance.

(e) All fees and expenses required to be paid by Borrower hereunder on the Closing Date shall have been paid in full including an upfront fee payable to Lender in the amount of \$134,000.00.

Section 10.2 Conditions Precedent to All Credit Extensions. Notwithstanding any other provision of this Agreement or any of the other DIP Financing Documents, and without affecting in any manner the rights of Lender under other sections of this Agreement, Lender shall not be required to fund any Post-Petition Loan, unless and until each of the following conditions has been and continues to be satisfied:

(a) No Default or Event of Default exists at the time, or would result from the funding, of any Post-Petition Loan or other extension of credit.

(b) No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court or Governmental Authority to enjoin, restrain or prohibit any of the DIP Financing Documents or the consummation of any of the transactions contemplated thereby.

(c) No event shall have occurred and no condition shall exist that could reasonably be expected to have a Material Adverse Effect.

(d) With respect to all Post-Petition Loans requested after the Interim DIP Funding, the Final Financing Order shall have been entered, shall be in full force and effect and shall not have been vacated, reversed, modified, amended or stayed without the prior written consent of Lender.

(e) Lender shall have received an officer's certificate from Borrower (i) demonstrating Borrower's compliance with the Budget and (ii) certifying that Borrower shall apply the proceeds of the Post-Petition Loans only to Budgeted Expenses.

(f) All representations and warranties contained within the Agreement shall be true and correct in all material respects.

(g) Lender shall have received such other information or documents regarding the requested Post-Petition Loan as Lender may reasonably request.

Section 10.3 Limited Waiver of Conditions Precedent. If Lender shall make any Post-Petition Loan or otherwise extend any credit to Borrower under this Agreement at a time when any of the foregoing conditions precedent are not satisfied (regardless of whether the failure of satisfaction of any of such conditions precedent is known or unknown to Lender), the funding of such Post-Petition Loan shall not operate as a waiver of the right of Lender to insist upon the satisfaction of all conditions precedent with respect to each subsequent Borrowing requested by Borrower or a waiver of any Default or Event of Default as a consequence of the failure of any such conditions to be satisfied.

ARTICLE 11
EVENTS OF DEFAULT;
RIGHTS AND REMEDIES ON DEFAULT

Section 11.1 Events of Default. The occurrence of any one or more of the following events shall constitute an “**Event of Default**”:

(a) Payment of Obligations. Borrower shall fail to pay (i) the principal of any Post-Petition Loan on the due date thereof (whether due at stated maturity, on demand, upon acceleration or otherwise), (ii) the accrued interest with respect to any Post-Petition Loan on the due date thereof or within three Business Days of such due date or (iii) any of the other Obligations on the due date thereof (whether due at stated maturity, upon acceleration or otherwise), but if no due date is specified therefor, within three Business Days after demand for payment of such Obligation.

(b) Misrepresentations. Any warranty, representation, or other statement made or furnished to Lender by or on behalf of Borrower or in any instrument, certificate or financial statement furnished in compliance with or in reference to this Agreement or any of the DIP Financing Documents proves to have been false or misleading in any material respect when made or furnished.

(c) Breach of Specific Covenants. Borrower shall fail or neglect to perform, keep or observe any covenant contained in Section 6.4, Section 7.1(a), Section 7.1(b), Section 7.4(b), Section 7.5, Section 9.1(a), Section 9.1(c), Section 9.1(d), Section 9.1(e), Section 9.1(f), Section 9.1(g), Section 9.1(i), Section 9.1(j), Section 9.1(o) or Section 9.2 hereof on the date that Borrower is required to perform, keep or observe such covenant.

(d) Breach of Other Covenants. Borrower shall fail or neglect to perform, keep or observe any covenant contained in this Agreement (other than a covenant which is dealt with specifically elsewhere in Section 11.1 hereof) and the breach of such other covenant is not cured to Lender’s satisfaction within 10 days after the sooner to occur of any Senior Officer’s receipt of notice of such breach from Lender or the date on which such failure or neglect first becomes known to any Senior Officer; provided that if any such breach is of a nature that is not reasonably susceptible of cure within such 10-day period, no Event of Default shall be deemed to have occurred hereunder by reason thereof so long as Borrower commences to cure such breach within such 10-day period and thereafter diligently pursue such cure to completion within an additional 10-day period; and provided further, however, that such notice and opportunity to cure shall not apply in the case of any failure to perform, keep or observe any covenant which is not

capable of being cured at all or within such 10-day period or which is a willful and knowing breach by Borrower.

(e) Default Under Other DIP Financing Documents. Any event of default shall occur under, or Borrower shall default in the performance or observance of any term, covenant, condition or agreement contained in, any of the other DIP Financing Documents and such default shall continue (i) beyond any applicable period of grace, or (ii) if no grace period is specified within such DIP Financing Documents, within 10 days after the sooner to occur of any Senior Officer's receipt of notice of such breach from Lender or the date on which such failure or neglect first becomes known to any Senior Officer.

(f) Uninsured Losses; Unauthorized Dispositions. There shall occur any material loss, theft, damage or destruction not fully covered by insurance (as required by this Agreement and subject to such deductibles as Lender shall have agreed to in writing), or any sale, lease or encumbrance of any of the Collateral or the making of any levy, seizure, or attachment thereof or thereon, except as may be specifically permitted by other provisions of this Agreement.

(g) Certain Bankruptcy Events. Borrower shall fail to comply with any of the provisions of the Financing Orders in any material respect; a trustee shall be appointed in any Chapter 11 Case; an examiner shall be appointed in any Chapter 11 Case with enlarged powers (powers beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) under Section 1106(b) of the Bankruptcy Code; any Chapter 11 Case shall be dismissed or converted to a case under Chapter 7; Borrower shall obtain U.S. Court approval of a disclosure statement for a Reorganization Plan other than an Acceptable Plan or a Confirmation Order shall be entered with respect to a Reorganization Plan proposed by a Person other than Borrower if such Reorganization Plan is not an Acceptable Plan; there shall be filed by Borrower any motion to sell all or a substantial part of the Collateral on terms that are not deemed by the Professional Person serving as Borrower's financial advisor to be fair and reasonable; Borrower shall file any motion to alter, amend, vacate, supplement, modify, or reconsider, in any respect, either of the Financing Orders or, without Lender's prior written consent, either of the Financing Orders is amended, vacated, stayed, reversed or otherwise modified; the U.S. Court shall enter an order granting to any Person (other than Lender) relief from the automatic stay to foreclose upon a Lien with respect to any Property of Borrower that has an aggregate book value in excess of \$75,000 or to terminate or otherwise exercise remedies under any material agreement, document or instrument which is entered into after the Petition Date, whether or not it relates to any Debt; Borrower shall file a motion or other request with the U.S. Court seeking authority to use any cash proceeds of the Collateral or to obtain any financing under Section 364(c) or Section 364(d) of the Bankruptcy Code or otherwise secured by a Lien upon any Collateral (in each case (i) without Lender's prior written consent or (ii) if such motion fails to contemplate payment in full of the Obligations).

(h) Failure of DIP Financing Documents. Any material covenant, agreement or obligation of Borrower contained in or evidenced by any of the DIP Financing Documents shall cease to be enforceable or shall be determined to be unenforceable in accordance with its terms other than by reason of Lender's actions; Borrower shall deny or disaffirm its obligations under any of the DIP Financing Documents or Liens granted in connection therewith; Borrower

shall initiate or support (in any such case by way of any motion or other pleading filed with the U.S. Court or any other writing to another party-in-interest executed by or behalf of Borrower) any other Person's opposition of or challenge to the enforceability, validity and priority of the DIP Financing Documents or the Liens granted thereby; or the Liens granted in any of the Collateral owned by Borrower shall be determined to be voidable, invalid or subordinated or shall be determined, with respect to any material part of the Collateral, to be unperfected or not to have the priority contemplated by this Agreement.

(i) Material Contracts. Any Material Contract shall be terminated or amended in any material respect without the prior written consent of Lender, unless said contract is concurrently replaced with a comparable agreement on comparable terms.

(j) Final Financing Order. The U.S. Court shall fail to enter the Final Financing Order on or before February 28, 2009.

Section 11.2 Acceleration of the Obligations. Without in any way limiting the right of Lender to demand payment of any portion of the Obligations payable on demand in accordance with this Agreement, upon or at any time after the occurrence of an Event of Default as above provided, Lender may, in its discretion, (i) declare the principal of and any accrued interest on the Post-Petition Loans and all other Obligations owing under any of the DIP Financing Documents to be, whereupon the same shall become, without further notice or demand (all of which notice and demand Borrower expressly waives), forthwith due and payable and Borrower shall forthwith pay to Lender the entire principal of and accrued and unpaid interest on the Post-Petition Loans and other Obligations plus reasonable attorneys' fees and expenses if such principal and interest are collected by or through an attorney-at-law; and (ii) terminate the Commitment.

Section 11.3 Remedies. Subject to the Financing Orders, upon or at any time after the occurrence of an Event of Default, Lender may, in its discretion, exercise from time to time the following rights and remedies to enforce collection of the Obligations (without prejudice to the rights of Lender to enforce its Claims against Borrower):

(a) All of the rights and remedies of a secured party under the UCC or under other Applicable Law, and all other legal and equitable rights to which Lender may be entitled under any of the DIP Financing Documents or the Financing Orders, all of which rights and remedies shall be cumulative and shall be in addition to any other rights and remedies contained in this Agreement or any of the other DIP Financing Documents, and none of which shall be exclusive.

(b) The right to collect Accounts, Chattel Paper, Instruments and General Intangibles and all other rights of Borrower to the payment of money from any Person obligated therefor.

(c) The right to take immediate possession of all tangible items of the Collateral and (i) to require Borrower to assemble such Collateral, at Borrower's expense, and make it available to Lender at a place designated by Lender that is reasonably convenient to both parties and (ii) to enter any of the premises of Borrower or wherever any of the Collateral shall

be located, and to keep and store the same on said premises until sold (and if said premises be the Property of Borrower, Borrower agrees not to charge Lender for storage thereof).

(d) The right to sell or otherwise dispose of all or any Inventory in its then condition, or after any further manufacturing or processing thereof, at public or private sale or sales, with such notice as may be required by law, in lots or in bulk, for cash or on credit, all as Lender, in its sole discretion, may deem advisable; Borrower agrees that 10 days written notice to Borrower of any public or private sale or other disposition of such Collateral shall be reasonable notice thereof, and such sale shall be at such locations as Lender may designate in said notice. Lender shall have the right to conduct such sales on Borrower's premises, without charge therefor, and such sales may be adjourned from time to time in accordance with Applicable Law; Lender may sell, lease or otherwise dispose of such Collateral, or any part thereof, for cash, credit or any combination thereof, and Lender may purchase all or any part of such Collateral at public or, if permitted by Applicable Law, private sale and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Obligations.

Section 11.4 Licenses and Sale of Collateral. Lender is hereby irrevocably granted a license or other right to use, without charge, which license or right can only be exercised upon an Event of Default, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, tradenames, trademarks and advertising matter, or any Property of a similar nature, as it pertains to the Collateral, in advertising for sale and selling any Collateral and Borrower's rights under all licenses and all franchise agreements shall inure to Lender's benefit, to the extent permissible under the applicable agreement(s) and Applicable Law. Any proceeds realized from the sale of any Collateral may be applied to the Obligations, after allowing 2 Business Days for collection, to principal, interest, fees and expenses (including Extraordinary Expenses) in such order and manner as Lender, in its sole discretion, may determine.

Section 11.5 Setoff. In addition to any Liens granted under any of the DIP Financing Documents and any rights now or hereafter available under Applicable Law, Lender (and each of its Affiliates) is hereby authorized by Borrower at any time that an Event of Default exists, without notice, except as required by the Financing Orders, to Borrower or any other Person (any such notice being hereby expressly waived) to set off and to appropriate and to apply any and all deposits, general or special (including Debt evidenced by certificates of deposit whether matured or unmatured (but not including trust accounts)) and any other Debt at any time held or owing by Lender, such Lender or any of its Affiliates to or for the credit or the account of Borrower against and on account of the Obligations of Borrower arising under the DIP Financing Documents to Lender, or any of its Affiliates, including all Post-Petition Loans and all claims of any nature or description arising out of or in connection with this Agreement, irrespective of whether or not (i) Lender shall have made any demand hereunder, (ii) Lender shall have declared the principal of and interest on the Post-Petition Loans and other amounts due hereunder to be due and payable as permitted by this Agreement and even though such Obligations may be contingent or unmatured or (iii) the Collateral for the Obligations is adequate.

Section 11.6 Remedies Cumulative; No Waiver.

(a) All covenants, conditions, provisions, warranties, guaranties, indemnities, and other undertakings of Borrower contained in this Agreement and the other DIP Financing Documents, or in any document referred to herein or contained in any agreement supplementary hereto or in any schedule given to Lender or contained in any other agreement between Lender and Borrower, heretofore, concurrently, or hereafter entered into, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, or agreements of Borrower herein contained. The rights and remedies of Lender under this Agreement and the other DIP Financing Documents shall be cumulative and not exclusive of any rights or remedies that Lender would otherwise have.

(b) The failure or delay of Lender to require strict performance by Borrower of any provision of any of the DIP Financing Documents or to exercise or enforce any rights, Liens, powers or remedies under any of the DIP Financing Documents or with respect to any Collateral shall not operate as a waiver of such performance, Liens, rights, powers and remedies, but all such requirements, Liens, rights, powers, and remedies shall continue in full force and effect until all Loans and all other Obligations owing or to become owing from Borrower to Lender shall have been fully satisfied. None of the undertakings, agreements, warranties, covenants and representations of Borrower contained in this Agreement or any of the other DIP Financing Documents and no Event of Default by Borrower under this Agreement or any other DIP Financing Documents shall be deemed to have been suspended or waived by Lender, unless such suspension or waiver is by an instrument in writing specifying such suspension or waiver and is signed by a duly authorized representative of Lender and directed to Borrower.

(c) If Lender shall accept performance by Borrower, in whole or in part, of any obligation that Borrower is required by any of the DIP Financing Documents to perform only when a Default or Event of Default exists, or if Lender shall exercise any right or remedy under any of the DIP Financing Documents that may not be exercised other than when a Default or Event of Default exists, Lender's acceptance of such performance by Borrower or Lender's exercise of any such right or remedy shall not operate to waive any such Event of Default or to preclude the exercise by Lender of any other right or remedy, unless otherwise expressly agreed in writing by Lender, as the case may be.

ARTICLE 12

BENEFIT OF AGREEMENT; ASSIGNMENTS AND PARTICIPATIONS

Section 12.1 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Borrower, Lender and their respective successors and assigns, except that (a) Borrower shall not have any right to assign its rights or delegate performance of any of its obligations under any of the DIP Financing Documents and (b) any assignment by Lender must be made in compliance with Section 12.3 hereof.

Section 12.2 Participations.

(a) Permitted Participants; Effect. Lender may, in accordance with Applicable Law, at any time sell to one or more Affiliates, banks or other financial institutions (each a "**Participant**") a participating interest in any of the Obligations owing to Lender, any Commitment of Lender or any other interest of Lender under any of the DIP Financing

Documents. In the event of any such sale by Lender of participating interests to a Participant, Lender's obligations under the DIP Financing Documents shall remain unchanged, Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, all amounts payable by Borrower under this Agreement shall be determined as if Lender had not sold such participating interests, and Borrower shall continue to deal solely and directly with Lender in connection with Lender's rights and obligations under the DIP Financing Documents.

(b) Voting Rights. Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the DIP Financing Documents other than an amendment, modification or waiver with respect to any Post-Petition Loans or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the stated interest rate or the stated rates at which fees are payable with respect to any such Post-Petition Loan or Commitment, postpones the Commitment Termination Date, or any date fixed for any regularly scheduled payment of interest or fees on such Post-Petition Loan or Commitment, or releases Borrower from liability or releases any substantial portion of any of the Collateral.

(c) Benefit of Set-Off. No Participant shall have, or be deemed to have, any right of set-off under Section 11.5 hereof in respect of its participating interest in amounts owing under the DIP Financing Documents.

Section 12.3 Assignments.

(a) Permitted Assignments. Lender may, in accordance with Applicable Law, at any time assign to any Eligible Assignee any part (but not all) of its rights and obligations under the DIP Financing Documents. Each assignee shall be deemed to have consented and be subject to, and to be bound by the terms of, all of the DIP Financing Documents.

(b) Effect; Effective Date. On and after the effective date of any assignment, such Eligible Assignee shall for all purposes be a Lender party to the Agreement and any other DIP Financing Document executed by Lender and shall have all the rights and obligations of Lender under the DIP Financing Documents to the same extent as if it were an original party thereto, and no further consent or action by Borrower shall be required to release the transferor Lender with respect to the Commitment (or portion thereof) of Lender and Obligations assigned to such Eligible Assignee. The transferring Lender shall continue to be entitled to the benefits of all indemnities applicable to the period prior to the effective date of the assignment.

(c) Dissemination of Information. Borrower authorizes Lender to disclose to any Participant, any Eligible Assignee or any other Person acquiring an interest in the DIP Financing Documents by operation of law (each a "Transferee"), and any prospective Transferee, any and all information in Lender's possession concerning Borrower, the Collateral, subject to appropriate confidentiality undertakings on the part of such Transferee.

ARTICLE 13 MISCELLANEOUS

Section 13.1 Power of Attorney. Borrower hereby irrevocably designates, makes, constitutes and appoints Lender (and all Persons designated by Lender) as Borrower's true and

lawful attorney (and attorney-in-fact) and Lender, or Lender's designee, may, without notice to Borrower and in either Borrower's or Lender's name, but at the cost and expense of Borrower:

(a) At such time or times as Lender or said designee, in its sole discretion, may determine, endorse Borrower's name on any Payment Item or proceeds of the Collateral which come into the possession of Lender or under Lender's control.

(b) At any time that an Event of Default exists and subject to any notice required under the Financing Orders: (i) demand payment of the Accounts from the Account Debtors, enforce payment of the Accounts by legal proceedings or otherwise, and generally exercise all of Borrower's rights and remedies with respect to the collection of the Accounts; (ii) settle, adjust, compromise, discharge or release any of the Accounts or other Collateral or any legal proceedings brought to collect any of the Accounts or other Collateral; (iii) sell or assign any of the Accounts and other Collateral upon such terms, for such amounts and at such time or times as Lender deems advisable; (iv) take control, in any manner, of any item of payment or proceeds relating to any Collateral; (v) prepare, file and sign Borrower's name to a proof of claim in bankruptcy or similar document against any Account Debtor or to any notice of lien, assignment or satisfaction of Lien or similar document in connection with any of the Collateral; (vi) receive, open and dispose of all mail addressed to Borrower and to notify postal authorities to change the address for delivery thereof to such address as Lender may designate; (vii) endorse the name of Borrower upon any of the items of payment or proceeds relating to any Collateral and deposit the same to the account of Lender on account of the Obligations; (viii) endorse the name of Borrower upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to any Accounts or Inventory of Borrower and any other Collateral; (ix) use Borrower's stationery and sign the name of Borrower to verifications of the Accounts and notices thereof to Account Debtors; (x) use the information recorded on or contained in any data processing equipment and computer hardware and software relating to the Accounts, Inventory and any other Collateral; (xi) make and adjust claims under policies of insurance; and (xii) do all other acts and things necessary, in Lender's determination, to fulfill Borrower's obligations under this Agreement.

Section 13.2 General Indemnity. Borrower hereby agrees to indemnify and defend the Indemnitees and to hold the Indemnitees harmless from and against any Claim ever suffered or incurred by any of the Indemnitees arising out of or related to this Agreement or any of the other DIP Financing Documents, the performance by Lender of its duties or the exercise of any of its rights or remedies hereunder, or the result of Borrower's failure to observe, perform or discharge any of Borrower's duties hereunder. Borrower shall also indemnify and defend the Indemnitees against and save the Indemnitees harmless from all Claims of any Person arising out of, related to, or with respect to any transactions entered into pursuant to this Agreement or Lender's Lien arising from the DIP Financing Documents upon the Collateral. Without limiting the generality of the foregoing, these indemnities shall extend to any Claims asserted against any of the Indemnitees by any Person under any Environmental Laws or similar laws by reason of Borrower's or any other Person's failure to comply with laws applicable to Hazardous Materials. Additionally, if any Taxes (excluding Taxes imposed upon or measured solely by the net income of Lender, but including, any intangibles tax, stamp tax, recording tax or franchise tax) shall be payable by Lender, or Borrower on account of the execution or delivery of this Agreement, or the execution, delivery, issuance or recording of any of the other DIP Financing Documents, or

the creation or repayment of any of the Obligations hereunder, by reason of any Applicable Law now or hereafter in effect, Borrower shall pay (or will promptly reimburse Lender for the payment of) all such Taxes, including any interest and penalties thereon, and will indemnify and hold Indemnitees harmless from and against liability in connection therewith. The foregoing indemnities shall not apply to protect any of the Indemnitees for the consequences of their own actions that are determined by a final court order to be gross negligence or willful misconduct.

Section 13.3 Survival of All Indemnities. Notwithstanding anything to the contrary in this Agreement or any of the other DIP Financing Documents, the obligation of Borrower and Lender with respect to each indemnity given by it in this Agreement shall survive the Full Payment of the Obligations and the termination of any of the Commitment.

Section 13.4 Indulgences Not Waivers. Lender's failure at any time or times hereafter to require strict performance by Borrower of any provision of this Agreement shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith.

Section 13.5 Modification of Agreement. This Agreement may not be modified, altered or amended, except by an agreement in writing signed by Borrower and Lender.

Section 13.6 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement shall be prohibited by or invalid under Applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 13.7 Cumulative Effect; Conflict of Terms. To the fullest extent permitted by Applicable Law, the provisions of the Security Documents are hereby made cumulative with the provisions of this Agreement. Except as otherwise provided in any of the other DIP Financing Documents by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in direct conflict with, or inconsistent with, any provision in any of the other DIP Financing Documents (other than the Financing Orders), the provision contained in this Agreement shall govern and control; in the event that any provision in this Agreement is in direct conflict with, or inconsistent with, any provisions of the Financing Orders, the provisions of the Financing Orders shall govern and control.

Section 13.8 Execution in Counterparts. This Agreement and any amendments hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

Section 13.9 Lender's Consent. Whenever Lender's consent is required to be obtained under this Agreement or any of the other DIP Financing Documents as a condition to any action, inaction, condition or event, Lender shall be authorized to give or withhold its consent in its sole and absolute discretion, unless expressly stated otherwise.

Section 13.10 Notices. All notices, requests and demands to or upon a party hereto shall be in writing and shall be sent by certified or registered mail, return receipt requested, personal

delivery against receipt or by telecopier or other facsimile transmission and shall be deemed to have been validly served, given or delivered when delivered against receipt or 3 Business Days after deposit in the U.S. mail, certified mail postage prepaid, or, in the case of facsimile transmission, when received (if on a Business Day and, if not received on a Business Day, then on the next Business Day after receipt) at the office where the noticed party's telecopier is located, in each case addressed to the noticed party at the address shown for such party on the signature page hereof. Notwithstanding the foregoing, no notice to or upon Lender pursuant to Section 3.1 or Section 5.2(b) shall be effective until actually received by the individual to whose attention at Lender such notice is required to be sent. Any written notice or demand that is not sent in conformity with the provisions hereof shall nevertheless be effective on the date that such notice is actually received by the noticed party.

Section 13.11 Performance of Borrower's Obligations. If Borrower shall fail to discharge any covenant, duty or obligation hereunder or under any of the other DIP Financing Documents, Lender may, in its sole discretion at any time or from time to time, for Borrower's account and at Borrower's expense, pay any amount or do any act required of Borrower hereunder or under any of the DIP Financing Documents or otherwise lawfully requested by Lender to enforce any of the DIP Financing Documents or Obligations, preserve, protect, insure or maintain any of the Collateral, or preserve, defend, protect or maintain the validity or priority of Lender's Liens in any of the Collateral, including the payment of any judgment against Borrower, any insurance premium, any warehouse charge, any finishing or processing charge, any landlord claim, any other Lien upon or with respect to any of the Collateral. All payments that Lender may make under this Section and all out-of-pocket costs and expenses (including Extraordinary Expenses) that Lender pays or incurs in connection with any action taken by it hereunder shall be reimbursed to Lender by Borrower on demand with interest from the date such payment is made or such costs or expenses are incurred to the date of payment thereof at the Default Rate applicable for Post-Petition Loans. Any payment made or other action taken by Lender under this Section shall be without prejudice to any right to assert, and without waiver of, an Event of Default hereunder and to proceed thereafter as provided herein or in any of the other DIP Financing Documents.

Section 13.12 Time of Essence. Time is of the essence of this Agreement and the Security Documents.

Section 13.13 Entire Agreement; Appendix A, Exhibits and Schedules. This Agreement and the other DIP Financing Documents, together with all other instruments, agreements and certificates executed by the parties in connection therewith or with reference thereto, embody the entire understanding and agreement between the parties hereto and thereto with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings and inducements, whether express or implied, oral or written. Appendix A, each of the Exhibits and each of the Schedules attached hereto are incorporated into this Agreement and by this reference made a part hereof.

Section 13.14 Interpretation. No provision of this Agreement or any of the other DIP Financing Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having, or being deemed to have, structured, drafted or dictated such provision.

Section 13.15 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Section 13.16 Waivers by Borrower. To the fullest extent permitted by Applicable Law, Borrower waives (a) the right to trial by jury (which Lender hereby also waives) in any action, suit, proceeding or counterclaim of any kind arising out of or related to any of the DIP Financing Documents, the Obligations or the Collateral; (b) presentment, demand and protest and notice of presentment, protest, default, non payment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Lender on which Borrower may in any way be liable and hereby ratifies and confirms whatever Lender may do in this regard; (c) except as provided in the Financing Orders, notice prior to taking possession or control of the Collateral or any bond or security which might be required by any court prior to allowing Lender to exercise any of Lender's remedies; (d) the benefit of all valuation, appraisal and exemption laws; and (e) notice of acceptance hereof. Borrower acknowledges that the foregoing waivers are a material inducement to Lender's entering into this Agreement and that Lender is relying upon the foregoing waivers in its future dealings with Borrower. Borrower warrants and represents that it has reviewed the foregoing waivers with its legal counsel and has knowingly and voluntarily waived its jury trial rights following consultation with legal counsel. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court in which such litigation is brought.

Section 13.17 Effectiveness Notwithstanding anything to the contrary contained herein, the parties agree that the terms and conditions of this Agreement shall not be effective unless and until the U.S. Court has approved all such terms and conditions, including the amount of the credit, the rate or pricing of the credit, the covenants, conditions, indemnities and the Borrower's release of claims against Lender set forth in Section 13.18, pursuant to an order issued in connection with the Chapter 11 Case.

Section 13.18 Release. BORROWER, IN ITS OWN RIGHT AND ON BEHALF OF ITS ESTATE, HEREBY RELEASES, ACQUITS, AND FOREVER DISCHARGES THE LENDER AND ITS MEMBERS, DIRECTORS, OFFICERS, REPRESENTATIVES, AFFILIATES, AGENTS, AND PROFESSIONAL PERSONS FROM ANY AND ALL OF THE DEBTOR'S AND THE DEBTOR'S ESTATE'S CLAIMS, COUNTERCLAIMS, DEMANDS, CONTROVERSIES, AVOIDANCE ACTIONS, COSTS, CONTRACTS, DEBTS, SUMS OF MONEY, ACCOUNTS, RECKONINGS, BONDS, BILLS, DAMAGES, OBLIGATIONS, LIABILITIES, OBJECTIONS, ACTIONS, AND CAUSES OF ACTION OF ANY NATURE, TYPE, OR DESCRIPTION, WHETHER AT LAW OR IN EQUITY, BY COMMON LAW OR STATUTE, IN CONTRACT, TORT, OR OTHERWISE, KNOWN OR UNKNOWN, ASSERTED OR UNASSERTED, OR SUSPECTED OR UNSUSPECTED, ARISING FROM OR RELATED TO (A) PREPETITION ACTS OR OMISSIONS, IF ANY, BY THE LENDER WITH RESPECT TO THE DEBTOR AND (B) THE EXTENSION OF CREDIT PURUANT TO THE DIP FINANCING DOCUMENTS AND THE INTERIM AND FINAL AGREED ORDERS AUTHORIZING POSTPETITION FINANCING, GRANTING SENIOR LIENS, PRIORITY ADMINISTRATIVE EXPENSE STATUS, AND OTHER RELIEF; PROVIDED THAT THE FOREGOING RELEASE SHALL NOT BE APPLICABLE TO ANY CLAIMS FIRST ARISING SUBSEQUENT TO THE DATE OF THE INTERIM FINANCING ORDER,

OR TO ANY ACTION BY BORROWER TO ENFORCE ANY TERMS OF THE INTERIM FINANCING ORDER OR ANY DIP FINANCING DOCUMENT.

[The remainder of this page is intentionally left blank. Signature pages follow.]

IN WITNESS WHEREOF, this Agreement has been duly executed on the day and year specified at the beginning of this Agreement.

BORROWER:

BRUNO'S SUPERMARKETS, LLC, a Delaware limited liability company

By: _____

Name: _____

Title: _____

Address:

Fax No:

LENDER:

BI-LO, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

Address:
Fax No:

APPENDIX A GENERAL DEFINITIONS

When used in the Debtor In Possession Credit Agreement dated as of February 5, 2009 (as at any time amended, the “**Agreement**”), by and between **BRUNO’S SUPERMARKETS, LLC**, a Delaware limited liability company and a Chapter 11 debtor-in-possession (“**Borrower**”), and **BI-LO, LLC**, a Delaware limited liability company (“**Lender**”), the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

Acceptable Plan - a Reorganization Plan which provides for Full Payment of all Obligations on the effective date of such Reorganization Plan, provides for an effective date thereof no later than 45 days after the date of entry of the Confirmation Order, or which is otherwise acceptable to Lender, in its sole and absolute discretion.

Account - shall have the meaning ascribed to “account” in the UCC as such definition may be amended from time to time and shall include a right to payment for goods sold or leased or for services rendered that is not evidenced by an Instrument or Chattel Paper, whether or not any such right to payment has been earned by performance.

Account Debtor - any Person who is or may become obligated under or on account of an Account.

Affiliate - a Person (other than a Subsidiary): (a) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, another Person; (b) which beneficially owns or holds 10% or more of any class of the Equity Interests of another Person; or (c) 10% or more of the Equity Interests of which is beneficially owned or held by another Person or a Subsidiary of another Person; provided, that notwithstanding the foregoing, in no event shall Lender be deemed to be an Affiliate of Borrower.

Agreement - the Debtor In Possession Credit Agreement referred to in the first sentence of this Appendix A, all Exhibits and Schedules thereto and this Appendix A.

Applicable Law - all laws, rules and regulations applicable to the Person, conduct, transaction, covenant or DIP Financing Documents in question, including all applicable common law and equitable principles; all provisions of all applicable state and federal constitutions, statutes, rules, regulations and orders of governmental bodies; and orders, judgments and decrees of all courts and arbitrators.

Asset Disposition - any sale, issuance, conveyance, transfer, lease or other disposition by Borrower in one or a series of related transactions, of any Property including, without limitation, any Collateral to any Person.

Avoidance Claim - any claim that could be asserted by or on behalf of Borrower or its Estate against a Person under 11 U.S.C. §§ 544, 546, 547, 548, 549, 550 or 553.

Bankruptcy Code - Title 11 of the United States Code.

Borrowing - a borrowing consisting of one or more Post-Petition Loans made or deemed made on the same day by Lender.

Budget - a 12-week cash expense budget detailing the anticipated cash receipts and expenditures and permitted cumulative variances, including Professional Expenses, of Borrower through the first 12 weeks following the Petition Date, as amended or supplemented from time to time with Lender's prior written consent, which budget (and any amendments thereto) shall be in form and substance acceptable to the Lender and shall be incorporated into the Financing Orders.

Budgeted Expenses - expenses permitted to be paid by Borrower in the amounts and for the purposes and within the variances set forth in the Budget.

Business Day - any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of South Carolina or is a day on which banking institutions located in such state are closed.

Capital Expenditures - expenditures made for the acquisition of any fixed assets or improvements, replacements, substitutions or additions thereto which have a useful life of more than one year, including the total principal portion of Capitalized Lease Obligations.

Capitalized Lease Obligation - any Debt represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

C&S - C&S Wholesale Grocers, Inc.

C&S Contract - Bruno's Interim Supply Agreement dated as of March 23, 2007 between Borrower and C&S, as the same may be amended, supplemented, superseded or otherwise modified from time to time.

Carve-Out - an amount equal to the aggregate sum of (a) all Bankruptcy Court costs and Bankruptcy Administrator fees from time to time incurred by Borrower prior to the Commitment Termination Date; (b) a maximum of \$8,000,000 for all of the Professional Expenses from time to time incurred by Borrower or any Committee appointed in the Chapter 11 Case that are incurred before the earlier of the Commitment Termination Date or receipt by Borrower of written notice of an Event of Default; and (c) a maximum of \$500,000.00 for all Professional Expenses from time to time incurred by Borrower or any Committee appointed in the Chapter 11 Case that are incurred after the earlier of the Commitment Termination Date or receipt by Borrower of written notice of an Event of Default.

Cash Equivalents - (a) marketable direct obligations issued or unconditionally guaranteed by the United States government and backed by the full faith and credit of the United States government having maturities of not more than 12 months from the date of acquisition; (b) domestic certificates of deposit and time deposits having maturities of not more than 12 months from the date of acquisition, bankers' acceptances having maturities of not more than 12 months from the date of acquisition and overnight bank deposits, in each case issued by any commercial bank organized under the laws of the United States, any state thereof or the District of Columbia, which at the time of acquisition are rated A-1 (or better) by S&P or P-1 (or better) by Moody's, and (unless issued by a Lender) not subject to offset rights in favor of such bank

arising from any banking relationship with such bank; (c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (a) and (b) entered into with any financial institution meeting the qualifications specified in clause (b) above; and (d) commercial paper having at the time of investment therein or a contractual commitment to invest therein a rating of A-1 (or better) by S&P or P-1 (or better) by Moody's, and having a maturity within 9 months after the date of acquisition thereof.

CERCLA - the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. § 9601 et seq. and its implementing regulations.

Chapter 11 Case - as defined in the Recitals hereto.

Chattel Paper - shall have the meaning ascribed to the term "chattel paper" in the UCC, as such definition may be amended from time to time.

Claims - any and all claims, demands, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, awards, remedial response costs, expenses or disbursements of any kind or nature whatsoever (including reasonable attorneys', accountants', consultants' or paralegals' fees and expenses), whether arising under or in connection with the DIP Financing Documents, any Applicable Law (including any Environmental Laws) or otherwise, that may now or hereafter be suffered or incurred by a Person and whether suffered or incurred in or as a result of any investigation, litigation, arbitration or other judicial or non-judicial proceeding or any appeals related thereto.

Closing Date - the date on which all of the conditions precedent in Section 10.1 of the Agreement are satisfied and the initial Post-Petition Loan is made under the Agreement.

Collateral - all of the Property and interests in Property of Borrower that are described in Article 6 of the Agreement, and all other Property and interests in Property that now or hereafter secure the payment and performance of any of the Obligations, whether or not such Property or interest in Property was in existence on or acquired by Borrower prior to or after the Petition Date.

Commitment - at any date, the obligation of Lender to make Post-Petition Loans and pursuant to the terms and conditions of the Agreement, the maximum amount of which shall be \$6,700,000.00.

Commitment Termination Date - the date that is the soonest to occur of: (a) the last day of the DIP Term, (b) the effective date of any Acceptable Plan or the date of entry of a Confirmation Order with respect to any other Reorganization Plan, (c) fifteen (15) days after the entry of a U.S. Court order approving a sale of the stock or assets of Borrower to any Person other than Lender or an Affiliate thereof, (e) the date Lender terminates the DIP Facility pursuant to Section 5.2(a) of the Agreement, and (f) the date on which Borrower elects to terminate the Agreement pursuant to Section 5.2(b) of the Agreement.

Committee - a creditors' or equity security holders' committee appointed in Borrower's Chapter 11 Case by the U.S. Trustee.

Compliance Certificate - a compliance certificate to be provided by Borrower to Lender in accordance with the Agreement and in a form reasonably satisfactory to Lender, and the supporting schedules to be annexed thereto.

Confirmation Order - an order entered by the U.S. Court confirming a Reorganization Plan.

Contingent Obligation - with respect to any Person, any obligation of such Person arising from any guaranty, indemnity or other assurance of payment or performance of any Debt, lease, dividend or other obligation (“**primary obligations**”) of any other Person (the “**primary borrower**”) in any manner, whether directly or indirectly, including (a) the direct or indirect guaranty endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of a primary borrower, (b) the obligation to make take-or-pay or similar payments, if required, regardless of non-performance by any other party or parties to an agreement, (c) any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligations or (B) to maintain working capital or equity capital of the primary borrower or otherwise to maintain the net worth or solvency of the primary borrower, (iii) to purchase Property, Securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary borrower to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term “**Contingent Obligation**” shall not include any product warranties extended in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation with respect to which such Contingent Obligation is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto (assuming such Person is required to perform thereunder), as determined by such Person in good faith.

Critical Vendor - a Person who is a supplier of essential goods or services to Borrower and whose continued supply of such goods and services is reasonably determined by Borrower (with Lender’s consent, not to be unreasonably withheld, or upon U.S. Court approval) to be essential to the successful sale or reorganization of Borrower’s business.

Debt - as applied to a Person means, without duplication: (a) all items which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person on the date as of which Debt is to be determined, including Capitalized Lease Obligations; (b) all obligations of other Persons which such Person has guaranteed; (c) all reimbursement obligations in connection with letters of credit or letter of credit guaranties issued for the account of such Person; and (d) in the case of Borrower (without duplication), the Obligations.

Default - an event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both, become an Event of Default.

Default Rate – a fixed rate of 18% per annum.

Deposit Account - a demand, time, savings, passbook, money market or other depository account, or a certificate of deposit, maintained by Borrower with any bank, savings and loan association, credit union or other depository institution.

DIP Facility - the \$6,700,000.00 credit facility established by Lender in favor of Borrower under Article 1 of the Agreement.

DIP Financing Documents - the Agreement, the Security Documents, the Financing Orders, and any and all other agreements, instruments and documents now or hereafter executed by Borrower in favor of Lender with respect to any of the transactions contemplated by the Agreement.

DIP Motion - the motion of Borrower for approval of the financing under the DIP Facility pursuant to the Agreement.

DIP Term - a period commencing on the date of entry of the Interim Financing Order and ending on May 31, 2009.

Document - shall have the meaning ascribed to the term “document” in the UCC, as such definition may be amended from time to time.

Dollars and the sign \$ - lawful money of the United States of America.

Eligible Assignee - any commercial bank, savings and loan association, savings bank, finance company, investment fund or other financial institution (whether a corporation, partnership, or other entity), or any Affiliate of Lender.

Environmental Laws - any and all laws, statutes, rules, regulations, orders, ordinances, codes, legal directives, notices, legal requirements and rules of common law of any effect as of the date hereof in any and all jurisdictions in which Borrower is conducting or at any time has conducted business or where the Collateral is or was located, and any judicial or administrative interpretation thereof including, but not limited to, any judicial or administrative order, consent decree, judgment or settlement relating to the environment, Hazardous Materials or exposure to Hazardous Materials.

Equipment - shall have the meaning ascribed to the term “equipment” in the UCC, as such definition may be amended from time to time.

Equity Interest - the interest of (a) a shareholder in a corporation, (b) a partner (whether general or limited) in a partnership (whether general, limited or limited liability), (c) a member in a limited liability company, or (d) any other Person having any other form of equity security in any form of entity.

ERISA - the Employee Retirement Income Security Act of 1974 and all rules and regulations from time to time promulgated thereunder.

Estate - the estate created in each of the Chapter 11 Case pursuant to 11 U.S.C. § 541(a).

Event of Default - as defined in Article 11 of the Agreement.

Extraordinary Expenses - all costs, expenses, fees (including fees incurred by Lender Professionals) or advances that Lender may suffer or incur, whether prior to or after the occurrence of an Event of Default, on account of or in connection with (a) the audit, inspection, repossession, storage, repair, appraisal, insuring, completion of the manufacture of, preparing for sale, advertising for sale, selling, collecting or otherwise preserving or realizing upon any Collateral; (b) the defense of Lender's Lien upon any Collateral or the priority thereof or any adverse claim with respect to the Post-Petition Loans, the DIP Financing Documents or the Collateral asserted by Borrower, any receiver or trustee for Borrower or any creditor or representative of creditors of Borrower; (c) the settlement or satisfaction of any Liens upon any Collateral (whether or not such Liens are Permitted Liens); (d) the collection or enforcement of any of the Obligations; (e) the negotiation, documentation, and closing of any restructuring or forbearance agreement with respect to the DIP Financing Documents or Obligations; (f) amounts advanced by Lender pursuant to Section 7.1(c) of the Agreement; or (g) the enforcement of any of the provisions of any of the DIP Financing Documents. Such costs, expenses and advances may include transfer fees, taxes, storage fees, insurance costs, permit fees, utility reservation and standby fees, legal fees, appraisal fees, brokers' fees and commissions, auctioneers' fees and commissions, consultants' fees, accountants' fees, environmental study fees, fees and costs paid to any independent contractors in liquidating any Collateral, travel expenses, all other fees and expenses payable or reimbursable by Borrower under any of the DIP Financing Documents, and all other fees and expenses associated with the enforcement of rights or remedies under any of the DIP Financing Documents, but excluding compensation paid to employees (including inside legal counsel who are employees) of Lender.

Farm Products – shall have the meaning ascribed to “farm products” in the UCC as such definition may be amended from time to time.

Final Financing Order - an order which is entered by the U.S. Court pursuant to Section 364 of the Bankruptcy Code and Bankruptcy Rule 4001(c), which is in form and substance acceptable to Lender in its sole and absolute discretion in all respects, and which authorizes the incurrence by Borrower of post-petition secured and superpriority indebtedness under the DIP Facility in accordance with the DIP Financing Documents.

Financing Orders - the Interim Financing Order and the Final Financing Order.

Fiscal Year - the fiscal year of Parent and its Subsidiaries for accounting and tax purposes.

Fixtures – shall have the meaning ascribed to “fixtures” in the UCC as such definition may be amended from time to time.

FLSA - the Fair Labor Standards Act of 1938.

Full Payment - full, final and indefeasible payment of all Obligations which are then due and payable in cash or immediately available funds and, in the case of any Obligation that is, at

the time in question, contingent, upon Lender's receipt of either cash or a direct pay letter of credit naming Lender as beneficiary and in form and substance, and from an issuing bank, acceptable to Lender, in each case in an amount not less than 105% of each such contingent Obligation.

GAAP - generally accepted accounting principles and practices in effect in the United States of America from time to time.

General Intangible - shall have the meaning ascribed to the term "general intangible" in the UCC, as such definition may be amended from time to time, and shall include all interests in Intellectual Property.

Goods - shall have the meaning ascribed to "goods" in the UCC as such definition may be amended from time to time.

Governmental Approvals - all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

Governmental Authority - any federal, state, municipal, national or other governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the District of Columbia or a foreign entity or government.

Hazardous Materials - any "waste," "hazardous waste," "industrial waste," "solid waste," "hazardous material," "hazardous substance," "toxic substance," "hazardous material," "pollutant," or "contaminant" as those or similar terms are defined, identified, or regulated under any Environmental Laws; any asbestos, polychlorinated biphenyls, or radon; any petroleum, petroleum hydrocarbons, petroleum products, crude oil and any components, fractions or derivatives thereof; and any substance that, whether by its nature or its use, is subject to regulation under any Environmental Law or results in any Governmental Authority requiring any environmental investigation, remediation, or monitoring thereof.

Indemnified Amount - the amount of any loss, cost, expenses or damages suffered or incurred by Indemnitees and against which Borrower has agreed to indemnify such Indemnitees pursuant to the terms of the Agreement or any of the other DIP Financing Documents.

Indemnitee - Lender and each of its Affiliates and each of its and its Affiliates present and future officers, directors, employees and agents, including all Lender Professionals.

Insolvency Proceeding - any action, case or proceeding commenced by or against a Person, or any agreement of such Person, for (a) the entry of an order for relief under any chapter of the Bankruptcy Code or other insolvency or debt adjustment law (whether state, federal or foreign), (b) the appointment of a receiver, trustee, liquidator or other custodian for such Person or any part of its Property, (c) an assignment or trust mortgage for the benefit of creditors of such Person, or (d) the liquidation, dissolution or winding up of the affairs of such Person.

Instrument - shall have the meaning ascribed to the term “instrument” in the UCC, as such definition may be amended from time to time.

Intellectual Property - means all United States and foreign (i) patents, patent applications, utility models or statutory invention registrations (whether or not filed), and invention disclosures; (ii) trademarks, service marks, logos, designs, trade names, trade dress, domain names and corporate names and registrations and applications for registration thereof (whether or not filed) and the goodwill associated therewith; (iii) copyrights, whether registered or unregistered, and registrations and applications for registration thereof (whether or not filed) and other works or authorship, whether or not published; (iv) trade secrets, proprietary information, formulas, inventions, know-how, procedures, customer lists, supplier lists, manufacturer lists, manufacturing and production processes and techniques, manuals, formulas, hardware, software, firmware, databases; and (v) moral rights relating to any of the foregoing.

Interim Financing Order - an order that is entered by the U.S. Court pursuant to Section 364 of the Bankruptcy Code and Bankruptcy Rule 4001(c), which is in form and substance satisfactory to Lender in its sole and absolute discretion, which authorizes Borrower to incur, during the Interim Period, post-petition secured and superpriority Debt under the DIP Facility in accordance with the DIP Financing Documents.

Interim Period - the period commencing upon entry of the Interim Financing Order and ending on the entry of the Final Financing Order.

Inventory - shall have the meaning ascribed to “inventory” in the UCC, as such definition may be amended from time to time including, in the case of Borrower: (a) all goods intended for sale or lease by Borrower, or for display or demonstration; (b) all work in process; (c) all raw materials and other materials and supplies of every nature and description used or which might be used in connection with the manufacture, printing, packing, shipping, advertising, selling, leasing or furnishing of such goods or otherwise used or consumed in Borrower’s business; and (d) all Documents evidencing any General Intangibles relating to any of the foregoing, whether now owned or hereafter acquired by Borrower.

Investment Property - shall have the meaning ascribed to “investment property” in the UCC, as such definition may be amended from time to time.

Lender - BI-LO, LLC, and any other Person who may from time to time become a “**Lender**” under the Agreement, and their respective successors and permitted assigns.

Lender Cost of Funds – the greater of (i) the Prime Rate plus three-quarters of one percent (0.75%) and (ii) the interest rate applicable to borrowings under Lender’s existing credit facility for working capital and related purposes.

Lender Professionals – attorneys, accountants, appraisers, business valuation experts, environmental engineers or consultants, turnaround consultants and other professionals or experts retained by Lender.

Letter-of-Credit Rights – shall have the meaning ascribed to “letter-of-credit rights” in the UCC as such definition may be amended from time to time.

Lien - any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on common law, statute or contract. The term "**Lien**" shall also include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purpose of the Agreement, Borrower shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Material Adverse Effect - the effect of any event, condition, act, omission or circumstance, which, alone or when taken together with other events, conditions, acts, omissions or circumstances occurring or existing concurrently therewith: (a) has, or could reasonably be expected to have, a material adverse effect upon the business, operations, Properties, assets, liabilities, obligations, or condition (financial or otherwise) of Parent or its Subsidiaries; (b) has or may be reasonably expected to have any material adverse effect whatsoever upon the validity or enforceability of the Agreement or any of the other DIP Financing Documents; (c) has any material adverse effect upon the value of the whole or any material part of the Collateral, the Liens of Lender with respect to the Collateral or the priority of any such Liens; (d) materially impairs the ability of Borrower to perform its obligations under the Agreement or any of the other DIP Financing Documents, including repayment of any of the Obligations when due; or (e) materially impairs the ability of Lender to enforce or collect the Obligations or realize upon any of the Collateral in accordance with the DIP Financing Documents and Applicable Law.

Material Contract - any agreement to which Borrower is a party and which, if terminated or breached, could reasonably be expected to have a Material Adverse Effect.

Maximum Rate - the maximum non-usurious rate of interest permitted by Applicable Law that at any time, or from time to time, may be contracted for, taken, reserved, charged or received on the Debt in question or, to the extent that at any time Applicable Law may thereafter permit a higher maximum non-usurious rate of interest, then such higher rate. Notwithstanding any other provision hereof, the Maximum Rate shall be calculated on a daily basis (computed on the actual number of days elapsed over a year of 365 or 366 days, as the case may be).

Moody's - Moody's Investors Services, Inc.

Multiemployer Plan - has the meaning set forth in Section 4001(a)(3) of ERISA.

Net Proceeds - proceeds (including cash receivable (when received) by way of deferred payment) received by an Borrower from the sale, lease, transfer or other disposition of any Property, including insurance proceeds and awards of compensation received with respect to the destruction or condemnation of all or part of such Property, net of: (a) the reasonable and customary costs of such sale, lease, transfer or other disposition; and (b) amounts applied to repayment of Debt (other than the Obligations) secured by a Permitted Lien on the Property disposed of that is senior to Lender's Liens.

Notice of Borrowing - as defined in Section 3.1(a)(i) of the Agreement.

Obligations - in each case, whether now in existence or hereafter arising, (a) the principal of, and interest on, the Post-Petition Loans; and (b) all other Debts, covenants, duties and obligations (including Contingent Obligations) now or at any time or times hereafter owing by Borrower to Lender under or pursuant to the Agreement or any of the other DIP Financing Documents, whether evidenced by any note or other writing, whether arising from any extension of credit, opening of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several, including all interest, charges, expenses, fees or other sums (including Extraordinary Expenses) chargeable to Borrower hereunder or under any of the other DIP Financing Documents.

Ordinary Course of Business - with respect to any Person, the ordinary course of such Person's business, as conducted by such Person in accordance with past practices and undertaken by such Person in good faith and not for the purpose of evading any covenant or restriction in any DIP Financing Document.

Organization Documents - with respect to any Person, its charter, certificate or articles of incorporation, bylaws, articles of organization, operating agreement, members agreement, partnership agreement, voting trust, or similar agreement or instrument governing the formation or operation of such Person.

OSHA - the Occupational Safety and Hazard Act of 1970.

Parent – LSF5 Bruno's Holdings, LLC, a Delaware limited liability company.

Participant - as defined in Section 12.2(a).

Payment Intangibles – shall have the meaning ascribed to “payment intangibles” in the UCC as such definition may be amended from time to time.

Payment Items - all checks, drafts, or other items of payment payable to Borrower, including proceeds of any of the Collateral.

Permitted Contingent Obligations - Contingent Obligations arising from endorsements for collection or deposit in the Ordinary Course of Business; Contingent Obligations of Borrower existing as of the Closing Date, including extensions and renewals thereof that do not increase the amount of such Contingent Obligations as of the date of such extension or renewal; Contingent Obligations incurred in the Ordinary Course of Business with respect to surety bonds, appeal bonds, performance bonds and other similar obligations.

Permitted Liens - any Lien of a kind specified in Section 9.2(b) of the Agreement.

Permitted Purchase Money Debt - Purchase Money Debt of Borrower which is incurred after the date of the Agreement and which is secured by no Lien or only by a Purchase Money Lien, provided that the aggregate amount of Purchase Money Debt incurred after the date of the Agreement does not exceed \$100,000 in the aggregate and the incurrence of such Purchase Money Debt does not violate any limitation in the DIP Financing Documents regarding Capital

Expenditures. For the purposes of this definition, the principal amount of any Purchase Money Debt consisting of capitalized leases shall be computed as a Capitalized Lease Obligation.

Person - an individual, partnership, corporation, limited liability company, limited liability partnership, joint stock company, land trust, business trust, or unincorporated organization, or a Governmental Authority.

Petition Date - February 5, 2009.

Plan - an employee benefit plan now or hereafter maintained for employees of Borrower that is covered by Title IV of ERISA.

Post-Petition Loan - a Loan made by Lender as provided in Section 1.1 of the Agreement.

Prime Rate - the rate of interest which is identified and normally published by Bloomberg Professional Service Page Prime as the "Prime Rate" (or, if more than one rate is published as the Prime Rate, then on the highest of such rates). Any change in the Prime Rate will become effective as of the date the rate of interest which is so identified as the "Prime Rate" is different from that published on the preceding Business Day. If Bloomberg Professional Service no longer reports the Prime Rate, or if such Page Prime no longer exists, or Lender determines in good faith that the rate so reported no longer accurately reflects an accurate determination of the prevailing Prime Rate, Lender may select a reasonably comparable index or source to use as the basis for the Prime Rate.

Professional Expenses - the fees and reimbursable expenses of a Professional Person.

Professional Person - a Person who is an attorney, accountant, appraiser, auctioneer, claims and notice agent or other professional person and who is retained, with U.S. Court approval, by (a) Borrower pursuant to Section 327 of the Bankruptcy Code or (b) a Committee pursuant to Section 1103(a) of the Code.

Properly Contested - in the case of any Debt of Borrower (including any Taxes) that is not paid as and when due or payable by reason of Borrower's bona fide dispute concerning its liability to pay same or concerning the amount thereof: (a) such Debt is being properly contested in good faith by appropriate proceedings promptly instituted and diligently conducted; (b) Borrower has established appropriate reserves as shall be required in conformity with GAAP; (c) the non-payment of such Debt will not have a Material Adverse Effect and will not result in a forfeiture of any assets of Borrower; (d) no Lien is imposed upon any of Borrower's assets with respect to such Debt unless the applicable Lien is at all times junior and subordinate in priority to the Liens in favor of Lender (except only with respect to property taxes that have priority as a matter of applicable state law) and enforcement of such Lien is stayed during the period prior to the final resolution or disposition of such dispute; (e) if the Debt results from, or is determined by the entry, rendition or issuance against Borrower or any of its assets of a judgment, writ, order or decree, enforcement of such judgment, writ, order or decree is stayed pending a timely appeal or other judicial review; and (f) if such contest is abandoned, settled or determined adversely (in whole or in part) to Borrower, Borrower forthwith pays such Debt and all penalties, interest and other amounts due in connection therewith.

Property - any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

Purchase Money Debt - means and includes (a) Debt (other than the Obligations) for the payment of all or any part of the purchase price of any fixed assets, (b) any Debt (other than the Obligations) incurred at the time of or within 10 days prior to or after the acquisition of any fixed assets for the purpose of financing all or any part of the purchase price thereof, and (c) any renewals, extensions or refinancings thereof, but not any increases in the principal amounts thereof outstanding at the time.

Purchase Money Lien - a Lien upon fixed assets which secures Purchase Money Debt, but only if such Lien shall at all times be confined solely to the fixed assets acquired through the incurrance of the Purchase Money Debt secured by such Lien and such Lien constitutes a purchase money security interest under the UCC.

Real Property - all of those plots, pieces or parcels of land now owned, leased or hereafter acquired or leased by Borrower (the "**Land**"), wherever located, together with the right, title and interest of Borrower, if any, in and to the streets, the land lying in the bed of any streets, roads or avenues, opened or proposed, the air space and development rights pertaining to the Land and the right to use such air space and development rights, all rights-of-way, privileges, tenements, hereditaments and appurtenances belonging or in any way appertaining thereto, all fixtures, all easements now or hereafter benefiting the Land and all royalties and rights appertaining to the use and enjoyment of the Land, including all alley, vault, drainage, mineral, water, oil and gas rights, together with all of the buildings and other improvements now or hereafter erected on the Land, and any fixtures appurtenant thereto.

Reorganization Plan - a plan of reorganization proposed by Borrower or any other Person (including Lender) in its Chapter 11 Case.

Reportable Event - any of the events set forth in Section 4043(b) of ERISA.

Restricted Investment - a loan, advance, capital contribution, subscription or other investment, except Cash Equivalents.

S&P - Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc.

Security - shall have the same meaning as in Section 2(1) of the Securities Act of 1933.

Security Documents - any and all other instruments and agreements now or at any time hereafter securing the whole or any part of the Obligations.

Senior Officer - the chairman of the board of directors, the president, or the chief financial officer of, or in-house legal counsel to, Borrower.

Subsidiary - any Person a majority of the Equity Interests of which is at the time owned, directly or indirectly, by another Person or by one or more other Subsidiaries or by such other Person and one or more other Subsidiaries.

Supporting Obligations – shall have the meaning ascribed to “supporting obligations” in the UCC as such definition may be amended from time to time.

Tax Refund – any refund of Taxes received by Borrower from any Governmental Authority.

Taxes - any present or future taxes (including value added taxes), levies, imposts, duties, fees, assessments, deductions, withholdings or other charges of whatever nature, including income, receipts, excise, property, sales, use, transfer, license, payroll, withholding, social security and franchise taxes now or hereafter imposed or levied by the United States, or any state, local or foreign government or by any department, agency or other political subdivision or taxing authority thereof or therein and all interest, penalties, additions to tax and similar liabilities with respect thereto, but excluding, in the case of Lender, taxes imposed on or measured by the net income or overall gross receipts of Lender.

Transferee - as defined in Section 12.3(c) of the Agreement.

UCC - the Uniform Commercial Code (or any successor statute) as adopted and in force in the State of Delaware or, when the laws of any other state govern the method or manner of the creation or perfection of any security interest in any of the Collateral, the Uniform Commercial Code (or any successor statute) of such state.

U.S. Court - as defined in the Recitals to the Agreement.

Accounting Terms. Unless otherwise specified herein, all terms of an accounting character used in the Agreement shall be interpreted, all accounting determinations under the Agreement shall be made, and all financial statements required to be delivered under the Agreement shall be prepared in accordance with GAAP, applied on a basis consistent with the most recent audited consolidated financial statement of Parent and its Subsidiaries heretofore delivered to Lender and using the same method for inventory valuation as used in such audited financial statements, except for any change in which Parent’s independent public accountants concur or as required by GAAP unless (a) Parent shall have objected to determining such compliance on such basis at the time of delivery of such financial statements or (b) Lender shall so object in writing within 30 days after the delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made. In the event of any change in GAAP that occurs after the date of the Agreement and that is material to Borrower, Lender shall the right to require either that conforming adjustments be made to any financial covenants set forth in the Agreement, or the components thereof, that are affected by such change or that Borrower reports its financial condition based on GAAP as in effect immediately prior to the occurrence of such change.

Other Terms. All other terms contained in the Agreement shall have, when the context so indicates, the meanings provided for by the UCC to the extent the same are used or defined therein.

Certain Matters of Construction. The terms “herein,” “hereof” and “hereunder” and other words of similar import refer to the Agreement as a whole and not to any particular section,

paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each means “to but excluding.” The section titles, table of contents and list of exhibits appear as a matter of convenience only and shall not affect the interpretation of the Agreement. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations; to any of the DIP Financing Documents shall include any and all amendment or modifications thereto and any and all restatements, extensions or renewals thereof; to any Person shall mean and include the successors and permitted assigns of such Person; to “including” and “include” shall be understood to mean “including, without limitation;” to the time of day shall mean the time of day on the day in question in Greenville, South Carolina unless otherwise expressly provided in the Agreement; and to any Property of Borrower shall mean and include all Property of Borrower’s Estate. A Default or an Event of Default shall be deemed to exist at all times during the period commencing on the date that such Default or Event of Default occurs to the date on which such Default or Event of Default is waived in writing pursuant to this Agreement or, in the case of a Default, is cured within any period of cure expressly provided in this Agreement; and an Event of Default shall “continue” or be “continuing” until such Event of Default has been waived in writing by Lender.

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EXHIBIT A

FORM OF NOTICE OF BORROWING

_____, 2009

BI-LO, LLC

RE: Debtor in Possession Credit Agreement dated February 5, 2009, by and between **BRUNO'S SUPERMARKETS, LLC** ("**Borrower**") and **BI-LO, LLC** ("**Lender**") (as at any time amended, the "**Credit Agreement**")

Ladies and Gentlemen:

This Notice of Borrowing is delivered to you pursuant to Section 3.1(a)(i) of the Credit Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Credit Agreement. Borrower hereby requests a Post-Petition Loan in the principal amount of \$_____ to be made on _____, 2009, and to be used for the following purposes:

[SPECIFY PROPOSED USE OF PROCEEDS]

Borrower hereby certifies that all representations and warranties contained in the Credit Agreement are true and correct in all material respects as of the date hereof, and no Default or Event of Default exists on the date hereof. Borrower hereby ratifies and reaffirms all of the DIP Financing Documents and all Obligations arising thereunder.

IN WITNESS WHEREOF, Borrower has caused this Notice of Borrowing to be executed and delivered this _____ day of _____, 2009.

BORROWER

BRUNO'S SUPERMARKETS, LLC

By: _____
Name: _____
Title: _____