

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW MEXICO

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In re:

FURR'S SUPERMARKETS, INC.,

Case No. 11-01-10779-SA  
Chapter 11

Debtor.

**AFFIDAVIT OF RACHEL KEFAUVER**

Rachel Kefauver states that the following is true to the best of her knowledge, information, and belief:

1. I am the Vice-President of Sage Accounting, Inc. ("Sage Accounting").
2. I have personal knowledge of the facts set forth in this Affidavit.
3. Sage Accounting's agreement to provide professional services to Furr's Supermarkets, Inc. ("Furr's") created missed opportunities and hardship for Sage Accounting, due to the full-time work requirements as requested by Furr's management. Sage Accounting is a small, 3 person local CPA firm. While I was consulting full-time for Furr's, Sage Accounting experienced turnover of one staff accountant. Sage Accounting's engagement by Furr's prevented me from assisting in the hiring and training of the new staff. This created additional work for my partner, James C. Small. I was also severely limited in assisting with the ongoing daily, weekly, monthly and annual work at Sage Accounting, which resulted in many overtime hours by my partner and the new accountant. Also, I was prevented from networking and expanding our current business, which will result in lost revenue for Sage Accounting.

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4. Furr's retained Sage Accounting to perform ongoing consulting for general monthly reporting, post-petition reporting, ad-hoc reporting requests, managing staff on asset recovery, and other miscellaneous accounting requirements as requested by management. Furr's management requested that I work from approximately 7 am each morning through approximately 6 pm each evening, with occasional longer evenings and weekends required, starting September 24<sup>th</sup> through the final closing of Furr's, which occurred December 2<sup>nd</sup> 2001.

5. I reported to Steve Stork, Controller, and worked closely with the management team in place at that time, including but not limited to: Steve Mortensen, President, Patrick Hurley, Cash Management, and Tom Moss, Special Projects. I also assisted Steve Stork in the management of the accounting team, including the accounts receivable/payable, payroll, tax, cash and reporting teams. Due to the circumstances surrounding Furr's, management could not hire full-time accountants to perform these ongoing services. Therefore, they utilized the Sage Accounting contract to complete the ongoing, regular tasks, as well as bankruptcy-related tasks. A summary of each category follows:

a. Period closings, gain/loss calculations - estimated 51.25 hours. The Lawson accounting system required monthly journal entries and period closings. I reviewed the journal entries, posted journal entries, reviewed accounts for additional postings, and closed the periods. This included managing/reviewing staff in the same areas, as well as closing the balance sheet to the assets and liabilities remaining post-bankruptcy. I reconciled several asset and liability accounts, and reviewed all other reconciliations. I obtained detailed information out of the Lawson system to assist with

management requests and reporting requirements. I managed, prepared and reviewed the total gain/loss from the sale of inventory, assets, licenses, etc. This gain/loss was included in the ending balance sheet and income statement, and will also be used for the tax return preparation. In summary, I was the main contact for the Lawson accounting system.

b. A/P payments and investigation – estimated 31 hours. At a point in time, the Lawson accounting system was not operating, and a new system for writing checks needed to be implemented. I assisted with the manual check implementation. I maintained a daily accounts payable log, reviewed invoices prior to payment for payment duplication and authorization, controlled the actual blank check stock, and distributed checks after the cash department issued the checks and obtained signatures. In summary, I was the control over the manual check process.

c. W-2's and 1099's – estimated 17.25 hours. We investigated software options for printing W-2's and 1099's, as well as several discussions with Furr's computer and payroll team, as well as the software personnel on timing and adequacy of the system. In addition, I assisted and reviewed the reconciliation of the W-2 totals by Furr's staff, ensuring the totals that would eventually be uploaded into the W-2 system reasonably represented what the system generated.

d. Payroll and sales tax reports - estimated 26.25 hours. I managed, assisted and reviewed the monthly sales tax reporting requirements, including the completion of the sales tax forms. I managed/reviewed the completion of the quarterly payroll tax reports, and the reconciliation of the quarterly payroll totals to the total run

from the Lawson payroll system that became the W-2 totals. I also handled taxing authority's inquiries.

e. 401k & pension - estimated 8.5 hours. The 401k and pension plans were normally audited on an annual basis by Arthur Andersen. I accumulated data for the annual audits, including performing a roll-forward of the accounting transactions for each of the plans and obtaining the accounting information from the Lawson system prior to the termination of the system. I coordinated with Arthur Andersen to obtain most, if not all the necessary data and checklist completion for their audit of 2001 data.

f. Asset recovery - estimated 26.75 hours. I managed staff on asset recovery priorities, including utility deposit recovery, keeping the telephones turned on, answering questions from staff and 3<sup>rd</sup> party individuals. I prepared summaries of which assets could be recovered and continuously reviewed/updated this list with management and staff.

g. Tax return assistance – Meyners & Co – estimated 24 hours. I accumulated and/or reviewed data for 2000 tax return preparation and completion by Meyners and Co., including obtaining detailed reports and data from the Lawson system, manual files, and answering questions from the Meyners' staff so they could complete the 2000 tax return. I accumulated data for the 2001 tax return preparation and completion by Meyners as well. Their staff came to Furr's on several occasions to complete the 2000 tax return and obtain appropriate data for the 2001 tax return. In summary, I was the key contact for Meyners to gather information and ask questions.

h. Preference screening – estimated 83.25 hours. I prepared detailed information on over one hundred vendors for a preference screening calculation. This

included downloading a tremendous amount of detailed data from various systems and organizing this data in a logical and easily readable format. I also calculated preference amounts and prepared summary data for Jacobvitz, Thuma and Walker.

i. Property tax research – estimated 11 hours. Property taxes were an ongoing issue in relation to the Furr's bankruptcy case, with certain amounts being paid from the closing statement, and other amounts being paid from "reserved" funds. During this time, several 3<sup>rd</sup> party individuals, i.e. lawyers, state, city & county taxing authorities and landlords had many questions that needed investigation. I did the investigation to assist management with the decisions on what should have been paid and how to pay the amounts. I also prevented overpayment and summarized the payments and required payments for management.

j. Data retention – estimated 37 hours. During the closing of Furr's, both the hard and soft copy files needed to be either kept or destroyed. I managed the process of boxing the hard copy files for either destroying or data retention with Iron Mountain. I worked closely with Iron Mountain to ensure these files could later be accessed if necessary. I also facilitated the retention of all the soft copy files onto CD's. I worked with payroll and the information systems departments, to ensure all records were downloaded onto a CD that management believed necessary to keep.

I declare under penalty of perjury under the laws of the State of New Mexico and the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this 26th day of March, 2002, at Albuquerque, New Mexico.

Rachel Kef  
Rachel Kefauver

Subscribed and sworn to before me this 9 day of ~~March~~<sup>August</sup>, 2002, by Rachel Kefauver.

[Signature]  
Notary Public

My commission expires:

10/23/03