

FILED
12:00 AM MARCH

MAR 5 2001

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

DROP BOX
UNITED STATES DISTRICT COURT
ALBUQUERQUE, NEW MEXICO

In re

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

FURR'S SUPERMARKETS, INC.,

Debtor.

DECLARATION OF PETER J. SOLOMON IN SUPPORT OF
DEBTOR'S APPLICATION FOR ORDER AUTHORIZING
EMPLOYMENT AND RETENTION OF PETER J.
SOLOMON COMPANY LIMITED AS ITS INVESTMENT BANK

I, Peter J. Solomon declare that:

1. I am the Chairman and founder of the firm Peter J. Solomon Company Limited ("PJSC") with offices at 767 Fifth Avenue, 26th Floor, New York, New York 10153. I submit this declaration in support of the Application, dated March 5, 2001, of the Debtor in the above-referenced Chapter 11 case for an order under sections 327 and 328 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 2014 approving the Debtor's employment of PJSC as its investment bank. Except as otherwise indicated, I have personal knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto.¹

¹ Certain of the disclosures herein relate to matters within the knowledge of other professionals at PJSC and are based on information provided by them.

2. I am the PJSC employee principally responsible for this engagement. PJSC provides investment banking, valuation and financial advisory services from offices located in New York, New York.

3. PJSC is well qualified to act as the Debtor's investment bank. PJSC provides a range of investment banking, financial advisory and valuation services to debtor and debtor-in-possession, creditors' committees, acquirers, and other parties-in-interest in connection with bankruptcy cases and financially distressed situations. PJSC professionals have served as an investment bank to debtors, creditors and trustees in numerous Chapter 11 proceedings including many large restructurings over the last few years. Some of these engagements include, Barney's, Inc, National Convenience Stores, Inc., R.H. Macy & Co., Inc., Service Merchandise Co., Inc., and Zenith Electronics Corporation. PJSC has also provided investment banking services to retail supermarkets including Albertson's, Big V, Ralph's, and Supervalu.

Services to be Rendered

4. The Debtor has requested that PJSC perform the following services, among others:

(a) PJSC will assist the Debtor in assessing the operating and financial strategies for its business;

(b) PJSC will review and analyze the business plans and financial projections prepared by the Debtor, including but not limited to testing assumptions and comparing those assumptions to historical Debtor and industry trends;

(c) PJSC will assist the Debtor and its other professionals in formulating and negotiating a plan of reorganization;

(d) PJSC will value the Debtor in connection with a plan of reorganization;

(e) To the extent requested by the Debtor, PJSC will advise the Debtor in connection with one or more possible transactions (each, a "Transaction") or series or combination of Transactions, whereby, directly or indirectly, an ownership interest in the Debtor, in its business or in all or any portion of its assets is transferred for consideration, including, without limitation, one or more transactions involving a sale or exchange of capital stock or assets with or without a purchase option, a merger or consolidation, a tender or exchange offer, a leveraged buy-out, the formation of a joint venture or partnership or any other business combination or similar transaction;

(f) PJSC will advise the Debtor in restructuring existing indebtedness and, to the extent requested by the Debtor, arrange new or additional financing;

(g) PJSC will review and analyze any proposals the Debtor receives from third parties regarding any Transaction;

(h) PJSC will assist or participate in negotiations with the Debtor and/or any other parties in interest regarding any Transaction;

(i) PJSC will assist in the plan of reorganization confirmation process, including preparation of expert testimony relating to financial matters, if required; and,

(j) PJSC will render such other financial advisory and investment banking services as may be agreed upon by PJSC and the Debtor in connection with the foregoing.

Connections with Parties in Interest on Non-Debtor Related Matters

5. Before the execution of this Declaration, I caused the firm to conduct a computerized conflicts check with respect to the Debtor, its major creditors, and other parties in interest. In addition, I reviewed the list with the other senior principals of the firm in order to fully understand and be able to explain to the best of my ability any associations with any of the parties in interest even in matters unrelated to these cases. The statements that follow are made to the best of my knowledge, based on the results of that conflicts check.

6. PJSC is currently representing Metropolitan Life Insurance Company in providing financial advisory services in connection with the sale of all or a part of VirtualFinances.com, a wholly-owned subsidiary of GenAmerica Financial Corporation, which, in turn, is a wholly-owned subsidiary of Metropolitan Life Insurance Company.

7. PJSC's Managing Partner, Peter J. Solomon, serves as a member of the New York Administrative Committee of Fleet Bank, N.A. Fleet Capital Corporation is the Receivables Division of Fleet Bank, N.A.

8. PJSC provides services to a large and diverse client base. Accordingly, PJSC has on occasion provided, and may continue to provide, services

to certain creditors and parties in interest of the Debtor, including services provided in matters unrelated to these proceedings.

9. In addition, Skadden, Arps, Slate, Meagher & Flom LLP, the Debtor's general bankruptcy counsel, has represented, or currently represents, certain debtors-in-possession in a variety of unrelated Chapter 11 cases in which PJSC is currently providing, or has in the past provided, advisory services to debtor-in-possession or creditors' committees.

10. In addition, certain other creditors and parties in interest may have served in the past, are currently, or in the future may serve on official or informal committees in other, unrelated cases which PJSC advises on financial restructuring matters. No services have been provided to any of the foregoing creditors or other parties in interest which could impact their rights in the Debtor's case, nor does PJSC's involvement in this case compromise its ability to continue such advisory services. PJSC will not represent these or other unsecured creditor's individual interests in these matters.

11. It is likely that PJSC has provided, and will provide in the future, restructuring advice, investment banking advice and other advisory services to other entities who are or may become involved in this proceeding but who are unknown to me. PJSC has not and will not represent the interests of any of these aforementioned entities in connection with these proceedings. If PJSC discovers additional

information that requires disclosure, PJSC will file a supplemental disclosure with the Court as promptly as possible.

12. Furthermore, given the magnitude and diversity of its client base both nationally and internationally, PJSC is, at any point in time, involved as a party or witness in numerous courts and administrative proceedings and other general matters requiring the retention of outside legal counsel. As a result, PJSC may have retained, may currently retain, or may in the future retain, certain law firms involved in the proceedings at hand.

13. In addition, PJSC may presently, may have in the past, or may in the future be retained by such law firms to provide attestation or advisory services. Any such retention by PJSC of these firms or any such retention of PJSC by these firms is, was or will be wholly unrelated to these proceedings and does not and will not impair PJSC's independence, disinterestedness, or ability to objectively provide professional services to the Debtor.

14. If this Court approves the proposed employment of PJSC by the Debtor, PJSC will not accept any engagement or perform any service for any entity or person other than the Debtor in this case. PJSC will, however, continue to provide professional services to entities or persons that may be creditors of the Debtor or other parties in interest in this chapter 11 case: provided, however, that such services do not relate to, or have any direct connection with, this chapter 11 case.

15. To the best of my knowledge, PJSC has no connection with any Judge of the Bankruptcy Court for this District, the United States Trustee in this District, or any person employed by the Office of the United States Trustee in this District, such that the appointment of PJSC would be prohibited by Rule 5002 of the Federal Rules of Bankruptcy Procedure.

16. I hereby represent that neither I, nor PJSC, has agreed to share with any person the compensation to be paid for the services rendered in this case (as prohibited by statute), save amongst PJSC employees.

17. Based on the foregoing, I believe that PJSC and the members and employees of the firm are "disinterested persons," as that term is defined at Bankruptcy Code § 101(14), and do not hold or represent any interest adverse to the Debtor's estate.

Professional Compensation

18. A letter setting forth the terms of this agreement was entered into between PJSC and the Debtor as of February 26, 2001 (the "Letter Agreement"), a copy of which is attached to this Declaration as Exhibit A. If the Letter Agreement is approved by this Court, PJSC will be entitled to:

(a) A Monthly Fee equal to \$150,000 for a minimum of three months. One hundred percent of all Monthly Fees paid for the engagement, excluding the first two Monthly Fees, will be credited to the Reorganization Fee or the Transaction Fee.

(b) A Transaction Fee, with a minimum of \$500,000 per Transaction, equal to a percentage of the amount of the Transaction, as provided in

Attachment A to the Letter Agreement. The aggregate Transaction Fees shall not be less than \$1,500,000.

(c) A Reorganization Fee may be paid. The Reorganization Fee is equal to \$1,500,000, based on a reorganization of the Debtor under Chapter 11 of the Bankruptcy Code, that represents no less than 40% of the trailing twelve months' revenue of the Debtor measured on March 31, 2001. The Reorganization Fee is payable on the date of consummation of the plan of reorganization.

(d) A Financing Fee shall be negotiated between PJSC and the Debtor, if the Debtor requests PJSC to arrange financing for any secured or unsecured debt, equity or other hybrid security.

19. PJSC agrees to apply to the Court for allowance of compensation earned and reimbursement of expenses incurred in this case in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules, and orders of the Court. PJSC acknowledges that all compensation will be subject to this Court's review and approval, after notice and a hearing.

20. PJSC will carefully coordinate with all other professionals retained by the Debtor throughout the pendency of this case, and will use its best efforts to avoid any unnecessary duplication of effort.

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

Executed this 5th day of March, 2001, at New York, New York.

Peter J. Solomon

Mar-05-2001 04:02pm From-SASMF 3614w

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T-148 P.013/014 F-173

Mar-05-01 09:29pm From-PETER J SOLOMON COMPANY

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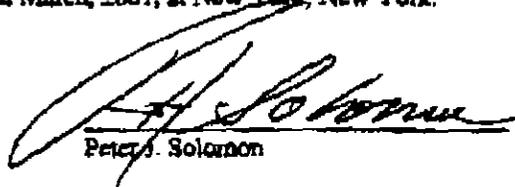
T-518 P.13/18 F-815

20. PJSC will carefully coordinate with all other professionals retained by the Debtor throughout the pendency of this case, and will use its best efforts to avoid any unnecessary duplication of effort.

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

and belief.

Executed this 5th day of March, 2001, at New York, New York.


Peter J. Solomon

Mar-05-2001 09:57pm From-SASMF 3614s

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T-148 P.002/014 F-173

Mar-05-01 09:21am From-PETER J SOLOMON COMPANY

2125081633

T-818 P.02/13 F-315

PETER J. SOLOMON COMPANY
LIMITED

747 FIFTH AVENUE
NEW YORK, NEW YORK 10159

February 26, 2001

Furr's Supermarkets, Inc.
4411 The 25 Way N.E., Suite 100
Albuquerque, NM 87109

Attention: Mr. Tom Dahlen
President and Chief Executive Officer

Ladies and Gentlemen:

This letter (the "Agreement") will confirm the understanding and agreement between Furr's Supermarkets, Inc. (along with any affiliated debtors and debtors-in-possession, the "Company") and Peter J. Solomon Company Limited ("PJSC") regarding the scope and terms of the retention of PJSC as the Company's investment banker in connection with its Chapter 11 proceedings and its reorganization before the United States Bankruptcy Court for the District of New Mexico (the "Bankruptcy Court"). It is understood that the retention of PJSC and effectiveness of this Agreement is subject to the approval of the Bankruptcy Court.

Section 1. Services to be Rendered. PJSC will perform such services as the Company may request including, but not limited to, the following:

- (a) PJSC will assist the Company in assessing the operating and financial strategies for its business;
- (b) PJSC will review and analyze the business plans and financial projections prepared by the Company including but not limited to testing assumptions and comparing those assumptions to historical Company and industry trends;
- (c) PJSC will assist the Company and its other professionals in formulating and negotiating a plan of reorganization;
- (d) PJSC will value the Company in connection with a plan of reorganization;
- (e) To the extent requested by the Company, PJSC will advise the Company in connection with one or more possible transactions, each between the Company and a different party (each, a "Transaction") or series or combination of Transactions, whereby, directly or indirectly, an ownership interest in the Company, in its business or in all or any portion of its assets is transferred for consideration, including, without limitation, one or more transactions involving a sale or exchange of capital stock or assets with or without a

TEL: 918-508-1600 FAX: 918-508-1463 E-MAIL: info@psolomon.com

EXHIBITA

Mar-05-2001 03:58pm From-SASMF 3614s

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T-148 P.003/014 F-173

Mar-06-01 08:21pm From-PETER J SOLOMON COMPANY

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T-518 P.03/18 F-916

purchase option, a merger or consolidation, a tender or exchange offer, a leveraged buy-out, the formation of a joint venture or partnership or any other business combination or similar transaction;

(f) PJSC will advise the Company in restructuring existing indebtedness and, to the extent requested by the Company, arrange new or additional financing;

(g) PJSC will review and analyze any proposals the Company receives from third parties regarding any Transaction;

(h) PJSC will assist or participate in negotiations with the Company and/or any other parties in interest regarding any Transaction;

(i) PJSC will assist in the plan of reorganization confirmation process, including preparation of expert testimony relating to financial matters, if required; and

(j) PJSC will render such other financial advisory and investment banking services as may be agreed upon by PJSC and the Company in connection with the foregoing. In rendering its services to the Company hereunder, PJSC is not assuming any responsibility for the Company's decision to effect any Transaction.

In rendering its services to the Company hereunder, PJSC is not assuming any responsibility for the Company's decision to effect any Transaction.

Section 2. Information Provided by the Company. The Company will furnish PJSC with such information as PJSC and the Company agree is appropriate to enable PJSC to render services hereunder (all such information being the "Information"). The Company recognizes and confirms that PJSC (a) will use and rely primarily on the information and on information available from generally recognized public sources in performing the services contemplated by this Agreement without having assumed any obligation to independently verify the same, (b) does not assume responsibility for the accuracy or completeness of the Information and such other information, and (c) will not act in the official capacity of an appraiser of specific assets of the Company or any other party. The Company confirms that the Information to be furnished by the Company, when delivered, will be true and correct in all material respects, will be prepared in good faith, and will not contain any material misstatement of fact or omit to state any material fact necessary to make the statements contained therein not misleading. The Company will promptly notify PJSC if it learns of any material inaccuracy or misstatement in, or material omission from, any information theretofore delivered to PJSC. Except as contemplated by the terms hereof or as required by applicable law, PJSC shall keep confidential all non-public information and shall not disclose such information without the Company's prior approval to any third party, other than in confidence to the Company and its advisors and to such of PJSC's directors, officers, employees, counsel and advisors (whom PJSC shall instruct to maintain the confidentiality of such information in accordance with this Agreement) as PJSC determines to have a need to know in order to render services hereunder.

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Mar-06-01 03:22pm From-PETER J SOLOMON COMPANY

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Section 3. Fees. As compensation for the services rendered hereunder, the Company, and its successors, if any, agrees to pay PJSC (via wire transfer or other mutually acceptable means) the following fees in cash:

(a) A monthly cash advisory fee (the "Monthly Fee") equal to \$150,000.00 per month for a minimum of three months. The Monthly Fee shall be payable in advance on the first day of each month, with the Monthly Fee for partial months pro-rated based on services commencing as of the date hereof.

(b) A reorganization fee (the "Reorganization Fee") equal to \$1,500,000.00, based on a reorganization of the Company under Chapter 11 of the Bankruptcy Code that represents no less than 40% of the trailing twelve months' revenues of the Company measured as of the March 31, 2001 (a "Reorganization") which Reorganization Fee shall be payable on the date of consummation of the plan of reorganization.

(c) A financing fee (the "Financing Fee") shall be negotiated between PJSC

and the Company if PJSC is requested to arrange financing for any secured or unsecured debt, equity or other hybrid security.

(d) A transaction fee (the "Transaction Fee") equal to a percentage of the Aggregate Consideration (as defined below) paid or payable in connection with each Transaction, as detailed on Exhibit A hereto; provided, however that in no case shall such Transaction Fee for any particular Transaction be less than \$500,000.00, nor shall total Transaction Fees aggregate less than \$1,500,000.00. Each Transaction Fee shall be several and shall be contingent upon the consummation of the related Transaction and shall be payable at the closing thereof, provided that compensation attributable to that part of Aggregate Consideration which is contingent upon the realization of future financial performance (e.g. an earn-out or similar provision) shall be paid by the Company to PJSC promptly upon the receipt of such Aggregate Consideration by the Company, its shareholders or other parties. Compensation attributable to that part of Aggregate Consideration which is deferred (including without limitation any Aggregate Consideration held in escrow) shall be valued at the total stated amount of such consideration without applying a discount thereto and shall be paid by the Company at the closing of each Transaction. In the event that the Company sells assets or divisions in more than one Transaction, Aggregate Consideration shall be calculated for each Transaction separately and shall not be cumulative for purposes of determining the Transaction Fee.

For purposes hereof, the term "Aggregate Consideration" shall mean the total amount of all cash, securities, contractual arrangements (including any lease arrangements or put or call agreements) and other properties paid or payable, directly or indirectly in connection with a Transaction (including, without limitation, amounts paid (i) pursuant to covenants not to compete, employment contracts, employee benefit plans, management fees or other similar arrangements, and (ii) to holders of any warrants, stock purchase rights or convertible securities of the Company and to holders of any options or stock appreciation rights issued by the Company, whether or not vested) Aggregate Consideration shall also include the amount of any short-term debt and long-term

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Mar-05-01 02:22pm From-PETER J SOLOMON COMPANY

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T-519 P.05/12 F-315

liabilities of the Company (including the principal amount of any indebtedness for borrowed money and capitalized leases and the full amount of any off-balance sheet financings) (x) repaid or retired in connection with or in anticipation of each Transaction or (y) existing on the Company's balance sheet at the time of each Transaction (if such Transaction takes the form of a merger, consolidation or a sale of stock or partnership interests) or assumed in connection with such Transaction (if such Transaction takes the form of a sale of assets). For purposes of calculating the amount of revolving credit debt in the preceding sentence, the arithmetic mean of the amount of revolving credit debt outstanding on the last day of each month during the 12 months preceding the closing of the Transaction will be used. In the event such Transaction takes the form of a sale of assets, Aggregate Consideration shall include (i) the value of any current assets not purchased, minus (ii) the value of any current liabilities not assumed. In the event such Transaction takes the form of a recapitalization, restructuring, spin-off, split-off or similar transaction, Aggregate Consideration shall include the fair market value of (i) the equity securities of the Company retained by the Company's security holders following such Transaction and (ii) any securities received by the Company's security holders in exchange for or in respect of securities of the Company following such Transaction (all securities received by such security holders being deemed to have been paid to such security holders in such Transaction). The value of securities that are freely tradable in an established public market will be determined on the basis of the last market closing price prior to the consummation of the applicable Transaction. The value of securities, lease payments and other consideration that are not freely tradable or have no established public market, or if the consideration utilized consists of property other than securities, the value of such property shall be the fair market value thereof as determined in good faith by PJSC, provided, however, that all debt securities, except zero coupon or deep discount securities, shall be valued at their stated principal amount without applying a discount thereto.

Section 4. Credit. PJSC shall credit 100.0% of the Monthly Fee's, payable under Section 3(a) excluding the aggregate Monthly Fees paid hereunder for the first two months of PJSC's engagement hereunder, toward any Transaction Fee or Reorganization Fee (the "Credit"); provided, however, that such fees shall be credited only once.

Section 5. Expenses. Without in any way reducing or affecting the provisions of Exhibit B hereto, the Company shall reimburse PJSC for its reasonable out-of-pocket expenses incurred in connection with the provision of services hereunder and the execution and delivery of this letter Agreement, including without limitation the fees, disbursements and other charges of PJSC's counsel. Out-of-pocket expenses also shall include, but not be limited to, travel and lodging, data processing and communication charges, research and courier services. The Company shall promptly reimburse PJSC upon presentation of an invoice or other similar documentation.

Section 6. Indemnity. The Company agrees to the provisions of Exhibit B hereto which provide for certain indemnification by the Company of PJSC and certain related persons. Such indemnification is an integral part of this Agreement and the terms

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thereof are incorporated by reference herein. Such indemnification shall survive any termination, expiration or completion of PJSC's engagement hereunder.

Section 7. Term. The term of PJSC's engagement shall extend from the date hereof through the date the Company confirms a plan of reorganization; provided, however, that either the Company or PJSC can cancel this Agreement by providing notice in writing (the "Term"); provided further, however, that in the event PJSC cancels this Agreement, it shall not be entitled to receive any further fees hereunder from the date of cancellation forward, other than any fees payable pursuant to the last sentence of this paragraph and provided further, however, that except in the event of gross negligence or willful misconduct by PJSC, the Company may not cancel this Agreement prior to the expiration of a six-month period from the date hereof, and then, only upon providing thirty (30) days advance notice in writing. If terminated, PJSC shall be entitled to any fees for any monthly period which are due and owing to PJSC upon the effective date of termination; however, such amounts will be pro-rated for any incomplete monthly period of service, and PJSC will be entitled to the reimbursement for the out-of-pocket expenses described in Section 5. Termination of PJSC's engagement hereunder shall not affect or impair the Company's continuing obligation to indemnify PJSC and certain related persons as provided in Exhibit B and its continuing obligations under Section 8 hereof. Without limiting the foregoing, compensation shall be payable under Section 3(b), (c) or (d) above in the event that a Reorganization or Transaction is consummated at any time prior to the expiration of eighteen months after such termination, or a letter of intent or definitive agreement with respect to a Reorganization or Transaction is executed at any time prior to eighteen months after such termination (which letter of intent or definitive agreement subsequently results in the consummation of a Reorganization or Transaction at any time), (x) as to which PJSC advised the Company hereunder prior to the termination of this Agreement or (y) which involves a party identified to the Company by PJSC or with whom the Company had discussions regarding a Reorganization or Transaction, in each case during the Term of PJSC's engagement hereunder.

Section 8. Miscellaneous.

(a) In connection with allowances of compensation and reimbursement of expenses, PJSC shall file appropriate applications for allowance of interim and final compensation and reimbursement of expenses in accordance with Sections 530 and 531 of the United States Bankruptcy Code and applicable rules at such times as directed by the Bankruptcy Court or established by administrative order entered in the bankruptcy cases. The fees detailed in Section 3 above have been agreed upon with the express expectation that they are subject to review by the Bankruptcy Court only as provided by Section 528 of the Bankruptcy Code. The Company acknowledges and agrees that the fees payable to PJSC hereunder are reasonable. Furthermore the Company understands that the hours worked, the results achieved in the reorganization or the ultimate benefit to the estate of the work performed may be variable and the Company has taken this into account in setting the fees detailed in Section 3 above. In accordance with the guidelines of the Bankruptcy Court, PJSC shall maintain detailed records of time spent working on this assignment, which records shall be available for submission to the Bankruptcy Court subject to appropriate redactions to preserve confidential or sensitive information. Although PJSC is providing

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such records, it, as an investment bank, does not have hourly rates for its professionals. PJSC will make every effort to coordinate with the other professionals retained by the Company in these bankruptcy cases in order to eliminate unnecessary duplication or overlap of work.

(b) The Company agrees that PJSC's compensation set forth herein and payments made pursuant to reimbursement provisions of this Agreement shall be entitled to priority as expenses of administration under Sections 503(b) (1) (A) and 507(a) (1) of the Bankruptcy Code and shall be entitled to the benefits of any "carve-outs" for professional fees and expenses in effect in the Chapter 11 cases pursuant to one or more financing orders now or hereafter in effect.

(c) Sections 2 through 8 shall survive termination or expiration of the Agreement.

(d) PJSC shall be under no obligation to provide formal fairness, valuation or solvency opinions (except to the extent valuation opinions are embodied in testimony) with respect to any of the Chapter 11 proceedings or any transactions contemplated thereby or incidental hereto. However, PJSC and its affiliates shall be provided the option to do so where such opinions are necessary and are appropriate. The terms of such engagement shall be customary for such services rendered by investment banking firms at the time of the engagement and shall be subject to one or more separate agreements between the Company and PJSC, and shall be subject to Bankruptcy Court approval.

(e) PJSC acknowledges that the Company shall have no obligation to enter into any Financing or Transaction and shall have the right to reject any Financing or Transaction or to terminate negotiations with respect to any Financing or Transaction at any time.

(f) The advice (oral or written) rendered by PJSC pursuant to this Agreement is intended solely for the benefit and use of the Company and its professionals in considering the matters to which this Agreement relates, and the Company agrees that such advice may not be relied upon by any other person, used for any other purpose or reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, nor shall any public references to PJSC be made by the Company, without the prior written consent of PJSC.

(g) The Company agrees that PJSC shall have the right after completion of each Transaction to place advertisements in financial and other newspapers and journals at its own expense describing its services hereunder.

(h) This Agreement may not be amended or modified except by a writing executed by each of the parties and this Agreement, including all controversies arising from or relating to performance under this Agreement, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect such state's rules concerning conflicts of law. The provisions of this Agreement,

Mar-05-2001 04:00pm From-SASMF 3614s

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T-148 P.008/014 F-173

Mar-05-01 03:22pm From-PETER J SOLOMON COMPANY

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including, without limitation, the obligation to make the payments set forth in Sections 3 and 5, shall be binding on the Company and its successors and assigns.

(i) Any lawsuits with respect to, in connection with or arising out of this Agreement shall be brought in a court for the Southern District of New York or the Bankruptcy Court and the parties hereto consent to the jurisdiction and venue of such court for the Southern District or the Bankruptcy Court as the sole and exclusive forums, unless such courts are unavailable, for the resolution of claims by the parties arising under or relating to this Agreement. The parties hereto further agree that proper service of process on a party may be made on any agent designated by such party located in the State of New York.

(j) To the extent permitted by applicable law, the Company hereby waives trial by jury, rights of setoff, and the right to impose counterclaims in any lawsuit with respect to, in connection with or arising out of this Agreement, or any other claim or dispute relating to the engagement of PJSC arising between the parties hereto. The Company hereto confirms that the foregoing waivers are informed and freely made.

(k) The relationship of PJSC to the Company hereunder shall be that of an independent contractor and PJSC shall have no authority to bind, represent or otherwise act as agent for the Company.

* * *

Mar-05-2001 04:00pm From-SASMF 3614s

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T-148 P.000/014 F-179

Mar-05-01 03:24pm From-PETER J SOLOMON COMPANY

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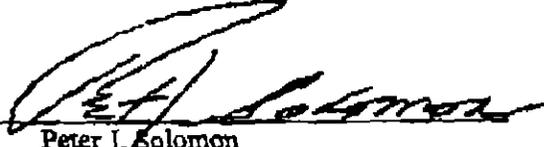
T-518 P.000/13 F-215

If the foregoing correctly sets forth the understanding and agreement between PJSC and the Company, please so indicate by signing the enclosed copy of this letter,

whereupon it shall become a binding agreement between the parties hereto as of the date first above written.

Very truly yours,

PETER J. SOLOMON COMPANY LIMITED

By: 
Peter J. Solomon
Chairman

Accepted and Agreed to as of
the day first written above:

FURR'S SUPERMARKETS, INC.

By: _____
Tom Dahlen
President and Chief Executive Officer

If the foregoing correctly sets forth the understanding and agreement between PISC and the Company, please so indicate by signing the enclosed copy of this letter, whereupon it shall become a binding agreement between the parties hereto as of the date first above written.

Very truly yours,

PETER J. SOLOMON COMPANY LIMITED

By: 
Peter J. Solomon
Chairman

Accepted and Agreed to as of
the day first written above:

FURR'S SUPERMARKETS, INC.

By: 
Tom Dahlen
President and Chief Executive Officer

Mar-05-2001 04:00pm From-SASMF 3614x

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Mar-09-01 09:24pm From-PETER J SOLOMON COMPANY

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T-319 P.10/19 F-315

Exhibit A

PETER J. SOLOMON COMPANY
Fee Schedule for Agreement with Furr's Supermarkets, Inc.
(Dollars in Millions)

Transaction Fee

Minimum Transaction Fee of \$500,000

	<u>Amount</u>	<u>%</u>
Aggregate Consideration up to	\$125.0	1.50%; plus
On Incremental Aggregate Consideration up to	150.0	2.00%; plus
On Incremental Aggregate Consideration up to	200.0	2.50%; plus
On Incremental Aggregate Consideration up to	250.0	3.00%; plus
On Incremental Aggregate Consideration up over	250.0	4.00%

Examples:

<u>Aggregate Consideration</u>	<u>Transaction Fee</u>
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150.0	2.375
200.0	3.925

Note: Transaction Fee is several and exclusive of cost of any fairness opinion fee paid to PJSC or any third party.

Mar-05-2001 04:01pm From-SASMF 3614z

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T-148 P.011/014 F-173

Mar-05-01 09:24pm From-PETER J SOLOMON COMPANY

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T-618 P.11/18 F-816

Exhibit B

The Company shall indemnify and hold harmless PJSC and its affiliates, counsel and other professional advisors, and the respective directors, officers, controlling persons, agents and employees of each of the foregoing (PJSC and all of such other persons collectively, the "Indemnified Parties"), from and against any losses, claims or proceedings including stockholder actions, damages, judgments, assessments, investigation costs, settlement costs, fines, penalties, arbitration awards, other liabilities, costs, fees and expenses (collectively, "Losses") (i) related to or arising out of (A) oral or written information provided by the Company, the Company's employees or other agents, which either the Company or PJSC provides to any persons, or (B) other action or failure to act by the Company, the Company's employees or other agents or PJSC at the Company's request or with the Company's consent, or (ii) otherwise related to or arising out of the engagement of PJSC under this Agreement or any transaction or conduct in connection therewith, provided that this clause (ii) shall not apply if it is finally judicially determined by a court of competent jurisdiction that such Losses arose solely out of the gross negligence or bad faith of such Indemnified Party. If multiple claims are brought against an Indemnified Party in an arbitration, with respect to at least one of which indemnification is permitted under applicable law and provided for under this Agreement, the Company agrees that any arbitration award shall be conclusively deemed to be based on claims as to which indemnification is permitted and provided for, except to the extent the arbitration award expressly states that the award, or any portion thereof, is based solely on a claim as to which indemnification is not available.

The Company shall further reimburse any Indemnified Party promptly for, or at the Indemnified Party's option advance amounts sufficient to cover, any legal or other fees or expenses as they are incurred (i) in investigating, preparing or pursuing any action or other proceeding (whether formal or informal) or threat thereof, whether or not in connection with pending or threatened litigation or arbitration and whether or not any Indemnified Party is a party (an "Action") and (ii) in connection with enforcing such Indemnified Party's rights under this Agreement (including, without limitation, its rights under this Exhibit B); provided, however, that in the event it is finally judicially determined by a court of competent jurisdiction that the Losses of such Indemnified Party arose solely out of the gross negligence or bad faith of such Indemnified Party, such Indemnified Party will promptly remit to the Company any amounts reimbursed or advanced under this paragraph

The Company shall, if requested by PJSC, assume the defense of any such Action including the employment of counsel reasonably satisfactory to PJSC and will not settle, compromise, consent or otherwise resolve or seek to terminate any pending or threatened Action (whether or not any Indemnified Party is a party thereto) unless it obtains the prior written consent of PJSC or an express, unconditional release of each Indemnified Party from all liability relating to such Action and the engagement of PJSC under this Agreement. Any Indemnified Party shall be entitled to retain separate counsel of its choice and participate in the defense of any Action in connection with any of the matters to which this Exhibit B relates, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless: (i) the Company has failed promptly to assume the defense and employ counsel or (ii) the named parties to any such Action (including any impleaded parties) include such Indemnified Party and the Company, and such Indemnified Person shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or in addition to those available to the Company; provided that the Company shall not in such event be responsible under this Exhibit B for the fees and expenses of

Mar-05-2001 04:01pm From-SASMF 3614s

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T-48 P.012/014 F-173

Mar-05-01 03:24pm From-PETER J SOLOMON COMPANY

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T-518 P.12/13 F-315

more than one firm of separate counsel (in addition to local counsel) in connection with any such Action in the same jurisdiction.

The Company agrees that if any right of any Indemnified Party set forth in the preceding paragraphs is finally judicially determined to be unavailable (except by reason of the gross negligence or bad faith of such Indemnified Party), or is insufficient to hold such Indemnified Party harmless against such Losses as contemplated herein, then the Company shall contribute to such Losses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and its stockholders, on the one hand, and such Indemnified Party, on the other hand, in connection with the transactions contemplated hereby, and (ii) if (and only if) the allocation provided in clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company and such Indemnified Party; provided, however, that in no event shall the amount, if any, to be contributed by all Indemnified Parties exceed the amount of the fees actually received by PJSC hereunder. Benefits received (or anticipated to be received) by the Company and its stockholders shall be deemed to be equal to the aggregate cash consideration and value of securities or any other property payable, exchangeable or transferable in any proposed or potential transactions within the scope of this Agreement, and benefits received by PJSC shall be deemed to be equal to the compensation payable by the Company to PJSC in connection with this Agreement. Relative fault shall be determined by reference to, among other things, whether any alleged untrue statement or omission or any other alleged conduct relates to information provided by the Company or other conduct by the Company (or the Company's employees or other agents) on the one hand or by PJSC on the other hand. The parties hereto agree that it would not be just and equitable if contribution were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to above.

The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with advice or services rendered or to be rendered by any Indemnified Party pursuant to this Agreement, the transactions contemplated hereby or any Indemnified Party's actions or inactions in connection with any such advice, services or transactions except for Losses of the Company that are finally judicially determined by a court of competent jurisdiction to have arisen solely out of the gross negligence or bad faith of such Indemnified Party in connection with any such advice, actions, inactions or services.

The rights of the Indemnified Parties hereunder shall be in addition to any other rights that any Indemnified Party may have at common law, by statute or otherwise. Except as otherwise expressly provided for in this Exhibit B, if any term, provision, covenant or restriction contained in this Exhibit B is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement all remain in full force and effect and shall in no way be affected, impaired or invalidated. The reimbursement, indemnity and contribution obligations of the Company set forth herein shall apply to any modification of this Agreement and shall remain in full force and effect regardless of any termination of, or the completion of any indemnified Person's services under or in connection with, this Agreement.