

SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement (the “Agreement”), is made this ___ day of February 2004 by and between Yvette J. Gonzales (the “Trustee”), acting in her capacity as the duly appointed Chapter 7 Trustee of the bankruptcy estate of Furr’s Supermarkets, Inc. (the “Furr’s Estate”), and Qwest Corporation, f/k/a US West and Qwest Communications Corporation (collectively, the “Defendants”).

WHEREAS, on February 8, 2001 (the “Petition Date”), Furr’s Supermarkets, Inc. (the “Debtor”) filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of New Mexico (the “Court”) initiating what is now Case No. 7-01-10779-SA (the “Bankruptcy Case”); on December 19, 2001, the Court entered an order converting the Bankruptcy Case to a case under Chapter 7; and on December 19, 2001, the United States Trustee appointed Trustee as the Chapter 7 Trustee for the Furr’s Estate, in which capacity she continues to serve;

WHEREAS on or about January 30, 2003 and February 4, 2003, respectively, the Trustee filed Complaints initiating Adversary Proceeding No. 03-1075 against US West n/k/a Qwest Corporation (the “QC Adversary Proceeding”) and Adversary Proceeding No. 03-1078 against Qwest Communications Corporation (the “QCC Adversary Proceeding”) (together, the QC Adversary Proceeding and the QCC Adversary Proceeding, the “Adversary Proceedings”) to avoid, under Section 547 of the Bankruptcy Code, alleged preferential payments made by the Debtor to each of the Defendants;

WHEREAS the Trustee and each of the Defendants acknowledge that Qwest Communications Corporation has no liability under Section 547 of the Bankruptcy Code in

connection with any of the alleged preferential payments set forth in the QCC Adversary Proceeding;

WHEREAS Qwest Corporation denies that the amounts alleged by the Trustee in the QC Adversary Proceeding are avoidable preferences pursuant to Section 547 of the Bankruptcy Code;

WHEREAS the Trustee and each of the Defendants desire to settle each of the Adversary Proceedings and have agreed to execute this Agreement for such purpose;

NOW THEREFORE, it is agreed between the Trustee and each of the Defendants as follows:

1. Trustee will file a motion seeking approval of this Agreement and will give notice of the motion with an opportunity to object as required by the Court.

2. No later than twenty (20) days after an order entered by the Court approving the Agreement becomes a final order and from which no timely appeal shall have been taken, Qwest Corporation will pay the Trustee \$37,663.02 (the "Settlement Amount").

3. Upon receipt of the Settlement Amount, the Trustee will file in each of the Adversary Proceedings a notice or stipulation of dismissal with prejudice.

4. The Trustee and each of the Defendants hereby expressly agree and understand that nothing in this Agreement shall constitute any admission or acknowledgment of liability by either the Trustee or any of the Defendants.

5. The Trustee and each of the Defendants shall each bear their respective costs and attorneys' fees incurred in the Adversary Proceedings, and in connection with settlement of the Adversary Proceedings.

6. Effective upon payment of the Settlement Amount to the Trustee, the Trustee on behalf of the Debtor and the Furr's Estate, and each of their predecessors, successors and assigns, hereby releases, waives, acquits, and forever discharges each of the Defendants and each of their representatives, agents, employees, officers, attorneys, shareholders, directors, parent and subsidiary corporations, affiliates, assigns, successors and predecessors in interest, from any and all claims, demands, causes of action (including, without limitation, claims and causes of action under Subchapter III of Chapter 5 of the Bankruptcy Code), suits, debts, liens, obligations, losses, costs and expenses (including attorneys' fees) of any kind and nature, character and description, whether in law or equity, whether in tort, contract or under other applicable law, whether known or unknown, whether fixed or contingent, whether liquidated or unliquidated, that any of the Trustee and/or the Debtor and the Furr's Estate, and each of their predecessors, successors and assigns, ever had, now have, may ever have or may ever claim to have arising out of or connected with any facts, transactions, events, or occurrences existing or occurring between any of the Defendants and/or any of their representatives, agents, employees, officers, attorneys, shareholders, directors, parent and subsidiary corporations, affiliates, assigns, successors and predecessors in interest, on the one hand, and the Trustee and/or the Debtor and the Furr's Estate, and each of their predecessors, successors and assigns, on the other hand, prior to the date of this Settlement Agreement, that were made or raised or could have been raised by Furr's Supermarkets Inc., the Furr's Estate or the Trustee on behalf of the Furr's Estate, including, but not limited to, any claim relating to or concerning the claims described in either of the Complaints. This Agreement does not waive or release any claims arising in connection with this Agreement.

7. Effective upon payment of the Settlement Amount to the Trustee, the Defendants, on their behalves and on behalf of each of their predecessors, successors and assigns, hereby release, waive, acquit, and forever discharge each of the Trustee, the Furr's Estate and the Debtor, and each of their representatives, agents, employees, officers, attorneys, shareholders, directors, parent and subsidiary corporations, affiliates, assigns, successors and predecessors in interest, from any and all claims, demands, causes of action, suits, debts, liens, obligations, losses, costs and expenses (including attorneys' fees) of any kind and nature, character and description, whether in law or equity, whether in tort, contract or under other applicable law, whether known or unknown, whether fixed or contingent, whether liquidated or unliquidated, that any of the Defendants, and each of their predecessors, successors and assigns ever had, now have, may ever have or may ever claim to have arising out of or connected with any facts, transactions, events, or occurrences existing or occurring between any of the Defendants and/or any of their predecessors, successors and assigns, on the one hand, and the Trustee and/or the Debtor and the Furr's Estate and/or each of their representatives, agents, employees, officers, attorneys, shareholders, directors, parent and subsidiary corporations, affiliates, assigns, successors and predecessors in interest, on the other hand, prior to the date of this Settlement Agreement. This Agreement does not waive or release any claims arising in connection with this Agreement.

9. Upon payment of the Settlement Amount to the Trustee, Qwest Corporation shall be allowed to assert in the Bankruptcy Case a general unsecured claim, or an amendment to any previously asserted claim, in the amount of the Settlement Amount.

10. The Trustee and each of the Defendants each acknowledge having had full opportunity to consult with counsel of their choice before executing this Agreement.

11. The Trustee and each of the Defendants warrant and represent to the other that no promise, inducement, or agreement not expressed herein has been offered, made, or relied on, and that this Agreement contains the entire agreement between the parties.

12. This Agreement is entered into under the laws of the State of New Mexico and is subject to approval of the Court, after appropriate notice and an opportunity to object. The Court shall have exclusive jurisdiction to hear and determine any matter arising from this Agreement. If an action is filed to enforce this Agreement, the prevailing party shall be entitled to recover its reasonable costs and attorney fees.

13. If any part of this Agreement is held invalid, void or voidable against public policy or otherwise, the invalidity thereof shall not affect any other provisions, or parts hereof, which shall be given effect without the invalid provision or part.

14. No provision of this Agreement may be changed except by a written instrument executed by the Trustee and each of the Defendants.

15. All of the terms and provisions of this Agreement shall be binding in all respects upon and inure to the benefit of the parties to the Agreement and their respective successors and assigns.

16. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which when taken together shall constitute one and the same agreement. Signatures may be exchanged by telecopy and the original signatures shall be exchanged by overnight mail. Each party agrees that it will be bound by its telecopied signature and that it accepts the telecopied signature of the other party.

17. Trustee and each of the Defendants warrant that each is the sole and current owner of the claims released by this Agreement and that each is respectively authorized to enter

into this Agreement. Each individual signing this Agreement on behalf of any party represents and warrants that he/she has full authority to do so.

IN WITNESS WHEREOF, the Trustee and each of the Defendants have executed this Agreement as of the date first written above.

The Trustee

The Defendants

Yvette J. Gonzales, in her capacity as
the Chapter 7 Trustee of the Furr's
Supermarkets, Inc. bankruptcy estate

Qwest Corporation f/k/a US West

By: _____
Its: _____

Qwest Communications Corporation

By: _____
Its: _____

QWE01-001/2