

**EXHIBIT**

**SETTLEMENT AND RELEASE AGREEMENT**

This Settlement and Release Agreement (the “Agreement”), is made this \_\_ day of August 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 Los Alamos County (the “Defendant”).

WHEREAS, on February 8, 2001, 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”); on December 19, 2001, the Court entered an order converting the Chapter 11 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 Trustee filed a Complaint initiating Adversary Proceeding 03-1043 S against Defendant to avoid, under Section 547 of the Bankruptcy Code, alleged preferential payments made by the Debtor to the Defendant, in which an Amended Complaint was filed on or about February 7, 2003 and a Second Amended Complaint was filed on or about April 13, 2004, collectively referred to as (the “Adversary Proceeding”);

WHEREAS the Defendant denies that the amounts alleged by the Trustee are avoidable preferences pursuant to Section 547 of the Bankruptcy Code; and

WHEREAS the Trustee and the Defendant desire to settle the Adversary Proceeding and have agreed to execute this Agreement for such purpose;

NOW THEREFORE, Trustee and the Defendant incorporate all the clauses in the preamble set forth above as though set forth below in their entirety, and further agree 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 fifteen (15) days after the Court enters an order approving the Agreement, from which order no timely appeal shall have been taken, Defendant will pay the Trustee \$23,180.81 (the "Settlement Amount").

3. The Settlement Amount will be sent to Yvette J. Gonzales, P.O. Box 1037, Placitas, New Mexico, 87043-1037 or to Thomas D. Walker, Trustee's counsel, at Jacobvitz, Thuma & Walker, P.C., 500 Marquette N.W., Suite 650, Albuquerque, NM 87102.

4. Following receipt of the Settlement Amount and confirmation of credit to the Trustee's account, the Trustee will file in the Adversary Proceeding a notice or stipulation of dismissal with prejudice.

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

6. The Trustee and the Defendant each shall bear its respective costs and attorneys' fees incurred in the Adversary Proceeding, and in connection with settlement of the Adversary Proceeding.

7. The Trustee, on behalf of the Furr's Estate, for good and adequate consideration, hereby voluntarily and knowingly releases and forever discharges the Defendant, and all of the Defendant's agents, officers, directors, employees, attorneys, successors and assigns, from any and all claims, demands, actions, costs, expenses, and attorney fees that were made or raised or could have been raised in the Adversary Proceeding; provided, however, that this release does not waive or release any claims arising in connection with this Agreement.

8. The Defendant, on its behalf and on behalf of its affiliates, parents, subsidiaries, and divisions, voluntarily and knowingly releases and forever discharges the Trustee, the Furr's Estate, and all of the Trustee's and/or the Furr's Estate's agents, officers, directors, employees, attorneys, successors and assigns, from any and all claims, demands, actions, costs, expenses, and attorney fees assertable in this case or allowable under 11 U.S.C. §503(b); provided, however, that this Agreement does not waive or release any claims arising in connection with this Agreement, nor does the Defendant release any pre-petition claim asserted in any proof of a general unsecured claim filed in the Debtor's bankruptcy case (the "Preserved Claim").

9. Defendant shall be allowed to amend the Preserved Claim to increase its general unsecured claim by the total of the amounts actually paid to the Trustee pursuant to this Agreement. If no previous claim has been filed, Defendant shall be permitted to file a general unsecured claim (the "Settlement Claim") for the total of the amounts actually paid to the Trustee pursuant to this Agreement. The Trustee shall not object to such amendment to the Preserved Claim or to the Settlement Claim on the basis of lateness, and such claim shall be deemed an allowed general unsecured claim.

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

11. The Trustee and the Defendant 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. Trustee and the Defendant 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.

13. 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.

14. 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.

15. No provision of this Agreement may be changed except by a written instrument executed by the Trustee and Defendant.

16. 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.

17. 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 electronic transmission. Each party agrees that it will be bound by its electronically transmitted signature and that it accepts such signature of the other party.

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

The Trustee

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

The Defendant

Los Alamos County

By: \_\_\_\_\_

\_\_\_\_\_  
Its \_\_\_\_\_