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U.S. BANKRUPTCY COURT
ALBUQUERQUE, N.M.
Case No. 01-11079

In re:

FURR'S SUPERMARKETS, INC.,

Debtors.

**OFFICIAL UNSECURED CREDITORS' COMMITTEE'S APPLICATION
FOR ENTRY OF ADMINISTRATIVE ORDER REGARDING PAYMENT OF INTERIM
PROFESSIONAL FEES AND EXPENSES**

Official Unsecured Creditors' Committee ("Committee" or "UCC"), through its counsel Pepper Hamilton, LLP (Stuart Hertzberg, Esq. and I. William Cohen, Esq.), and local counsel Davis & Pierce, P.C. (William F. Davis, Esq.), respectfully move this Court for the entry of the attached Administrative Order Regarding the Payment of Interim Professional Fees and Expenses, and in support thereof state as follows:

1. On February 8, 2001, the Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor is operating its business and managing its properties as Debtor in Possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed.
2. The Debtor is engaged in the business of operating 70 supermarkets in New Mexico and west Texas.
3. The Official Unsecured Creditors' Committee was formed on February 14, 2001 and local counsel's employment was approved on April 6, 2001 and lead counsel's employment was approved on April 17, 2001. This Order applies to professionals for the Official Unsecured Creditors' Committee who have been hired according to Court Order.
4. In an effort to (a) provide an efficient method for reviewing the fee requests of the UCC's professionals in this case, (b) enhance the Debtor's ability to monitor and plan its monthly cash flow by incorporating UCC professional fees and expenses therein, and (c) alleviate the burden placed on UCC professionals who may render substantial service to the Debtor without receiving payment on a current basis, the movant requests this Court to enter an administrative order regarding the UCC payment of interim UCC professional fees and expenses in the form attached hereto as Exhibit "A."
5. The proposed administrative order establishes procedures for the payment of interim fees and expenses incurred by the Official Unsecured Creditors' Committee, and is substantially similar to the

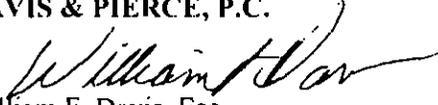
procedures utilized successfully by this Court in other Chapter 11 cases.

6. The proposed administrative order provides, in part, that the professionals will submit to the Debtor's President, through counsel, and the U.S. Trustee detailed monthly statements of fees and expenses incurred in the prior month, including detailed time records and an itemization of expenses. The Debtor will have a 10 day review period to determine that the fees and expenses are mathematically accurate and reasonable in amount or dispute specific entries of time or expenses. The Debtor will then pay 75% of the undisputed fees requested, gross receipts taxes as applicable, and 100% of the expenses requested within 5 days. Thereafter, each UCC professional shall be required to file applications to receive the balance, if any, owing on prior monthly statements. Any interim payment made by the Debtor will, of course, be subject to review or modification and approval by the Court.

WHEREFORE, the Official Unsecured Creditors' Committee respectfully requests that this Court enter the proposed Administrative Order attached hereto as Exhibit "A," and for such other relief as may be appropriate under the circumstances.

Respectfully submitted,

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The undersigned hereby certifies
that a true and accurate copy of
the foregoing was mailed this
30th day of May, 2001.

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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

In re:

FURR'S SUPERMARKETS, INC.,

Case No. 11-01-10779-SA

Debtors.

**ADMINISTRATIVE ORDER ESTABLISHING PROCEDURE FOR PAYMENT OF
INTERIM PROFESSIONAL FEES AND EXPENSES**

This matter came before the Court on the Motion of the Official Unsecured Creditors' Committee for the establishment of a procedure for the payment of fees and expenses for UCC professionals retained, or to be retained in the future, by the Official Unsecured Creditors' Committee (UCC).

This Court makes this Order pursuant to section 330 of the Bankruptcy Code and F.R.Bank.R. 2016. The Court has concluded that the size and complexity of this case warrants the entry of a special omnibus order establishing procedures for the allowance and payment of interim fees and expenses to professionals employed by the Official Unsecured Creditors' Committee.

IT IS THEREFORE ORDERED that:

1. On or before the twenty-fifth day of each month, commencing May 2001, each Professional may submit to the Debtor an interim statement of fees and expenses incurred through the last day of the preceding month. Any fees or expenses not submitted in any month may be submitted in a subsequent month.
2. All statements shall be submitted to Steve Mortensen and shall be served on Debtor's bankruptcy counsel, Jacobvitz, Thuma & Walker, P.C.
3. Each UCC professional submitting a statement of fees and expenses shall comply with the provisions for compensation established by this Order. Each statement submitted by a UCC

professional shall include the daily time records for each individual charging time to this case. The minimum time periods used to record time shall be one-tenth hour blocks. The time records shall, to the extent feasible, identify the amount of time devoted each day to different tasks or pleadings.

4. The description of any services regarding a confidential matter may be blocked out. Submission of confidential matter to the Court, to the Debtor, or to the United States Trustee for review pursuant to this Order shall not constitute a waiver of any privilege regarding confidentiality.

5. All statements for expenses shall include a summary of the expense by category. Receipts and invoices for each expense of \$25.00 or more for which a receipt or invoice is available shall be maintained by the Professional for review upon request by the Debtor or the U.S. Trustee. Whenever a person pays expenses for others, the other persons shall be identified in the supporting material sufficiently to show that the expense for them is reimbursable.

6. Statements submitted by the Professional shall be based on their normal and customary hourly rates, or rates approved by the Court if different, as may be amended from time to time in the ordinary course of that Professional's practice.

7. Mr. Mortensen shall cause a review to be made of the statements submitted by Professionals employed by the Committee, and shall cause each statement that is submitted by any Professional employed by the Committee, pursuant to this Order to be checked for mathematical accuracy and shall notify the entity who submitted such statement of any errors on or before the tenth day following the timely submission of a statement.

8. Within 10 days following timely submission of a statement, the Debtor shall pay 75% of the amount of fees of UCC professionals and 100% of the amount of expenses of Professionals that the Debtor concludes comply with the requirements of this Order and are not disputed by the Debtor. If all or a portion of the monthly fees and expenses are disputed by the Debtor, the Debtor shall pay 75% of the undisputed portion of fees and 100% of the undisputed

expenses, and the disputed portion shall be heard in connection with that Professional's next filed interim fee application, unless otherwise resolved consensually by the Debtor and that Professional. Payments to Professionals under the terms of this Order shall be made only after the Professional has exhausted the retainer, if any, it received at the inception of this case by crediting the retainer against any fees to be paid as permitted by this Order. The Debtor shall include with each payment an explanation of any amounts disputed by the Debtor.

9. Each Professional that has submitted to the Debtor an interim statement of fees or expenses during any of the four prior months shall file with the Court and properly serve an application for approval of the fees and expenses that were submitted to the Debtor during the four prior months (the "Application"). All interim statements of fees or expenses that were submitted to the Debtor during the four prior months, including all attachments, shall be included as exhibits to the Application. A narrative description of the work performed shall be included in the Application. The description of any confidential matter may be blocked out on the copies that are filed and served. A copy showing the entries that have been blocked out shall be submitted to the Court for an in camera inspection and shall be filed and served on or before the next Fee Application Date after the need for confidentiality ceases.

10. Hearings on all timely fee and expense Applications shall be held on the date and time scheduled by the Court (the "Fee Hearing Date"). The Debtor shall give notice by mail of each Fee Hearing Date in accordance with the provisions of Bankruptcy Rule 2002, and shall file with the Court a copy of the notice with a certificate of service. Any objection to a fee or expense Application shall be filed with the Court and served on the applicant, Debtor's Counsel and Bankruptcy Counsel, and the U.S. Trustee in a manner such that the objection is reasonably calculated to reach such entities at least seven (7) days prior to the Fee Hearing Date.

11. All objections to any Application for interim fees or expenses shall be heard at the

hearing on the Application, except that objections to any confidential matter that is blocked out pursuant to paragraphs 4 and 9 shall be heard at the next fee hearing after the description of the matter is filed and served as provided in paragraph 9. Within five days after the entry of each order allowing fees or expenses to a Professional, unless the Order has been stayed by this Court or an appellate Court, as the case may be, the Debtor shall pay the amount necessary to adjust the payment to the Professional to equal 100% of the fees and expenses allowed by the Court. If an adjustment requires a payment by the Professional to the Debtor, the Debtor may, at its option, set off the adjustment against future payments due to the Professional. If any Professional who has submitted a statement of fees or expenses to the Debtor during the four-month period preceding a Fee Application Date fails to file a timely Application pursuant to paragraph 9, then, unless otherwise ordered by the Court, the Debtor shall make no further monthly payments of fees or expenses to that Professional until a Fee Application has been filed.

THE HONORABLE JAMES S. STARZYNSKI
UNITED STATES BANKRUPTCY JUDGE

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