

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

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In re:

FURRS SUPERMARKETS, INC.,

Debtor.

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U.S. BANKRUPTCY COURT
ALBUQUERQUE, N.M.

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

ATTORNEY DISCLOSURE OF AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P. PURSUANT TO BANKRUPTCY RULES 2014 AND 2016

Akin, Gump, Strauss, Hauer & Feld, L.L.P. ("Akin Gump"), hereby states, in connection with the motion of the Debtor and Debtor in Possession, Furrs Supermarket's, Inc. ("Furrs"), to employ Akin Gump as its counsel in or in connection this bankruptcy case and on such other matters as Furrs may request of Akin Gump and Akin Gump may agree to perform:

1. The undersigned is a partner in Akin Gump, and is employed by Akin Gump as an attorney. The undersigned is admitted to the bar in the State of Texas and to practice before this Court.

2. To the best of the undersigned's knowledge, information and belief, after making reasonable inquiry, Akin Gump has no interest that is adverse to Furrs, Furrs creditors or any other party in interest in this case, or their respective attorneys and accountants, the United States Trustee, or any person employed in the office of the United States Trustee, except as follows:

(a) Employees of Akin Gump, including attorneys, have professional relationships with other counsel and professionals representing one or more parties in interest in the case, and with persons employed in the office of the United States Trustee.

Further, employees of Akin Gump, including attorneys, may have social relationships with other counsel and professionals representing one or more parties in interest in the case.

(b) Akin Gump and its employees may subscribe to telephone and other utility services from vendors who furnish such services to Debtor, and may purchase products or services from, or that are manufactured or distributed by, trade vendors of the Debtor.

(c) Akin Gump may represent clients who are adverse to creditors of Debtor, or who are parties in interest in cases in which creditors of Debtor also are parties in interest, in matters wholly unrelated to the Debtor's bankruptcy case.

(d) Akin Gump does not represent any creditors or equity security holders of Furrs in any matters related to Furrs or to this bankruptcy case except as otherwise described herein.

(e) Akin Gump has represented Heller Financial, Inc., Metropolitan Life Insurance Co., Bank of America, CS First Boston, Finova Capital Corp., General Mills, Inc., Mission Foods Corp., Frito-Lay, Inc., Phillip Morris, Inc., Procter & Gamble, Inc., Earthgrains Company; Pepsico, Inc., Pepsi Cola Company, Kraft General Foods, Inc. for a number of years in matters wholly unrelated to Furrs or to this bankruptcy case, and currently represents Earthgrains Company, Metropolitan Life Insurance Co., Bank of America, CS First Boston, Finova Capital Corp., General Mills, Inc., Mission Foods Corp., Frito-Lay, Inc., Procter & Gamble, Inc. in matters wholly unrelated to Furrs. Furrs has consented to the Firm representing Furrs while at the same time representing in matters wholly unrelated to Furrs or to this bankruptcy case. Furrs also has agreed that Akin Gump will not advise or otherwise represent Furrs, as labor and employment counsel or

otherwise, with respect to any issues involving Heller Financial, Inc., Metropolitan Life Insurance Co., Bank of America, CS First Boston, Finova Capital Corp., General Mills, Inc., Mission Foods Corp., Frito-Lay, Inc., Phillip Morris, Inc., Procter & Gamble, Inc., Earthgrains Company, Pepsico, Inc., Pepsi Cola Company, Kraft General Foods, Inc., and that Furrs separate counsel will represent and advise Furrs with respect to such matters.

(f) Except for its representation of Heller Financial, Inc., Metropolitan Life Insurance Co., Bank of America, CS First Boston, Finova Capital Corp., General Mills, Inc., Mission Foods Corp., Frito-Lay, Inc., Phillip Morris, Inc., Procter & Gamble, Inc., Earthgrains Company, Pepsico, Inc., Pepsi Cola Company, Kraft General Foods, Inc. in matters wholly unrelated to Furrs or this bankruptcy case, to Akin Gump's knowledge it does not represent any creditors of Furrs. However, the matrix in this case will likely contain more than 18,000 names, Akin Gump has only checked the major secured creditors, the twenty largest unsecured creditors, the members of the creditor's committee, and CS First Boston (an equity interest holder of Furrs), as provided to us by Furrs local counsel. Akin Gump has not checked the entire matrix of 18,000 creditors. Akin Gump has also represented Furrs in matters adverse to certain creditors, in particular, employment litigation claimants and the United Food & Commercial Workers Union.

3. The arrangement for compensating the Akin Gump, if the Court approves Debtor's employment of Akin Gump, is described in the Engagement Letter attached hereto as Exhibit "A" and the Debtor's Motion to Employ Akin, Gump, Strauss, Hauer & Feld, L.L.P. as Special Counsel for the Debtor.

4. Within one year of the commencement of this bankruptcy case, the Debtor has paid Akin Gump, for services rendered that were not in contemplation or in connection

with the case, a total amount of \$268,554.74, consisting of \$249,673.00 for attorney fees, and \$18,881.74 for reimbursable costs. Akin Gump has not rendered pre-petition services in contemplation of or in connection with the bankruptcy case.

5. Akin Gump is informed and believes the source of all monies it has received from the Debtor was the Debtor's funds.

6. Akin Gump has received no transfer, assignment or pledge of property for post-petition legal services, except any unapplied balance of the Retainer.

7. Akin Gump has not shared or agreed to share with any other person or entity, other than with members or regular associates or employees of Akin Gump, or any persons retained by Akin Gump on a contract basis to perform legal work who may be paid by Akin Gump on an hourly basis, any compensation paid or to be paid by Debtor in or in connection with this labor and employment representation.

8. Akin Gump is an unsecured creditor of Furrs and is owed in excess of \$600,000 for pre-petition fees and expenses.

9. As part of Akin Gump's pre-petition services for Furrs, Akin Gump also represented employees and other co-defendants of Furrs in litigation and certain administrative proceedings. Akin Gump anticipates that as a part of its retention as special counsel, it will continue to represent these co-defendants.

AKIN, GUMP, STRAUSS, HAUER &
FELD, L.L.P.

By: 

Laura M. Franze
TX State Bar No. 07389600
NM State Bar No. 6493
David F. Staber
TX State Bar No. 18986950
1700 Pacific Avenue, Suite 4100
Dallas, Texas 75201
Telephone: (214) 969-2800
Telecopy: (214) 969-4343

ATTORNEYS FOR THE DEBTOR

This certifies that a copy
of the foregoing document
was served by mail on:

United States Trustee
P.O. Box 608
Albuquerque, NM 87103

this ___ day of March, 2001.

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

AUSTIN
BRUSSELS
DALLAS
DENVER
HOUSTON
LONDON
LOS ANGELES
MOSCOW
NEW YORK
NORTHERN VIRGINIA
PHILADELPHIA
SAN ANTONIO
WASHINGTON, D.C.

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E-MAIL ADDRESS franz@akingump.com

RIYADH (AFFILIATE)

March 13, 2001

Mr. Delwyn T. James
Furrs Supermarkets, Inc.
4411 The 25 Way NE, Suite 100
Albuquerque, NM 87109

RE: Terms of Engagement

Dear Mr. James:

We appreciate the selection of our firm to represent Furrs Supermarkets, Inc. - Debtor in Possession, and look forward to continuing to work with you and your colleagues on labor and employment counseling, processing of grievances, arbitrations, litigation, and other matters as Special Labor Counsel and such other matters as you may direct.

This letter will confirm our engagement as counsel and to provide you certain information concerning our fees, billing and collection policies, and other terms that will govern our relationship. Although we do not wish to be overly formal in our relationship with you, we have found it a helpful practice to confirm with our clients the nature and terms of our representation. This engagement began February 8, 2001, and will be terminable at will by either of us, subject to payment of all fees for services performed and costs advanced through the date of termination.

We will undertake to advise you in connection with such general matters as you request. In addition, we will undertake to prepare such documents as you may request to effect various transactions. The scope of our engagement is limited to the extent specified above and does not include representation of you in connection with securities offerings, litigation or other matters unless otherwise agreed by us in accordance with a separate engagement agreement for such purpose. For the purpose of this engagement, our client shall be deemed to be Furrs Supermarkets, Inc. - Debtor in Possession.

I will serve as the partner in charge of your account and will utilize the services of such other partners or associates in the law firm to handle aspects of various transactions as I deem appropriate to perform the services to be rendered pursuant to this Agreement. As you know, I have 22+ years of experience in labor and employment matters, including nearly 20 years of experience

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.
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specifically representing Furr's Supermarkets, Inc. and the various predecessor companies that operated the stores now operated by Furr's Supermarkets, Inc. I am Board Certified in labor law of the Texas Board of Legal Specialization and licensed in both Texas and New Mexico. My current regular billing rate is \$375.00. The billing rates of the Dallas labor section attorneys who are likely to work on Furr's Supermarkets matters range from \$140.00 to \$375.00 an hour. Billing rates for legal assistants range from \$75.00 to \$125.00.

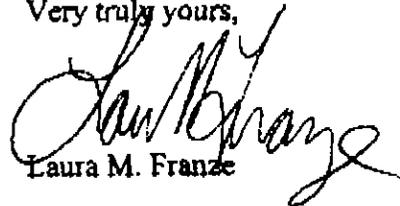
From time to time we may request a security deposit for fees and expenses (the "Deposit"). Any such deposit will be held for our benefit and security in a noninterest bearing account. We shall bill against the Deposit each month for fees and expenses until the Deposit is exhausted. Should our representation terminate for any reason before the Deposit paid herein is exhausted, we will refund the balance remaining to you. If our current billings should at any time exceed the balance of the Deposit held by us, you agree to immediately replenish the full amount of the Deposit. It is understood that we have made no representation to you that our fees will be less than, equal to, or greater than the Deposit amount, and you agree to pay our normal hourly billing rates plus expenses if for any reason they cannot be recouped from the Deposit.

Attached to this letter is a description of our Statement of Firm Policies which will apply to our representation of you. Please review these and let me know if you have any questions concerning our policies. If the terms described above and in the attached Statement of Firm Policies are satisfactory to you, please so indicate by signing the enclosed copy of this letter, and returning the signed copy.

THE STATE BAR OF TEXAS INVESTIGATES AND PROSECUTES PROFESSIONAL MISCONDUCT COMMITTED BY TEXAS ATTORNEYS. ALTHOUGH NOT EVERY COMPLAINT AGAINST OR DISPUTE WITH A LAWYER INVOLVES PROFESSIONAL MISCONDUCT, THE STATE BAR'S OFFICE OF GENERAL COUNSEL WILL PROVIDE YOU WITH INFORMATION ABOUT HOW TO FILE A COMPLAINT. PLEASE CALL 1-800-932-1900 TOLL-FREE FOR MORE INFORMATION.

We are grateful for the opportunity to work with you in connection with these matters, and we look forward to a mutually satisfactory relationship.

Very truly yours,

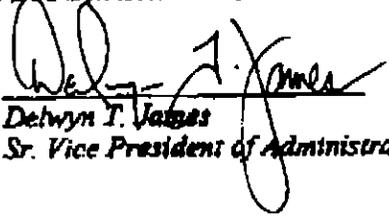


Laura M. Franze

AKIN, GUMP, STRAUSS, MAUER & FELD, L.L.P.
Mr. Delwyn T. James
March 13, 2001
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The undersigned has read and
Approved this engagement letter
This 14th day of March 2001.

FURRS SUPERMARKETS, INC.

By: 
Delwyn T. James
Sr. Vice President of Administration

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Mr. Delwyn T. James
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STATEMENT OF FIRM POLICIES

We appreciate your decision to retain Akin, Gump, Strauss, Hauer & Feld, L.L.P. as your legal counsel and look forward to developing our relationship with you in the course of our representation. Our engagement is limited to the matter identified in the engagement letter to which this Statement of Firm Policies is attached. Except as may be modified by the accompanying engagement letter, the following summarizes our billing practices and certain other terms that will apply to our engagement.

1. Determination of Fees.

When establishing fees for services that we render, we are guided primarily by the time and labor required, although we also consider other appropriate factors, such as the novelty and difficulty of the legal issues involved; the legal skill required to perform the particular assignment; time-saving use of resources (including research, analysis, data and documentation) that we have previously developed and stored electronically or otherwise in quickly retrievable form; the fee customarily charged by comparable firms for similar legal services; the amount of money involved or at risk and the results obtained; and the time constraints imposed by either the client or the circumstances. The firm generally requires a security deposit in an amount which is appropriate with respect to the proposed representation. Unless otherwise agreed, the security deposit will be applied to statements rendered in connection with the representation, with any unused portion being returned to the client.

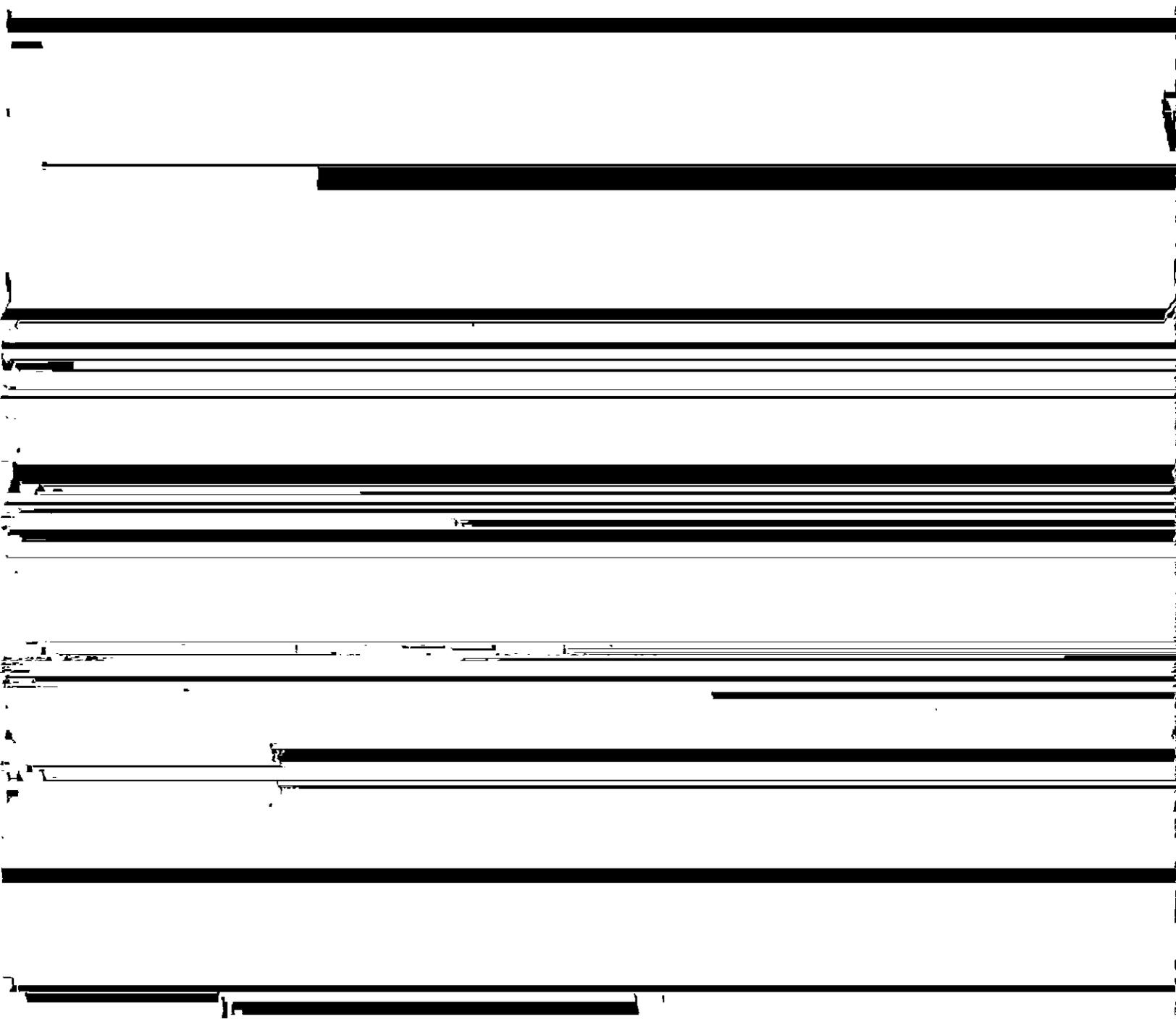
In determining a reasonable fee for the time and labor required for a particular matter, we consider the ability, experience, and reputation of the lawyer or lawyers in our firm who perform the services. To facilitate this determination, we internally assign to each lawyer an hourly rate based on these factors. When selecting lawyers to perform services for a client, we generally seek to assign lawyers having the lowest hourly rates consistent with the skills, time demands, and other factors influencing the professional responsibility required for each matter. Of course, our internal allocation of values for lawyer time changes periodically (at least annually) to account for increases in our cost of delivering legal service, other economic factors, and the augmentation of a particular lawyer's ability, experience and reputation. Any such changes in hourly rates are applied prospectively as well as to unbilled time previously expended. We record and bill our time in one-tenth hour (six minute) increments.

The time for which a client will be charged will include, but will not be limited to, telephone and office conferences with a client and counsel, witnesses, consultants, court personnel and others; conferences among our legal personnel; factual investigation; legal research; responding to clients' requests for us to provide information to their auditors in connection with reviews or audits of financial statements; drafting of agreements, contracts, letters, pleadings, briefs and other documents; travel time; waiting time in court; and time in depositions and other discovery proceedings. In an effort to reduce legal fees, we utilize paralegal personnel. Time devoted by paralegals to client matters is

charged at special billing rates, which also are subject to adjustment from time to time by the firm. Our current range of hourly rates for lawyers and legal assistants is referenced in the accompanying engagement letter

2. Expenses.

In addition to legal fees, our statements will include out-of-pocket expenses that we have advanced on behalf of the client and our internal charges (which may exceed direct costs) for certain support activities. Advanced costs generally will include such items as travel expenses, postage, filing, recording, certification, and registration fees charged by governmental bodies. Our internal charges typically include such items as long distance telephone calls, facsimile transmissions, messenger services, overnight



date, we reserve the right to discontinue services on all pending matters for you until all of your accounts with us have been brought current. Additionally, if any statement is not paid within 60 days from the date of the original statement, we may, by written notice to you on a subsequent statement or otherwise, declare the overdue account to be delinquent.

We have no obligation to declare any account delinquent. If we declare an account to be delinquent, the amount owing on that account will accrue interest at a rate equal to one percent (1.0%) per month (a 12% annual percentage rate) from the date of our delinquency notice to you until the balance is paid in full, but in no event shall such rate exceed the maximum rate permitted by applicable law. Any payments made on past due statements are applied first to interest, if any, and then to the account balance, and shall be applied first to the oldest outstanding statement. In addition, we are entitled to attorneys' fees and costs if collection activities are necessary.

4. Scope of Engagement.

We will provide services of a strictly legal nature of the kind generally described in the engagement letter that accompanies this attachment. It is understood that you are not relying on us for business, investment, or accounting decisions, or to investigate the character or credit of persons with whom you may be dealing, or to advise you about changes in the law that might affect you unless otherwise specified in the letter. We will keep you advised of developments as necessary to perform our services and will consult with you as necessary to ensure the timely, effective, and efficient completion of our work. Attorneys in the firm typically have several client matters pending and are required to coordinate the scheduling of activities required for each pending client matter.

5. Necessary Information.

It is anticipated that you and any other entities affiliated with you will furnish us promptly with all information that we deem to be required to perform the services described in our engagement letter, including financial statements from qualified accountants and auditors, as appropriate, and documents prepared by other legal counsel employed by you in connection with prior or other matters. You will make such business or technical decisions or determinations as are appropriate to carry out our engagement.

Our engagement is premised and conditioned upon your representation that you are not aware of any material facts, or any current or historical problem involving any of the following: court orders, injunctions, cease and desist orders, judgments, liabilities, litigation, administrative proceedings, crimes, prosecutions, bankruptcies or securities violations on the part of any person to be connected with you which you have not fully disclosed to us. You understand that the accuracy and completeness of any document

(including securities disclosure documents, litigation pleadings and court filings) prepared by us is dependent upon your alertness to assure that it contains all material facts relating to the subject and purpose of such document and that such document must not contain any misrepresentation of a material fact nor omit information necessary to make the statements therein not misleading. To that end, you agree to review all documents prepared by us for their factual accuracy and completeness prior to any use thereof. You

also acknowledge that this responsibility continues through our engagement in the event that such document becomes deficient in this regard. You hereby represent and warrant that any material, information, reports and financial statements, whether rendered orally or in writing, furnished to us by you will be accurate, and that we may rely upon the truth or accuracy of such information.

6. Confidentiality and Conflicts.

As a matter of professional responsibility, we are required to preserve the confidences and secrets of our clients. This professional obligation and the legal privilege for attorney-client communications exist to encourage candid and complete communication between a client and his lawyer. We can perform truly beneficial services for a client only if we are aware of all information that might be relevant to our representation. Consequently, we trust that our attorney-client relationship with you will be based on mutual confidence and unrestrained communication that will facilitate our proper representation of you. Additionally, you should be aware that, in instances in which we represent a corporation or similar legal entity, our client relationship is with the entity and not with its individual executives, shareholders, directors, partners, or persons in similar positions. In those cases, our professional responsibilities are owed to the entity. Of course, we can also represent individual executives, shareholders, partners, and other persons related to the entity in matters that do not conflict with the interests of the entity.

Because we are a large, full-service law firm with offices located throughout Texas, in Washington, D.C., New York, Philadelphia, Los Angeles, Brussels, Moscow and London, lawyers in one office or practice area may be (and often are) asked to represent a client with respect to interests that are adverse to those of another client who is represented by the firm in connection with another matter. Just as you would not wish to be foreclosed in an appropriate situation from retaining a law firm that competes with us, our firm wishes to be able to consider the representation of multiple competitors in your industry or other clients who may have interests that are potentially adverse to yours but with respect to matters that are unrelated in any way to our representation of you. The ethics governing the legal profession permit law firms to accept such multiple representations assuming certain criteria are met as discussed below.

During the term of this engagement, we will not knowingly accept representation of another client to pursue interests that are directly adverse to your interests unless and until we have made full disclosure to you of all the relevant facts, circumstances and implications of our undertaking the two representations and you have consented to our representation of the other client. You agree, however, that you will be reasonable in evaluating such circumstances and that you will give your consent if we can confirm to you in good faith that the following criteria are met: (i) there is no substantial relationship between any matter in which we are representing or have represented you and the matter for the other client; (ii) our representation of the other client will not implicate any confidential information we have received from you; (iii) our effective representation of you and the discharge of our professional responsibilities to you will not be prejudiced

by our representation of the other client; and (iv) the other client has also consented in writing based on our full disclosure of the relevant facts, circumstances and implications of our undertaking the two representations.

By making this agreement, we are establishing the criteria that will govern the exercise of your right under applicable ethical rules to withhold consent to our representation of another client whose interests are adverse to yours. You will retain the right, of course, to contest in good faith our representation that the criteria have been met, in which event we would have the burden of supporting our representations to you.

7. Termination of Engagement.

Upon completion of the matter to which this representation applies, or upon earlier termination of our relationship, the attorney-client relationship will end unless you and we have expressly agreed to a continuation with respect to other matters. We hope, of course, that such a continuation will be the case. You have the right at any time to terminate our services and representation upon written notice to the firm. We reserve the right to withdraw from our representation if, among other things, you fail to honor the terms of the engagement letter, you fail to cooperate or follow our advice on a material matter, or any fact or circumstance (including any conflict of interest with another client) would, in our view, render our continuing representation unlawful or unethical. If we elect to withdraw, you will take all steps necessary to free us of any obligation to perform further, including the execution of any documents necessary to complete our withdrawal.

No termination of our representation by you or us shall relieve you of your obligations under the terms of our engagement to pay for services rendered, costs or expenses paid or incurred on your behalf or any indemnification payable with respect to services rendered prior to the date of such termination. In the unusual event that a court of competent jurisdiction refuses to permit us to withdraw upon termination, you remain responsible for fees and costs. In the event we are compelled to intervene in a pending lawsuit or initiate any proceeding in order to recover any amount due under the terms of our engagement, you agree to pay any and all attorneys' fees, court costs and/or other expenses incurred by us to recover such amounts due us pursuant to the terms of our engagement.

8. Disagreements Regarding Fees.

In the event that you believe any statement for our services is erroneous for any reason, you shall notify us of the same within 10 business days after receipt of such statement stating the basis for your belief. If agreement cannot be reached with respect to the amount owed, you agree to promptly pay the nondisputed portion of our statement and submit the disputed portion for resolution by the appropriate committee of the Bar Association of the city where our office rendering such services is located, or if none, by The Committee on Arbitration Relating to Fee Disputes (or similar committee) of the regulatory body governing the practice of law in the state or jurisdiction where our office rendering such services is located.

9. Governing Law.

OUR ENGAGEMENT SHALL BE GOVERNED BY THE LAWS OF THE JURISDICTION WHERE OUR OFFICE RENDERING OUR SERVICES IS LOCATED AND, EXCEPT FOR DISAGREEMENTS REGARDING FEES SUBMITTED TO ARBITRATION PURSUANT TO PARAGRAPH 8 ABOVE, VENUE FOR ANY OTHER ACTION HEREUNDER SHALL BE IN THE COUNTY WHERE OUR OFFICE RENDERING SUCH SERVICES IS LOCATED.

10. Miscellaneous.

The engagement letter to which this Statement of Firm Policies is attached constitutes our entire understanding and agreement with respect to the terms of our engagement and supersedes any prior understandings and agreements, written or oral. If any provision of our engagement letter is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect. *Our engagement letter may only be amended in writing by the parties hereto.*

11. Notice to Clients.

THE STATE BAR OF TEXAS INVESTIGATES AND PROSECUTES PROFESSIONAL MISCONDUCT COMMITTED BY TEXAS ATTORNEYS. ALTHOUGH NOT EVERY COMPLAINT AGAINST OR DISPUTE WITH A LAWYER INVOLVES PROFESSIONAL MISCONDUCT, THE STATE BAR'S OFFICE OF GENERAL COUNSEL WILL PROVIDE YOU WITH INFORMATION ABOUT HOW TO FILE A COMPLAINT. PLEASE CALL 1-800-932-1900 TOLL-FREE FOR MORE INFORMATION.

Your agreement to this engagement constitutes your acceptance of the foregoing terms and conditions. If any of them is unacceptable to you, please advise us now so that we can resolve any differences and proceed with a clear, complete, and consistent understanding of our relationship.

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