UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

In re

FURR'S SUPERMARKETS, INC.,

Debtor.

Case No. 01-10779-SA
Chapter 11

DECLARATION OF GARY SWENSON IN SUPPORT OF DEBTOR'S MOTION FOR ORDER AUTHORIZING DEBTOR TO (a) IMPLEMENT EMPLOYEE RETENTION, SEVERANCE, AND SUCCESS BONUS PLANS; (b) ENTER INTO TRANSITION AGREEMENT WITH THOMAS DAHLEN; AND (c) ENTER INTO CONSULTING AGREEMENTS WITH GEORGE GOLLEHER AND GREG MAYS

I, Gary Swenson declare that:

I am a member of the Board of Directors of Furr's Supermarkets, Inc. (the "Company") and Chairman of the Compensation Committee. I submit this declaration in support of the Company's Motion, dated March 26, 2001, for an order (a) authorizing it to implement the employee retention, severance, and success bonus plans; (b) authorizing it to enter into a transition agreement (the "Transition Agreement") with Thomas Dahlen, who has announced his intention to resign as the Company's President and Chief Executive Officer and take a position with the Fleming Companies, Inc.; and (c) authorizing it to enter into consulting agreements with George Golleher, who will serve as the Company's Non-Executive Chairman and Greg Mays, who will serve as Non-Executive Vice-Chairman (the "Consulting

327

Agreements"). 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. The Board's Compensation Committee, with the assistance of PricewaterhouseCoopers, the Company's financial advisors, developed the Employee Retention, Severance, and Success Bonus Plans (collectively "Employee Plans") described in the Motion, independent from Furr's management. The Company's Board of Directors has approved these Employee Plans.

A. The Need for the Employee Plans

2. The Company's ability to sustain current operations and preserve its estate will depend in large part on the continued retention, active participation, and loyalty and dedication of its employees. The Company and its advisors devised the Employee Plans, taking into account similar plans implemented by other large Chapter 11 debtors, in recognition of the need to maintain employee stability, morale and motivation and to minimize the risk of large-scale attrition.

3. The Board believes that many employees – understandably motivated by a concern over long-term job security – may be actively pursuing other employment. The Company hopes that the incentives under the Retention and Severance Plans will encourage employees to remain with the Company through the Chapter 11 case. The Retention Bonuses are particularly important, because despite

strong performance by the Company and its employees in the first three quarters of 2000, the Company's lack of liquidity in the fourth quarter prevented it from paying employees their anticipated 2000 incentive bonuses, and because it will provide an immediate incentive for employees to remain. The Severance Payments will help assure employees that regardless of the case's outcome, they will not be terminated abruptly without compensation, reducing their incentive to seek alternative employment now, before the Company can formulate a plan.

4. The Success Bonus Plan is based on industry practice of awarding emergence bonuses to key management, whose knowledge, experience and skills are critical to the Company's business operations and its reorganization. Without the Success Bonus Plan, the Company believes that many of these key executives may pursue alternative employment.

5. The departure of any senior executive would not only deprive the Company of his or her knowledge and experience, it would also impose a significant burden of effort and expense required to find a qualified replacement. The Company would likely have to pay substantial fees to an executive search firm (typically 25-35% of total first year compensation, including bonuses), as well as a signing bonus, relocation reimbursement, an above-market salary, performance bonus, and other compensation, in large part prompted by the same uncertainty that necessitates adoption of the Retention and Severance Plans.

B. The Transition Agreement.

6. The Transition Agreement will minimize the potentially severe impact on the Company and its Chapter 11 case from Dahlen's resignation.

7. Dahlen advised the Board of his decision to resign in February 2001, although his former employment agreement does not expire by its own terms until February 9, 2003. After subsequent discussions and negotiations, Dahlen and the Company have agreed to the terms of the Transition Agreement. The Transition Agreement assures the Company of Dahlen's continued service as Chief Executive Officer through April 6, 2001 and his availability to the Company on an "as-needed" basis for an additional six weeks thereafter. In addition, Dahlen has agreed that neither he nor his new employer will seek to recruit additional employees from the Company.

C. Consulting Agreements.

8. The Consulting Agreements will provide the Company with qualified leadership in a timely manner after Dahlen's departure. Gollcher will become the Company's Non-Executive Chairman, Mays the Non-Executive Vice-Chairman. Steven Mortensen, the Company's current Chief Financial Officer and Senior Vice-President, will assume the position and duties of President and Chief Operating Officer.

9. The Company has engaged in separate. extensive arms-length negotiations with both Gollcher and Mays. Golleher is a valued member of the Company's Board of Directors and many members of the Debtor's management team have had extensive experience working with both Golleher and Mays over the last five to ten years. Together, they offer the Company the opportunity to retain institutional knowledge and management expertise within its senior management team, without the added cost of an expensive and time consuming executive search.

10. The Board of Directors has concluded that the costs of the Employee Plans are justified by the long-term benefits that the Company will realize, by addressing problems of employee morale and attrition. In addition, eliminating the need to pay search firms, temporary service providers, and other expenses associated with dissatisfaction in the work force and excessive turnover may compensate for a significant portion of these costs.

11. It is also the Company's business judgment that it should enter into the Transition and Consulting Agreements. The Transition Agreement will assure that the Company retains the services of Thomas Dahlen until his successors have fully assumed their responsibilities. The Consulting Agreements, in turn, will assure the Company of qualified replacements for Dahlen. The Transition Agreement and the Consulting Agreements will insure a smooth succession of leadership, with minimal effect on the Company's business or its efforts to reorganize.

The Board of Directors believes, after due consideration, that the Employee Plans, the Transition Agreement, and the Consulting Agreements are in the best interest of the Company and its estate.

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 __th day of March, 2001, at __________, ____________.

_To Be Submitted____________________
Gary Swenson