

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

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

In re

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

FURR'S SUPERMARKETS, INC.,

Debtor.

DECLARATION OF THOMAS J. SIKORSKI
IN SUPPORT OF MOTION 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

Thomas J. Sikorski states that the following is true to the best of his
knowledge, information and belief:

1. I am a director of Furr's Supermarkets, Inc. (the "Debtor"), a
corporation organized under the laws of the state of Delaware.
2. I have been a member of the Debtor's Board of Directors
since 1995, and have knowledge of most aspects of the Debtor's business and its
restructuring efforts.
3. I am also a managing director of Windward Capital ("Wind-
ward"). Windward, together with its affiliates, is the Debtor's largest shareholder.

A21

4. I submit this Declaration in support of the Debtor's motion authorizing it to (a) implement employee retention, severance, and success bonus plans; (b) enter into the Transition Agreement with Thomas Dahlen; and (c) enter into consulting agreements with George Golleher and Greg Mays in this chapter 11 case.

5. Except as otherwise indicated, all facts in this Declaration are based upon my personal knowledge, my review of relevant documents, or my opinion, based upon my experience and knowledge of the Debtor's operations and financial condition. If I were called upon to testify, I could and would testify competently to the facts herein.

6. Although the Debtor believes that an employee retention, severance, and success bonus plan is critical to its continuing efforts to retain employees and reorganize, the Debtor has determined to modify the plan previously filed with the Court and, accordingly, will not go forward with its request for approval of that plan. The Debtor will seek approval of the modified retention, severance, and success bonus plan as soon as it is finalized.

7. With respect to the Transition Agreement with Mr. Dahlen, the Debtor and Mr. Dahlen have agreed to modify the agreement to eliminate the provision in the Transition Agreement that paid Mr. Dahlen \$100,000 ninety (90) days after the end of the Initial Period of the Transition Agreement as long as Mr.

Dahlen cooperates with the Company in the transition process and does not solicit the employment of any of the Debtor's management personnel. Accordingly, the Debtor only seeks approval to pay Mr. Dahlen \$30,000 as provided in the transition agreement, for his services provided to the Debtor on an as-needed basis for a period commencing at the end of the Initial Period and ending on the date which is six weeks following the end of the Initial Period. A copy of the modified Transition Agreement with Mr. Dahlen is included with the other exhibits filed with the Court in support of this motion.

8. The remainder of this Declaration will address the Debtor's request to enter into the Golleher and Mays Agreements. These agreements have been revised as well. Copies of the revised Agreements are included with binder of exhibits filed in support of the motion.

9. The principal revisions to the Agreements are: (i) the agreements no longer describe Messrs. Golleher and Mays as "consultants" or "independent contractors." Messrs. Golleher and Mays are members of the Debtor's Board. As Board members, they have agreed to assume the additional duties described in the Agreements, and the Debtor has agreed to compensate them for doing so; (ii) the success bonus payable if the Debtor's asset value exceeds \$150 million but less than \$200 million has been reduced from 3% to 1.5%; and (iii) the

success bonus payable if the Debtor's asset value exceeds \$200 million has been reduced from 4% to 1.25% .

10. In late February, 2001, Mr. Dahlen, the Debtor's former Chief Executive Officer, announced that he received another employment opportunity. Because of the Debtor's difficult financial situation and its imminent chapter 11 filing, the Board was concerned about the leadership vacuum that might result from Mr. Dahlen's departure. Accordingly, the Board immediately initiated efforts to find a replacement. The Board initially sought to retain the services of Richard Goodspeed, a member of the Debtor's Board who was formerly employed by Vons and former president of A&P. The Board also engaged the services of an executive recruiter, whose primary focus was to recruit chief executives for large companies.

11. Mr. Goodspeed rejected the Debtor's offer to serve as CEO. The Debtor subsequently determined that the recruiting process would take considerably longer time than anticipated. Accordingly, the Board approached George Golleher, another member of the Board. The Board approached Mr. Golleher, among other reasons, because of his expertise in turnaround management and supermarket operations, and his familiarity with the Debtor's business through his role on the Board.

12. In addition, Mr. Golleher and many members of the Debtor's current management team had previously worked together at Ralph's, where Mr.

Golleher was an Executive Vice President. For that reason, the Board believed that Mr. Golleher could bring continuity to the Debtor's management team.

13. Mr. Golleher requested that, if he accepted a consulting position with the Debtor, that Greg Mays also be retained. Messrs. Mays and Golleher had worked together extensively in the past. Although both have extensive experience in the supermarket industry, Mr. Golleher has more transactional experience, and Mr. Mays has more operational experience.

14. In negotiating the compensation package for Messrs. Golleher and Mays, the Board consulted with the Debtor's financial advisors, PricewaterhouseCoopers ("PWC"). The Board also analyzed the cost to hire an executive through a recruiter.

15. I was personally involved in negotiating with Mr. Golleher the proposed compensation package for Messrs. Golleher and Mays. These negotiations were conducted at arm's-length, over several sessions. The compensation ultimately agreed upon, as described in the Agreements, is less in amount and more "back-loaded" than Messrs. Golleher and Mays originally requested. I am advised and therefore believe that the compensation is comparable to that paid to *crisis managers in comparable situations.*

16. Moreover, seeking a new CEO through an executive recruiter would take significant time. The search would distract the Board from its other responsibilities and leave the Debtor without executive leadership during this critical period. Finally, a search firm typically charges a substantial percentage of the executive's first-year compensation as its fee. For these reasons, among others, I believe that the Debtor is much more well-served, from both a timing and from a financial perspective, to have the immediate services of Messrs. Golleher and Mays than to have to wait for the uncertain results of an executive search.

17. Although the Court has not approved their Agreements, Messrs. Mays and Golleher have already assumed their duties thereunder. Each is working more than 40 hours/week on stabilizing the Debtor's operations, meeting with the Committee, considering reorganization and transactional alternatives, and other responsibilities.

18. The Board believes that the continued leadership of Messrs. Mays and Golleher are critical to the success of the Debtor's case. It urges the Court to approve their Agreements.

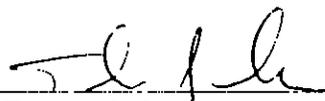
I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this ___th day of May, 2001, at New York, New York.

Thomas J. Sikorski

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 May, 2001, at New York, New York.



Thomas J. Sikorski