

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

In Re:

FILED
12:00 MIDNIGHT

FURR'S SUPERMARKETS, INC.,

MAY 14 2001 Chapter 11
Case No. 01-10779-SA

Debtor.

DROP BOX

United States Bankruptcy Court
Albuquerque, New Mexico

**DECLARATION OF ANTHONY FORCUM IN SUPPORT OF OFFICIAL UNSECURED
CREDITOR'S COMMITTEE OBJECTION TO DEBTOR'S MOTION FOR AUTHORIZATION
TO ENTER INTO CONSULTING
AGREEMENTS WITH GEORGE GOLLEHER AND GREG MAYS**

I, Anthony D. Forcum, declare that:

1. I am a Principal with the firm of Deloitte Consulting L.P. ("Deloitte"), financial advisors and reorganization consultants to the Official Unsecured Creditor's Committee in the above-referenced case (the "Committee"), with offices at Las Colinas Corporate Center II, 6363 N. State Highway 161, Suite 800, Irving, Texas 75038. I submit this Declaration in support of the Objection and Trial Brief filed by the Committee to the Debtor's Application for Authority to enter into Consulting Agreements with George Golleher and Greg Mays. Except as otherwise indicated, I have personal knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto.

2. At the request of the Committee, I have examined and analyzed the proposed agreements with George Golleher and Greg Mays (the "Golleher and Mays Agreements") and all of the terms therein. I have further examined and analyzed the exhibits submitted by the Debtor in support of the Golleher and Mays Agreements, including the documents purporting to demonstrate comparable engagement terms for crisis managers. I have also analyzed, based on data obtained by my firm, comparable engagement terms for crisis managers in other industries.

3. As set forth on Exhibits "A" and "B" attached to this Declaration, the fee schedule for Golleher and Mays has been broken down based on comparable transactions. Exhibit A demonstrates a range of possible success bonuses based on the transaction value. For example, a transaction value ranging from \$110,000,000 to \$160,000,000 would yield a fee to Golleher and Mays of \$1.5 million. Exhibit A also

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sets forth the success bonus calculated under the old agreements vis a vis the revised agreements. As both Exhibits A and B demonstrate, however, it is clear that there are no savings to be realized by virtue of the revised agreements until the transaction value exceeds \$211,000,000.

4. Exhibit "C" attached to this Declaration details an analysis of crisis manager compensation packages based on the examples cited by the Debtor. Based on these comparables, the mean fee as a percentage of asset value is .78%. The fees requested by Golleher and Mays are currently .96% of asset value, and are in excess of all but one of the comparables cited by the Debtor. The proposed success bonus fees to Golleher and Mays, measured as a percentage of asset value, are at the upper end of the comparables. In addition, while only three of the seven comparables set forth on Exhibit C had larger overall compensation packages than that requested by Golleher and Mays (Harnischfeger Industries, Iridium and Glenoit), Harnischfeger and Iridium are *substantially* larger than this case. The assets in Harnischfeger totaled \$2.787 billion and the assets in Iridium totaled approximately \$3.9 billion (see, Exhibit C). Moreover, investment bankers were retained in three of the seven comparable cases cited by the Debtor and analyzed on Exhibit C. In each of those cases, however, the crisis managers did **not** receive **any** success bonus (Brazos Sportswear, Outboard Marine Corp., Bugle Boy Industries).

5. As set forth on Exhibit "D" attached to this Declaration, an analysis of comparable crisis manager fees based on a range of transaction values yields similar results. The comparables in Exhibit D are based on information obtained independently by my firm at the request of the Committee. Again, based on these comparables, the mean crisis manager compensation package as a percentage of total asset value is .49%. The Golleher and Mays Agreement, with a percentage of .96%, is almost two times the mean. Such a compensation package is excessive given a case of this size and nature, particularly when considering the fact that the Debtor also proposes to retain an investment banker.

Original acknowledged signature page to follow.