

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

FILED
12:00 MIDNIGHT

In re:

SEP 21 2001

FURR'S SUPERMARKETS, INC.,

Case No. 11-01-10779-SA

DROP BOX
United States Bankruptcy Court
Albuquerque, New Mexico

Chapter 11

Debtor.

DISCLOSURE OF SAGE ACCOUNTING PURSUANT TO BANKRUPTCY RULES
2014 AND 2016

Sage Accounting, Small/Kefauver CPAs, P.C. ("Sage") hereby states, in connection with the motion of the Debtor and Debtor in Possession, Furr's Supermarket's, Inc. ("Furr's"), to employ Sage to render certain accounting services to Furr's:

1. The undersigned is an officer of Sage.
2. To the best of the undersigned's knowledge, information and belief, after making reasonable inquiry, Sage has no connection with Furr's, Furr's 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 that Sage may render professional services to clients who are or may be adverse to Furr's, which services are wholly unrelated to Furr's or to this bankruptcy case.
3. The arrangement for compensating the Sage, if the Court approves Debtor's employment of Sage, is described in the engagement letters attached hereto as Exhibit A.
4. Sage has received no transfer, assignment or pledge of property for the post-petition services it proposes to render to the Debtor pursuant to the engagement letters.

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5. Sage has not shared or agreed to share with any other person or entity, other than with members or regular associates or employees of Sage, any compensation paid or to be paid by Debtor in or in connection with this bankruptcy case.

SAGE ACCOUNTING, SMALL KEFAUVER
CPAs, P.C.

BY *Rachel W* 9/20/01

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 21st day of September, 2001.



SAGE

ACCOUNTING

Small/Kefauver CPA'S, PC
a professional corporation

September 13, 2001

This letter confirms our mutual understanding for Sage Accounting, Small/Kefauver CPA's, PC ("Sage") to provide services related to W-2 mailings and year end payroll reporting requirements to Furr's Supermarkets, Inc ("Furr's").

Based on our discussions, I understand that Sage will be responsible for the following:

- Purchase W-2 Pro software and deliver to Furr's
- Transfer W-2 Pro software to Sage after Lawson data successfully uploaded onto W-2 Pro & reconciled
- Verify data on W-2 Pro represents the totals originally uploaded into W-2 Pro
- Print, stuff & mail W-2's for employees tracked in Lawson only, with Sage's return address (in November or December 2001)
- Prepare & file Q4 941 with ADP's payroll information
- Submit W-3 with ADP information in January 2002
- Prepare & file 940 annual return with ADP information in January 2002
- Reprint & mail any lost W-2s through December 2002

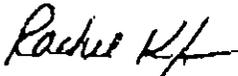
Furr's acknowledges their responsibility for the integrity and correctness of the data download from Lawson. Sage will not audit or reconcile the data submitted by Furr's. All information required to file the W-2's and related payroll tax reports will be reconciled and uploaded onto W-2 Pro before Sage can begin work. If this is not completed by the end of October, Sage has the right to terminate this agreement.

Fees for the above services are \$7,500, which will be billed in advance, and are payable upon receipt. Work may be suspended if payment is not received.

Furr's acknowledges and agrees that in the event Sage stops work or withdraws from these services as a result of Furr's failure to pay on a timely basis, or the pre-requisite reconciliation process is not completed, Sage shall not be liable for any damages that occur as a result of its ceasing to render services. Sage acknowledges and agrees that if services as indicated above are not completed in the timeframe indicated, Sage will refund a pro-rated amount based on work performed to date. For these purposes, the W-2 mailing & payroll tax reports will be valued at 85% of the total amount due, and the reprint and mail of lost W-2's will be valued at 15%.

I appreciate the opportunity to work with you.

Sincerely,



Rachel Kefauver, CPA

Acknowledged:

Steve Stork, VP-Finance

Date

EXHIBIT

A

10800 Menaul NE, Albuquerque, New Mexico 87112 • Phone: (505) 237-2273 • Fax: (505) 237-9825

E-mail: JCSMALLCPA@aol.com



September 21, 2001

Dear Steve,

The letter is to set forth the terms and objectives of our proposed engagement and the nature and limitations of the services we will provide to your company until mutually changed.

WORK TO BE DONE

- A. **Agreed Upon Services.** We will perform consulting services as directed by management of Furr's. This includes but is not limited to the training, assisting and generating of journal entries, reconciliations, postings from subsidiary ledgers, allocations, monthly closes, internal compiled financial statements, tax assistance/preparation, bankruptcy reporting requirements and other special projects. We will provide consulting services for any decisions, but final decisions are the responsibility of Furr's management.
- B. **Scope Limitations.** Our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations, which may exist. We may inform you of any such matters that come to our attention.
- C. **Work Schedule.** We will provide a schedule of work availability at the onset of this engagement, as well as updates to this schedule on a timely basis. Changes to this schedule will be requested as needed.

FEE SCHEDULE

The following is our understanding of the fee schedule agreed upon.

- A. Consulting fees will be based on the time expended at our current hourly rate of \$100.
- B. Any additional consulting performed by other members of our firm would be negotiated as needed, but would range from \$50-\$90 per hour.
- C. Bills will be submitted weekly and presented to Furr's on each Monday for the previous week's work. Furr's agrees to make payments by immediate pay checks within 24 hours of receiving each bill.

Mr. Steven Stork, Controller
Furr's Supermarkets, Inc.
September 21, 2001
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TERMINATION

Right to Terminate. Either party may terminate this relationship with 24 hours notice by any form of written notification, including Email.

LIMIT OF LIABILITY

You agree that Sage Accounting, Small/Kefauver CPA's, PC's (Sage Accounting) liability hereunder for damages, regardless of the form of action, shall not exceed the total amount paid for the services described herein. This shall be your exclusive remedy.

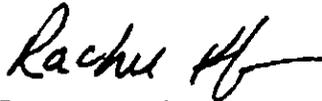
You further agree that Sage Accounting will not be liable for any lost profits, or for any claim or demand against you by any other party. In no event will Sage Accounting be liable for incidental or consequential damages even if we have been advised of the possibility of such damages.

No action, regardless of form, arising out of the services under this agreement may be brought by either party more than one year after the date of the last services provided under this agreement.

COMPLETE AGREEMENT

The letter comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals oral or written and all other communications between the parties. If any provision of this letter is determined to be unenforceable, all other provisions shall remain in force. If you have any questions or concerns regarding this engagement letter, please contact us at the above address.

Sincerely,



Sage Accounting
Small/Kefauver, CPA's PC

Acknowledged:
Furr's Supermarkets, Inc.

Controller

Date