

Hearing Date: January 29 – 31, 2002 at 9:00 a.m. (N.M. time)  
 Objection Deadline: November 28, 2001 at 3:00 p.m. (N.M. time)  
**IN THE UNITED STATES BANKRUPTCY COURT  
 FOR THE DISTRICT OF NEW MEXICO**

11-01-10779-5 SA 4:03  
 U.S. BANKRUPTCY COURT  
 Chapter 11 ALBUQUERQUE, NM

In re:  
 FURR'S SUPERMARKETS, INC.,  
 Debtor.

**FIRST AND FINAL APPLICATION OF PETER J. SOLOMON COMPANY LIMITED  
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Name of Applicant: Peter J. Solomon Company Limited  
 Authorized to Provide Professional Services to: Furr's Supermarkets, Inc.  
 Date of Retention: February 26, 2001  
 Period for which compensation and reimbursement are sought: February 26, 2001 through June 30, 2001  
 Amount of compensation sought as actual, reasonable, and necessary: \$1,990,433.66  
 Amount of expense reimbursement sought as actual, reasonable, and necessary: \$104,980.70  
 This is a: Interim  final application

If this is not the first application filed, disclose the following for prior application:

| Date Filed | Period Covered   | Requested Fees | Requested Expenses | Approved Fees | Approved Expenses |
|------------|------------------|----------------|--------------------|---------------|-------------------|
|            | N/A <sup>1</sup> |                |                    |               |                   |

<sup>1</sup> On October 29, 2001, the Court authorized the Debtor to make a \$1.5 million payment to PJSC in connection PJSC's Motion to Compel (defined below).

1303

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF NEW MEXICO**

In re:

FURR'S SUPERMARKETS, INC.,

Debtor.

Case No. 11-01-10779-SA

Chapter 11

**FIRST AND FINAL APPLICATION OF PETER J. SOLOMON COMPANY LIMITED  
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Peter J. Solomon Company Limited ("Applicant" or "PJSC"), investment banker to the above-captioned debtor and debtor in possession (the "Debtor"), hereby submits its first and final application (the "Application") for compensation and reimbursement of expenses, and in support thereof respectfully represents:

**SUMMARY OF REQUESTED FEES AND EXPENSES**

1. This Application is made pursuant to sections 328 and 330 of title 11 of the United States Code (the "Bankruptcy Code"), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Court's order dated September 17, 2001, approving the retention of Applicant as investment banker to the Debtor in accordance with the terms of the Letter Agreement, dated February 26, 2001 (the "Letter Agreement"), nunc pro tunc, as of February 26, 2001 (the "Retention Order"). A copy of the Retention Order and Letter Agreement are attached hereto as Exhibit "A."

2. The Letter Agreement provides that PJSC is to receive, among other things, the following compensation: (i) a monthly fee of \$150,000 (payable in advance on the first day of

each month) (the “Monthly Fees”); and (ii) a transaction fee equal to one-and-one-half percent (1.5%) of the Aggregate Consideration paid or payable in connection with each transaction (the “Transaction Fees”); provided, however, that total Transaction Fees shall not equal less than \$1.5 million. Pursuant to the Letter Agreement, PJSC agreed to credit all Monthly Fees, other than the first \$150,000, towards any Transaction Fee or Reorganization Fee paid by the Debtor. The Debtor is also required to reimburse PJSC for its reasonable out-of-pocket expenses.

3. PJSC provided the Debtor with significant investment banking services during the period of February 26, 2001 through June 30, 2001 (the “Compensation Period”).<sup>2</sup> Applicant seeks approval of compensation for services rendered during the Compensation Period in the amount of \$1,885,452.96, representing Applicant's Monthly Fees of \$150,000 for the first month of engagement and the Transaction Fee of \$1,735,452.96 (together, the “Requested Fees”), plus reimbursement of reasonable and necessary expenses in the amount of \$104,980.70 incurred by Applicant during the Compensation Period (the “Requested Expenses” and together with the Requested Fees, the “Requested Fees and Expenses”). The total Requested Fees and Expenses sought by PJSC are \$1,990,433.66 PJSC ceased charging the Debtor a Monthly Fee as of June 30, 2001.

4. As a result of extensive efforts by PJSC on behalf of the Debtor, the Debtor and Fleming Companies, Inc. (“Fleming”) entered into an asset purchase agreement, dated June 25, 2001, that provided for the sale of substantially all of the Debtor's assets and the assignment of numerous capital leases (valued at \$29,780,000) (the “Capital Leases”) to Fleming in addition to

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<sup>2</sup> The Expenses requested herein include expenses incurred by PJSC after June 30, 2001 in connection with its retention as the Debtor's investment banker and the filing of its Motion to Compel and this Application. PJSC anticipates it will incur additional expenses in connection with the Motion to Compel and this Application that have

the payment of gross sale proceeds (the "Fleming Sale Proceeds") to the Debtor of \$85,916,864 (the "Fleming Transaction").<sup>3</sup> The Court approved the Fleming Transaction on June 30, 2001 and the closing of the Fleming Transaction occurred on August 31, 2001.

5. Pursuant to the terms of the Letter Agreement, Applicant is entitled to a Transaction Fee with respect to the Fleming Transaction equal to \$1,735,452.96 and the first Monthly Fee of \$150,000. PJSC has not received any payment of its Monthly Fees. Monthly Fees, other than \$150,000 for the first Monthly Fee, are required to be credited against the Transaction Fee. Applicant has credited \$466,071.43 of the total \$616,071.43 of Monthly Fees toward the Transaction Fee.<sup>4</sup> In the Letter Agreement a Transaction is defined as:

one or more possible transactions, each between the Company and a different party (each, a "Transaction") or series or combination of Transactions, whereby, directly or indirectly, an ownership interest in the Company, in its business or in all or any portion of its assets is transferred for consideration, including, without limitation, on or more transactions involving a sale or exchange of capital stock or assets with or without a purchase option, a merger or consolidation, a tender or exchange offer, a leveraged buy-out, the formation of a joint venture or partnership or any other business combination or similar transaction.

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not been included herein and, thus, requests the Court authorize the Debtor to reimburse PJSC for such expenses without further order of the Court.

<sup>3</sup> This amount represents the payment of gross sale proceeds plus inventory sales in the amounts of \$83,731,864 and \$2,185,000, respectively.

<sup>4</sup> Applicant has incurred total Monthly Fees of \$616,071.43 representing \$600,000 for the period of March 2001 - June 2001 and \$16,071.43 for the period February 26, 2001 - February 28, 2001. The credited Monthly Fees of \$466,071.43 represent \$616,071.43 less \$150,000 (first Monthly Fee).

6. The Transaction Fee owed to PJSC is calculated as follows:<sup>5</sup>

|   |                             |
|---|-----------------------------|
| Fleming Sale Proceeds and<br>Inventory Sales: | \$85,916,864                |
| Capital Leases Assumed:                       | \$29,780,000                |
| Total:  | <hr/> \$115,696,864         |
|   | x 1.5%                      |
| <b>Total Transaction Fee:</b>                 | <hr/> <b>\$1,735,452.96</b> |

7. On October 5, 2001, PJSC filed its Motion for Order Authorizing and Compelling Debtor to Pay Professional Fees and Expenses Due and Owing to Peter J. Solomon Company Pursuant to Sections 328(A) And 105(A) of the Bankruptcy Code (the "Motion to Compel"). The Motion to Compel requested an order authorizing and directing the Debtor to pay the Requested Fees & Expenses to PJSC. On October 29, 2001, the Court, at the hearing to consider the Motion to Compel, authorized the Debtor to disburse \$1.5 million held in reserve by the Debtor on behalf of PJSC (the "Reserved Compensation") to PJSC; provided, however, that PJSC return the Reserved Compensation, or any portion thereof, to the Debtor's estate in the event the Court later determines PJSC is not entitled to retain the Reserved Compensation or any portion thereof.

8. Applicant's daily time log detailing the activities and services performed by Applicant on behalf of the Debtor during the Compensation Period and breakdown of Applicant's expenses incurred during the Compensation Period are attached hereto as Exhibits "B" and "C,"

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<sup>5</sup> The Transaction Fee is based upon information provided by the Debtor's management.

respectively. A list of the key professionals of Applicant providing services to the Debtor is attached hereto as Exhibit "D."

9. The Applicant's team has been directed by senior level professionals with extensive experience in the area of investment banking and bankruptcy services. The investment banking services set forth above were performed primarily by Bradley I. Dietz, Managing Director, Anders Maxwell, Director, Alexander B. Kasdan, Associate, Shawn Harrington, Associate, Matthew Fine, Analyst, and other professionals and paraprofessionals, as needed. Applicant's general staffing policy is to assign two senior bankers, and a financial analyst to each restructuring assignment. The senior banker, Bradley I. Dietz, had the overall responsibility for the case and was primarily responsible for developing strategy, directing negotiations, and testifying in Bankruptcy Court with respect to the case. Messrs. Dietz and Maxwell were responsible for day-to-day coordination of the case, interfacing with the other senior professionals involved with the case, and directing and reviewing all financial analyses. Other members of the Applicant team performed extensive financial analyses and assisted the senior bankers in the day-to-day coordination of the case. All bankers involved with this case coordinated their actions so as to not duplicate efforts. Given that each banker had different roles in the case but may have had overlapping responsibilities, there were frequent times where it was appropriate for two or more bankers to be present at a meeting. Details of the background and experience of the professionals are provided in Exhibit "E."

10. The Requested Fees & Expenses are consistent with market practices for investment banking firms both in and out of a bankruptcy context. Applicant does not bill its clients based on the number of hours expended by its professionals. It bills clients on a retainer basis

(generally monthly or quarterly), plus a transaction fee, based upon successful completion of a transaction. Accordingly, Applicant does not have hourly rates for its professionals, and Applicant's professionals generally do not maintain time records for the work performed for its clients. Applicant's policy, for all engagements in or out of bankruptcy, is to dedicate the appropriate number of professionals to the assignment to complete the work as efficiently as possible. Applicant has, however, maintained a daily time log detailing the activities and services performed by Applicant on behalf of the Debtor during the Compensation Period. These records, which are attached hereto as Exhibit "B," describe the time expended by each professional and paraprofessional during the Compensation Period.

11. Given the financial and structural complexity of this case, the degree of activity during the Compensation Period and the high level of services rendered by Applicant to the Debtor, Applicant believes the compensation sought is fair and reasonable. In addition, as detailed in Exhibit "B" attached hereto, the relative level of compensation sought and the degree of senior banker involvement have been consistent throughout Applicant's involvement in the case. Applicant played a material role in connection with the Fleming Transaction. As such, Applicant is entitled to the Requested Fees and Expenses.

12. During the Compensation Period, PJSC received no payment from any source for services rendered or to be rendered in any capacity whatsoever in connection with the matters covered by this Application. However, PJSC anticipates receiving the Reserved Compensation from the Debtor shortly after the filing of this Application. There is no agreement or understanding between PJSC and any other person, other than members of the firm, for the sharing of compensation to be received for services rendered in this case.

## BACKGROUND

13. On February 8, 2001, the Debtor commenced its chapter 11 case by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its properties as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. To date, the Debtor has not filed a chapter 11 plan.

14. The Debtor, a leading supermarket chain in New Mexico and contiguous West Texas, headquartered in Albuquerque, New Mexico, continued in possession of its properties and operated and managed its businesses, as debtor-in-possession, pursuant to sections 1107 (a) and 1108 of the Bankruptcy Code, up to the closing of the Fleming Transaction. The Fleming Transaction was approved by the Court on June 30, 2001 and was consummated on August 31, 2001.

15. After interviewing several investment banking firms and extensive negotiations between the Debtor and Applicant, the Debtor determined to retain PJSC as its investment banker in this chapter 11 case. The parties entered into the Letter Agreement providing the terms of PJSC's retention on February 26, 2001. The Debtor chose to retain Applicant due in large part to Applicant's reputation as a leading investment banking firm and financial advisor to companies and its substantial experience advising debtors, creditors' committees and other parties in interest in connection with all aspects of financial restructuring and chapter 11 process, including financial advice for mergers, acquisitions, divestitures, public and private financings and spin-offs and evaluation of assets and liabilities, formulation and negotiation of plans of reorganization and the restructuring of indebtedness.

16. By the Retention Order, this Court approved the appointment of Applicant as investment banker to the Debtor to provide assistance to the Debtor in evaluating the complex financial and economic issues raised by the Debtor's chapter 11 case and to fulfill its statutory and fiduciary duties to its creditors. Applicant was retained to assist the Debtor in a variety of areas, including the following:

- (a) assist the Debtor in assessing the operating and financial strategies for its business;
- (b) review and analyze the business plans and financial projections prepared by the Debtor including, but not limited to, testing assumptions and comparing those assumptions to historical Debtor and industry trends;
- (c) assist the Debtor and its other professionals in formulating and negotiating a plan of reorganization;
- (d) value the Debtor in connection with a plan of reorganization;
- (c) to the extent requested by the Debtor, advise the Debtor in connection with one or more possible transactions, each between the Debtor and a different party (each, a "Transaction") or series or combination of Transactions, whereby, directly or indirectly, an ownership interest in the Debtor, in its business or in all or any portion of its assets is transferred for consideration, including, without limitation, or more transactions involving a sale or exchange of capital stock or assets with or without a purchase option, a merger or consolidation, a tender or exchange offer, a leveraged buy-out, the formation of a joint venture or partnership or any other business combination or similar transaction;
- (f) advise the Debtor in restructuring existing indebtedness and, to the extent requested by the Debtor, arrange new or additional financing;
- (g) review and analyze any proposals the Debtor receives from third parties regarding any Transaction;
- (h) assist or participate in negotiations with the Debtor and/or any other parties in interest regarding any Transaction;
- (i) assist in the plan of reorganization confirmation process, including preparation of expert testimony relating to financial matters, if required; and,
- (j) render such other financial advisory and investment banking services as may be agreed upon by Applicant and the Debtor in connection with the foregoing.

## SUMMARY OF SERVICES RENDERED

17. All services rendered by Applicant during the Compensation Period were performed at the request or direction of officers of the Debtor or the Debtor's bankruptcy counsel, Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden") and Jacobvitz, Thuma & Walker ("JTW"). Applicant has provided a broad range of necessary financial advisory services. PJSC provided the following services to the Debtor:

- PJSC reviewed historical and projected financial and operating data to evaluate the Debtor's business operations. PJSC's evaluation of the Debtor's business included a review of internal company data and reports. PJSC analyzed the Debtor's same store sales, gross margins, earnings before interest and taxes, as well as the Debtor's debt structure, liquidity needs and capital requirements. PJSC also reviewed the prevailing conditions in the grocery retail and wholesale industry and the Debtor's ability to compete in its marketplace;
- PJSC conducted multiple store and warehouse due diligence to gain an understanding of individual markets and competition;
- PJSC conducted market and industry research to evaluate the future operating and financial performance of the Debtor;
- PJSC reviewed strategic alternatives on behalf of the Debtor including reorganization and potential transactions with third parties. PJSC reviewed the opportunities and risks associated with these options with the Debtor's management which recommended a course of action to the Debtor's board of directors (the "Board");
- Based upon the Board's decision to pursue a sale of the Debtor, PJSC developed a list of potential investors and strategic acquirers for the Debtor. Additionally, PJSC prepared confidentiality agreements as well as presentation materials summarizing the Debtor's business, attributes and prospects. PJSC also assisted the Debtor in developing a procedure to solicit bids from potential acquirers which would generate the greatest interest in and maximum value for the Debtor's assets. PJSC worked with the Debtor's counsel and management to establish and make available to potential investors and acquirers a data room;

- PJSC contacted and solicited interest from potential investors and acquirers of the Debtor. After a thorough process of soliciting bids and proposals, PJSC was instrumental in structuring and negotiating the Fleming Transaction (defined below). PJSC and the Debtor's management negotiated an asset purchase agreement with Fleming to achieve a mutually acceptable structure for the sale of the Debtor's assets to Fleming that would generate the maximum value for the Debtor's chapter 11 estate. Absent PJSC's involvement in the Fleming Transaction, the Debtor may not have been able to complete the Fleming Transaction in the time frame required;
- Prior to the completion of the sale to Fleming, PJSC participated with the Debtor's management in discussions with the secured lenders to keep them apprised of the Debtor's ongoing sales process and to facilitate that the Debtor was able to continue operations as a going concern to preserve maximum value for its assets; and
- After Fleming and the Debtor agreed to a sale of the Debtor's assets to Fleming, PJSC structured and conducted a bidding process in an attempt to achieve an even greater purchase price for the benefit of the Debtor's chapter 11 estate. No higher or better offers were received. The Debtor, with PJSC's assistance, was able to sell a substantial number of its stores to Fleming in an efficient time frame which permitted the Debtor to both explore various alternatives and ultimately maximize the total value of the Debtor's estate for the benefit of creditors.

18. As evident from the foregoing summary of services, Applicant was instrumental in facilitating the consummation of the Fleming Transaction. Applicant's involvement in the Fleming Transaction ensured that the parties engaged in arms'-length good faith negotiations. Specifically, Tom Dahlen, the former Chief Executive Officer of the Debtor (who resigned shortly after the commencement of the Debtor's chapter 11 case), was hired by Fleming to head Fleming's retail operations. Because Applicant actively negotiated and structured the Fleming Transaction any potential conflict of interest was alleviated and the Debtor's estate was assured a maximum return for the Debtor's assets. Simply put, Applicant performed in a highly professional manner and played an instrumental role in maximizing the value of the Debtor's assets for the benefit of its creditors.

**SUMMARY OF FEES RENDERED SINCE  
THE COMMENCEMENT OF THE CASE**

19. Applicant submits that the Requested Fees & Expenses for the Compensation Period for services rendered by Applicant to the Debtor is fully justified and reasonable based on the following: (a) the degree of activity during the Compensation Period and the high level of services rendered by Applicant to the Debtor, (b) the complexity of the issues presented, (c) the skill necessary to perform the investment banking services properly, (d) the preclusion of other employment, (e) customary fees charged in non-bankruptcy situations for similar services rendered, (f) time constraints required by the exigencies of the case and (g) the experience, reputation and ability of the professionals rendering services.

20. Applicant further submits that the services it rendered to the Debtor were necessary, in the best interest of the Debtor and its estate and have furthered the goals of the parties in interest.

21. The services summarized by this Application and rendered by Applicant to the Debtor during the Compensation Period were substantial, highly professional and instrumental to the Debtor's chapter 11 case. They were reasonable and necessary to the Debtor's performance of its fiduciary duties to its estate.

**SUMMARY OF EXPENSES INCURRED SINCE  
THE COMMENCEMENT OF THE CASE**

22. Applicant incurred reasonable and necessary out-of-pocket expenses aggregating \$104,980.70 during the Compensation Period. Details of the expenses incurred during the

Compensation Period are provided in Exhibit "C." Applicant submits that all such expenses were necessarily incurred, are reasonable in amount and represent only the actual costs incurred by Applicant.

23. Applicant's charges for expenses to the Debtor are determined in the same manner as for clients in non-bankruptcy matters. Out-of-pocket expenses incurred by Applicant are charged to a client if the expenses are incurred for the client or are otherwise necessary in connection with services rendered for such particular client. Applicant does not factor general overhead expenses into disbursements charged to clients in connection with Chapter 11 cases. Applicant has followed its general internal policies with respect to out-of-pocket expenses billed to the Debtor, as set forth below, with any exceptions fully explained.

- a) Applicant's general policy permits its employees to bill lunch or dinner meals to a client if the employee is required to provide services to the client during such meal time due to extreme time constraints. PJSC employees are permitted to order meals in the office if the PJSC employee is required to work after 8:00 p.m. on weekdays or more than five (5) consecutive hours on weekends or holidays. Meal expenses incurred during meetings which employees and other meeting participants are required to attend are billed at cost.
- b) Messengers and couriers are used by Applicant to deliver hard copy documents relating to a client matter, which require receipt on an expedited basis; otherwise, Applicant uses the regular postal system. Any charges for either messengers or couriers are billed to a client at cost.
- c) All airfare charges billed to a client in a Chapter 11 case are based on coach fare rates.
- d) The research/database category consists of the cost of using databases (e.g., Disclosure, Securities Data Corporation, Dow Jones, Lexis-Nexis, etc.) to which Applicant subscribes to search for and obtain information used in Applicant's financial analyses. Applicant pays the vendor's standard rate for such database services. In certain instances, Applicant has determined that paying a flat annual or monthly fee for such services is less costly than contracting for such services on a per use basis. Such annual or monthly services are allocated to clients based on such clients' use of each service. The research category also consists of charges

from outside services, which supply, for a fee, financial documents from regulatory agencies, which cannot be obtained from databases subscribed to by Applicant.

- e) Applicant bills photocopying charges at the rate of \$0.25 per page.
- f) With respect to local travel, Applicant's general policy enables employees to travel by taxi or, in certain circumstances, by private car service, to and from meetings while rendering services to a client on a client related matter, for which the client is charged. This policy is based on PJSC's determination that travel by taxi or private car service is the most efficient use of a professional's time. PJSC employees are not permitted to charge personal commuting expenses to a client unless the employee is traveling after 8:00 p.m. (EST) or 9:00 p.m. (EDT) and has been required to work late as a result of the time exigencies of that client's matters. PJSC employees are required to travel by taxi unless traveling between 2:00 a.m. and 6:00 a.m.
- g) Facsimile charges are charged at Applicant's standard rate of \$1.00 per page for facsimiles sent domestically. Incoming facsimile transmissions and separate facsimile long distance expenses are not charged.
- h) Telephone expenses are charged at \$337.50 per month based on Applicant's estimated cost of telephone charges with respect to client matters. Applicant's telephone system does not have the capability to efficiently track individual calls. Cellular phone charges are based on vendor's actual invoices.
- i) Conference calls are charged at cost.
- j) Word processing charges represent an allocation of Applicant's computer costs and Applicant's actual cost of overtime secretarial support incurred in connection with client matters.

24. In the course of rendering services to the Debtor as its financial advisor during the Compensation Period, Applicant incurred and paid certain expenses as outlined in Exhibit "B." Applicant submits that all such expenses were necessarily incurred, are reasonable in amount and represent only the actual costs incurred by Applicant.

25. A portion of these expenses has been incurred by the necessity of traveling to New Mexico to meet with the Debtor, its accountants and counsel.

## STANDARD OF REVIEW

26. Pursuant to the Retention Order, Applicant was retained in this chapter 11 case in accordance with section 328 of the Bankruptcy Code. Section 328(a) provides, among other things, that the Court “may allow compensation provided under . . . [the] terms and conditions [of employment] after the conclusion of such employment, if such terms and conditions prove to have been improvident in light of developments not capable of being anticipated at the time of the fixing of such terms and conditions.” 11 U.S.C. § 328(a).

27. No unanticipated developments have arisen in this chapter 11 case that were not capable of being anticipated at the time the Court approved the Retention Order. Accordingly, the Requested Fees and Expenses are not improvident and should be approved by the Court.

## CONCLUSION

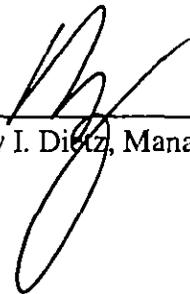
28. As noted above, in accordance with the provisions of the Retention Order and sections 328 and 330 of the Bankruptcy Code, Applicant seeks approval of compensation for services rendered in the amount of \$1,885,452.96 in fees, representing Applicant's transaction fee, plus expenses of \$104,980.70 incurred and paid by Applicant during this time and such future expenses incurred by PJSC in connection with its Motion to Compel and this Application. As demonstrated throughout this Application, the amount of compensation requested by Applicant is necessary, fair and reasonable.

29. All services for which compensation is sought were performed for and on behalf of the Debtor and not on behalf of any creditor or party in interest. Applicant has not entered into

WHEREFORE, Applicant requests the Court (a) approve the Requested Fees in the amount of \$1,885,452.96 for services rendered by Applicant during the Compensation Period, (b) approve the Requested Expenses in the amount of \$104,979.70 incurred by Applicant during the Compensation Period, (c) direct the Debtor to pay Applicant the Requested Fees and Expenses, less amounts already paid to Applicant, if any, (d) authorize the Debtor to reimburse PJSC for expenses incurred that have not been included in this Application without further order of the Court, and (e) grant PJSC such other and further relief as is just.

Dated: New York, New York  
November 2, 2001

PETER J. SOLOMON DEBTOR LIMITED

By:   
Bradley I. Ditz, Managing Director

VERIFICATION

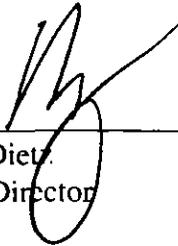
STATE OF NEW YORK     §  
  §  
NEW YORK CITY         §

BRADLEY I. DIETZ, after being duly sworn according to law, deposes and says:

1. I am a Managing Director with the applicant firm, Peter J. Solomon Company Limited ("PJSC"), which firm maintains offices for providing financial advisory and investment banking services at 767 Fifth Avenue, New York, NY 10153. PJSC has acted as financial advisor and investment banker to and rendered professional services on behalf of Furr's Supermarkets, Inc.

2. I am thoroughly familiar with all other work performed on behalf of Furr's Supermarkets, Inc. by the professionals in the firm.

3. I have reviewed the foregoing Application and the facts set forth therein are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Bradley I. Dietz  
Managing Director

SWORN AND SUBSCRIBED before me this 2nd day of November 2001.

**NICHOLE W. WYNTER**  
Notary Public, State of New York  
No. 01976067264  
Qualified in Queens County  
Commission Expires April 15, 2008

\_\_\_\_\_  
Notary Public  
My Commission Expires:

Entered  
9-17-01

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW MEXICO

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In re: :  
 :  
 :  
FURR'S SUPERMARKETS, INC., :  
 :  
 :  
Debtor. :  
-----X

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

**ORDER APPROVING DEBTOR'S EMPLOYMENT OF PETER J. SOLOMON COMPANY LIMITED AS ITS INVESTMENT BANKER**

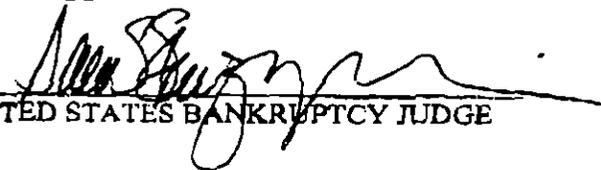
Upon the Debtor's Application for Order Authorizing Employment and Retention of Peter J. Solomon Company Limited as its Investment Banker, filed with the Court on March 5, 2001 (the "Retention Application"), seeking approval of Debtor's employment of Peter J. Solomon Company Limited (PJSC)", pursuant to sections 327(a) and 328(a) of the United States Bankruptcy Code (the "Bankruptcy Code"), to perform services of an investment banker pursuant to the terms and conditions of a certain letter agreement, dated as of February 26, 2001 (the Letter Agreement"); and upon the Declaration of Peter J. Solomon, filed with the Court on March 5, 2001 in support of the Retention Application; and adequate and sufficient notice of the Retention Application having been provided, as evidenced by the Submission of Proof of Service filed with the Court on March 8, 2001 and March 25, 2001; and an objection to the Retention Application having been filed by each of the official committee of unsecured creditors' committee (the "Creditors' Committee") and the United States Trustee; and a hearing having been held on May 22, 2001 in respect of the Retention Application; and upon the appearances of counsel as noted on the record of the hearing; and upon the record of the hearing and arguments of counsel; and the Court having entered into the record its findings of fact

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and conclusions of law in respect of the Retention Application, in accordance with Rule 52(a) of the Federal Rules of Civil Procedure, as made applicable by Rule 9014 of the Federal Rules of Bankruptcy Procedure; and the Court having overruled each of the objections of the Committee and the United States Trustee to the extent inconsistent with this Order; and after due consideration and sufficient cause appearing therefor; it is hereby

ORDERED that the Debtor's retention of PJSC as its investment banker, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, on the terms and conditions set forth in an amended and restated Letter Agreement, dated February 26, 2001, a copy of

which is attached hereto as Exhibit "A," is hereby approved in all respects. PJSC shall comply with the requirements of Bankruptcy Code §§ 330 and 331 with respect to seeking approval of compensation.

  
UNITED STATES BANKRUPTCY JUDGE

Submitted by:

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
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and

JACOBVITZ, THUMA & WALKER,  
a Professional Corporation

By: 

Robert H. Jacobvitz  
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Albuquerque, N.M. 87102  
(505) 766-9272/(505) 722-9287 (fax)

Attorneys for the Debtor  
and Debtor in Possession

APPROVED:

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and

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Attorneys for the Official Committee of  
Unsecured Creditors of Furr's Supermarkets, Inc.

BRENDA MOODY WHINERY  
United States Trustee

By: Approved by telephone  
Ronald E. Andazola *RN*  
P.O. Box 608  
Albuquerque, New Mexico 87103  
(505) 248-6544  
(505) 248-6558

Aug-28-01 06:37am From: PETER J SOLOMON COMPANY

2128081833

T-870 P 02/11 F-802

**PETER J. SOLOMON COMPANY**  
LIMITED787 FIFTH AVENUE  
NEW YORK, NEW YORK 10153

February 26, 2001

Furr's Supermarkets, Inc.  
4411 The 25 Way N.E., Suite 100  
Albuquerque, NM 87109

Attention: Mr. Steven L. Mortensen  
Senior Vice President and Chief Financial Officer

Ladies and Gentlemen:

This letter (the "Agreement") will confirm the understanding and agreement between Furr's Supermarkets, Inc. (along with any affiliated debtors and debtors-in-possession, the "Company") and Peter J. Solomon Company Limited ("PJSC") regarding the scope and terms of the retention of PJSC as the Company's investment banker in connection with its Chapter 11 proceedings and its reorganization before the United States Bankruptcy Court for the District of New Mexico (the "Bankruptcy Court"). It is understood that the retention of PJSC and effectiveness of this Agreement is subject to the approval of the Bankruptcy Court.

Section 1. Services to be Rendered. PJSC will perform such services as the Company may request including, but not limited to, the following:

- (a) PJSC will assist the Company in assessing the operating and financial strategies for its business;
- (b) PJSC will review and analyze the business plans and financial projections prepared by the Company including but not limited to testing assumptions and comparing those assumptions to historical Company and industry trends;
- (c) PJSC will assist the Company and its other professionals in formulating and negotiating a plan of reorganization;
- (d) PJSC will value the Company in connection with a plan of reorganization;
- (e) To the extent requested by the Company, PJSC will advise the Company in connection with one or more possible transactions, each between the Company and a different party (each, a "Transaction") or series or combination of Transactions, whereby, directly or indirectly, an ownership interest in the Company, in its business or in all or any portion of its assets is transferred for consideration, including, without limitation, one or

Exhibit "A"

more transactions involving a sale or exchange of capital stock or assets with or without a purchase option, a merger or consolidation, a tender or exchange offer, a leveraged buy-out, the formation of a joint venture or partnership or any other business combination or similar transaction;

(f) PJSC will advise the Company in restructuring existing indebtedness and, to the extent requested by the Company, arrange new or additional financing;

(g) PJSC will review and analyze any proposals the Company receives from third parties regarding any Transaction;

(h) PJSC will assist or participate in negotiations with the Company and/or any other parties in interest regarding any Transaction;

(i) PJSC will assist in the plan of reorganization confirmation process, including preparation of expert testimony relating to financial matters, if required; and

(j) PJSC will render such other financial advisory and investment banking services as may be agreed upon by PJSC and the Company in connection with the foregoing. In rendering its services to the Company hereunder, PJSC is not assuming any responsibility for the Company's decision to effect any Transaction.

In rendering its services to the Company hereunder, PJSC is not assuming any responsibility for the Company's decision to effect any Transaction.

Section 2. Information Provided by the Company. The Company will furnish PJSC with such information as PJSC and the Company agree is appropriate to enable PJSC to render services hereunder (all such information being the "Information"). The Company recognizes and confirms that PJSC (a) will use and rely primarily on the information and on information available from generally recognized public sources in

performing the services contemplated by this Agreement without having assumed any obligation to independently verify the same, (b) does not assume responsibility for the accuracy or completeness of the Information and such other information, and (c) will not act in the official capacity of an appraiser of specific assets of the Company or any other party. The Company confirms that the information to be furnished by the Company, when delivered, will be true and correct in all material respects, will be prepared in good faith, and will not contain any material misstatement of fact or omit to state any material fact necessary to make the statements contained therein not misleading. The Company will promptly notify PJSC if it learns of any material inaccuracy or misstatement in, or material omission from, any information theretofore delivered to PJSC. Except as contemplated by the terms hereof or as required by applicable law, PJSC shall keep confidential all non-public information and shall not disclose such information without the Company's prior approval to any third party, other than in confidence to the Company and its advisors and to such of PJSC's directors, officers, employees, counsel and advisors (whom PJSC shall instruct to maintain the confidentiality of such information in accordance with this Agreement) as PJSC determines to have a need to know in order to render services hereunder.

**Section 3. Fees.** As compensation for the services rendered hereunder, the Company, and its successors, if any, agrees to pay PJSC (via wire transfer or other mutually acceptable means) the following fees in cash:

(a) A monthly cash advisory fee (the "Monthly Fee") equal to \$150,000.00 per month for a minimum of three months. The Monthly Fee shall be payable in advance on the first day of each month, with the Monthly Fee for partial months pro-rated based on services commencing as of the date hereof.

(b) A reorganization fee (the "Reorganization Fee") equal to \$1,500,000.00, based on a reorganization of the Company under Chapter 11 of the Bankruptcy Code that represents assets generating no less than 40% of the trailing twelve months' revenues of the Company measured as of the March 31, 2001 (a "Reorganization") which Reorganization Fee shall be payable on the date of consummation of the plan of reorganization.

(c) A financing fee (the "Financing Fee") shall be negotiated between PJSC and the Company if PJSC is requested to arrange financing for any secured or unsecured debt, equity or other hybrid security, subject to the approval of the Bankruptcy Court.

(d) A transaction fee (the "Transaction Fee") equal to 1.50% of the Aggregate Consideration (as defined below) paid or payable in connection with each Transaction; provided, however that in no case shall total Transaction Fees aggregate less than \$1,500,000.00. Each Transaction Fee shall be several and shall be contingent upon the consummation of the related Transaction and shall be payable at the closing thereof, provided that compensation attributable to that part of Aggregate Consideration which is contingent upon the realization of future financial performance (e.g. an earn-out or similar provision) shall be paid by the Company to PJSC promptly upon the receipt of such Aggregate Consideration by the Company, its shareholders or other parties. Compensation attributable to that part of Aggregate Consideration which is deferred (including without limitation any Aggregate Consideration held in escrow) shall be valued at the total stated amount of such consideration without applying a discount thereto and shall be paid by the Company at the time such consideration is received by the Company. In the event that the Company sells assets or divisions in more than one Transaction, Aggregate Consideration shall be calculated for each Transaction separately and shall not be cumulative for purposes of determining the Transaction Fee.

For purposes hereof, the term "Aggregate Consideration" shall mean the total amount of all cash, securities, contractual arrangements (including any lease arrangements or put or call agreements) and other properties paid or payable, directly or indirectly in connection with a Transaction (including, without limitation, amounts paid to holders of any warrants, stock purchase rights or convertible securities of the Company and to holders of any options or stock appreciation rights issued by the Company, whether or not vested). Aggregate Consideration shall also include the amount of any short-term debt and long-term liabilities of the Company (including the principal amount of any indebtedness for borrowed money and capitalized leases and the full amount of any off-balance sheet financings) (x) repaid or retired in connection with or in

anticipation of each Transaction or (y) existing on the Company's balance sheet at the time of each Transaction (if such Transaction takes the form of a merger, consolidation or a sale of stock or partnership interests) or assumed in connection with such Transaction (if such Transaction takes the form of a sale of assets). In the event such Transaction takes the form of a sale of assets, Aggregate Consideration shall include (i) the value of any current assets not purchased, minus (ii) the value of any current liabilities not assumed. In the event such Transaction takes the form of a recapitalization, restructuring, spin-off, split-off or similar transaction, Aggregate Consideration shall include the fair market value of (i) the equity securities of the Company retained by the Company's security holders following such Transaction and (ii) any securities received by the Company's security holders in exchange for or in respect of securities of the Company following such Transaction (all securities received by such security holders being deemed to have been paid to such security holders in such Transaction). The value of securities that are freely tradable in an established public market will be determined on the basis of the last market closing price prior to the consummation of the applicable Transaction. The value of securities, lease payments and other consideration that are not freely tradable or have no established public market, or if the consideration utilized consists of property other than securities, the value of such property shall be the fair market value thereof as determined in good faith by PJSC, provided, however, that all debt securities, except zero coupon or deep discount securities, shall be valued at their stated principal amount without applying a discount thereto.

**Section 4. Credit.** PJSC shall credit 100.0% of the Monthly Fee's, payable under Section 3(a) excluding the aggregate Monthly Fees paid hereunder for the first one month of PJSC's engagement hereunder, toward any Transaction Fee or Reorganization Fee (the "Credit"); provided, however, that such fees shall be credited only once.

**Section 5. Expenses.** Without in any way reducing or affecting the provisions of Exhibit A hereto, the Company shall reimburse PJSC for its reasonable out-of-pocket expenses incurred in connection with the provision of services hereunder and the execution and delivery of this Letter Agreement, including without limitation the fees, disbursements and other charges of PJSC's counsel. Out-of-pocket expenses also shall include, but not be limited to, travel and lodging, data processing and communication charges, research and courier services. The Company shall promptly reimburse PJSC upon presentation of an invoice or other similar documentation.

**Section 6. Indemnity.** The Company agrees to the provisions of Exhibit A hereto which provide for certain indemnification by the Company of PJSC and certain related persons. Such indemnification is an integral part of this Agreement and the terms thereof are incorporated by reference herein. Such indemnification shall survive any termination, expiration or completion of PJSC's engagement hereunder.

**Section 7. Term.** The term of PJSC's engagement shall extend from the date hereof through the date the Company confirms a plan of reorganization; provided, however, that either the Company or PJSC can cancel this Agreement by providing notice in writing (the "Term"); provided further, however, that in the event PJSC cancels this

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Agreement, it shall not be entitled to receive any further fees hereunder from the date of cancellation forward, other than any fees payable pursuant to the last sentence of this paragraph and provided further, however, that except in the event of gross negligence or willful misconduct by PJSC, the Company may not cancel this Agreement prior to the expiration of a six-month period from the date hereof, and then, only upon providing thirty (30) days advance notice in writing. If terminated, PJSC shall be entitled to any fees for any monthly period which are due and owing to PJSC upon the effective date of termination; however, such amounts will be pro-rated for any incomplete monthly period of service, and PJSC will be entitled to the reimbursement for the out-of-pocket expenses described in Section 5. Termination of PJSC's engagement hereunder shall not affect or impair the Company's continuing obligation to indemnify PJSC and certain related persons as provided in Exhibit A and its continuing obligations under Section 8 hereof. Without limiting the foregoing, compensation shall be payable under Section 3(b), (c) or (d) above in the event that a Reorganization or Transaction is consummated at any time prior to the expiration of eighteen months after such termination, or a letter of intent or definitive agreement with respect to a Reorganization or Transaction is executed at any time prior to twelve months after such termination (which letter of intent or definitive agreement subsequently results in the consummation of a Reorganization or Transaction at any time), (x) as to which PJSC advised the Company hereunder prior to the termination of this Agreement or (y) which involves a party identified to the Company by PJSC or with whom the Company had discussions regarding a Reorganization or Transaction, in each case during the Term of PJSC's engagement hereunder.

#### Section 8. Miscellaneous.

(a) In connection with allowances of compensation and reimbursement of expenses, PJSC shall file appropriate applications for allowance of interim and final compensation and reimbursement of expenses in accordance with Sections 330 and 331 of the United States Bankruptcy Code and applicable rules at such times as directed by the Bankruptcy Court or established by administrative order entered in the bankruptcy cases. The fees detailed in Section 3 above have been agreed upon with the express expectation that they are subject to review by the Bankruptcy Court only as provided by Section 328 of the Bankruptcy Code. The Company acknowledges and agrees that the fees payable to PJSC hereunder are reasonable. Furthermore the Company understands that the hours worked, the results achieved in the reorganization or the ultimate benefit to the estate of the work performed may be variable and the Company has taken this into account in setting the fees detailed in Section 3 above. In accordance with the guidelines of the Bankruptcy Court, PJSC shall maintain detailed records of time spent working on this assignment, which records shall be available for submission to the Bankruptcy Court subject to appropriate redactions to preserve confidential or sensitive information. Although PJSC is providing such records, it, as an investment bank, does not have hourly rates for its professionals. PJSC will make every effort to coordinate with the other professionals retained by the Company in these bankruptcy cases in order to eliminate unnecessary duplication or overlap of work.

(b) The Company agrees that PJSC's compensation set forth herein and payments made pursuant to reimbursement provisions of this Agreement shall be entitled to

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priority as expenses of administration under Sections 503(b) (1) (A) and 507(a) (1) of the Bankruptcy Code and shall be entitled to the benefits of any "carve-outs" for professional fees and expenses in effect in the Chapter 11 cases pursuant to one or more financing orders now or hereafter in effect.

(c) Sections 2 through 8 shall survive termination or expiration of the Agreement.

(d) PJSC shall be under no obligation to provide formal fairness, valuation or solvency opinions (except to the extent valuation opinions are embodied in testimony) with respect to any of the Chapter 11 proceedings or any transactions contemplated thereby or incidental hereto. However, PJSC and its affiliates shall be provided the option to do so where such opinions are necessary and are appropriate. The terms of such engagement shall be customary for such services rendered by investment banking firms at the time of the engagement and shall be subject to one or more separate agreements between the Company and PJSC, and shall be subject to Bankruptcy Court approval.

(e) PJSC acknowledges that the Company shall have no obligation to enter into any Financing or Transaction and shall have the right to reject any Financing or Transaction or to terminate negotiations with respect to any Financing or Transaction at any time.

(f) The advice (oral or written) rendered by PJSC pursuant to this Agreement is intended solely for the benefit and use of the Company and its professionals in considering the matters to which this Agreement relates, and the Company agrees that such advice may not be relied upon by any other person, used for any other purpose or reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, nor shall any public references to PJSC be made by the Company, without the

prior written consent of PJSC, or as required by the Bankruptcy Code; provided that the Company may share such advice with the Creditors Committee.

(g) The Company agrees that PJSC shall have the right after completion of each Transaction to place advertisements in financial and other newspapers and journals at its own expense describing its services hereunder.

(h) This Agreement may not be amended or modified except by a writing executed by each of the parties and this Agreement, including all controversies arising from or relating to performance under this Agreement, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect such state's rules concerning conflicts of law. The provisions of this Agreement, including, without limitation, the obligation to make the payments set forth in Sections 3 and 5, shall be binding on the Company and its successors and assigns.

(i) Any lawsuits with respect to, in connection with or arising out of this Agreement shall be brought in the Bankruptcy Court and the parties hereto consent to the jurisdiction and venue of the Bankruptcy Court as the sole and exclusive forum, unless such court is unavailable, for the resolution of claims by the parties arising under or

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relating to this Agreement. The parties hereto further agree that proper service of process on a party may be made on any agent designated by such party located in the State of New York.

(j) To the extent permitted by applicable law, the Company hereby waives trial by jury, rights of setoff, and the right to impose counterclaims (except those arising out of this Agreement) in any lawsuit with respect to, in connection with or arising out of this Agreement, or any other claim or dispute relating to the engagement of PJSC arising between the parties hereto. The Company hereto confirms that the foregoing waivers are informed and freely made.

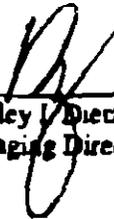
(k) The relationship of PJSC to the Company hereunder shall be that of an independent contractor and PJSC shall have no authority to bind, represent or otherwise act as agent for the Company.

\* \* \*

If the foregoing correctly sets forth the understanding and agreement between PJSC and the Company, please so indicate by signing the enclosed copy of this letter, whereupon it shall become a binding agreement between the parties hereto as of the date first above written.

Very truly yours,

PETER J. SOLOMON COMPANY LIMITED

By:   
Bradley J. Dierz  
Managing Director

Accepted and Agreed to us of  
the day first written above:

FURRS SUPERMARKETS, INC.

By:   
Steven L. Mortensen  
Senior Vice President and Chief Financial Officer

**Exhibit A**

The Company shall indemnify and hold harmless PISC and its affiliates, counsel and other professional advisors, and the respective directors, officers, controlling persons, agents and employees of each of the foregoing (PISC and all of such other persons collectively, the "Indemnified Parties"), from and against any losses, claims or proceedings including stockholder actions, damages, judgments, assessments, investigation costs, settlement costs, fines, penalties, arbitration awards, other liabilities, costs, fees and expenses (collectively, "Losses") (i) related to or arising out of (A) oral or written information provided by the Company, the Company's employees or other agents, which either the Company or PISC provides to any persons, or (B) other action or failure to act by the Company, the Company's employees or other agents or PISC at the Company's request or with the Company's consent, or (ii) otherwise related to or arising out of the engagement of PISC under this Agreement or any transaction or conduct in connection therewith, provided that this clause (ii) shall not apply if it is finally judicially determined by a court of competent jurisdiction that such Losses arose solely out of the gross negligence or bad faith of such Indemnified Party. If multiple claims are brought against an Indemnified Party in an arbitration, with respect to at least one of which indemnification is permitted under applicable law and provided for under this Agreement, the Company agrees that any arbitration award shall be conclusively deemed to be based on claims as to which indemnification is permitted and provided for, except to the extent the arbitration award expressly states that the award, or any portion thereof, is based solely on a claim as to which indemnification is not available.

The Company shall further reimburse any Indemnified Party promptly for, or at the Indemnified Party's option advance amounts sufficient to cover, any legal or other fees or expenses as they are incurred (i) in investigating, preparing or pursuing any action or other proceeding (whether formal or informal) or threat thereof, whether or not in connection with pending or threatened litigation or arbitration and whether or not any Indemnified Party is a party (an "Action") and (ii) in connection with enforcing such Indemnified Party's rights under this Agreement (including, without limitation, its rights under this Exhibit A); provided, however, that in the event it is finally judicially determined by a court of competent jurisdiction that the Losses of such Indemnified Party arose solely out of the gross negligence or bad faith of such Indemnified Party, such Indemnified Party will promptly remit to the Company any amounts reimbursed or advanced under this paragraph.

The Company shall, if requested by PISC, assume the defense of any such Action including the employment of counsel reasonably satisfactory to PISC and will not settle, compromise, consent or otherwise resolve or seek to terminate any pending or threatened Action (whether or not any Indemnified Party is a party thereto) unless it obtains the prior written consent of PISC or an express, unconditional release of each Indemnified Party from all liability relating to such Action and the engagement of PISC under this Agreement. Any Indemnified Party shall be entitled to retain separate counsel of its choice and participate in the defense of any Action in connection with any of the matters to which this Exhibit A relates, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless: (i) the Company has failed promptly to assume the defense and employ counsel or (ii) the named parties to any such Action (including any impleaded parties) include such Indemnified Party and the Company, and such Indemnified Person shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or in addition to those available to the Company; provided that the Company shall not in such event be responsible under this Exhibit A for the fees and expenses of

more than one firm of separate counsel (in addition to local counsel) in connection with any such Action in the same jurisdiction.

paragraph is finally judicially determined to be unavailable (except by reason of the gross negligence or bad faith of such Indemnified Party), or is insufficient to hold such Indemnified Party harmless against such Losses as contemplated herein, then the Company shall contribute to such Losses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and its stockholders, on the one hand, and such Indemnified Party, on the other hand, in connection with the transactions contemplated hereby, and (ii) if (and only if) the allocation provided in clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company and such Indemnified Party; provided, however, that in no event shall the amount, if any, to be contributed by all Indemnified Parties exceed the amount of the fees actually received by PISC hereunder. Benefits received (or anticipated to be received) by the Company and its stockholders shall be deemed to be equal to the aggregate cash consideration and value of securities or any other property payable, exchangeable or transferable in any proposed or potential transactions within the scope of this Agreement, and benefits received by PISC shall be deemed to be equal to the compensation payable by the Company to PISC in connection with this Agreement. Relative fault shall be determined by reference to, among other things, whether any alleged untrue statement or omission or any other alleged conduct relates to information provided by the Company or other conduct by the Company (or the Company's employees or other agents) on the one hand or by PISC on the other hand. The parties hereto agree that it would not be just and equitable if contribution were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to above.

The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with advice or services rendered or to be rendered by any Indemnified Party pursuant to this Agreement, the transactions contemplated hereby or any Indemnified Party's actions or inactions in connection with any such advice, services or transactions except for Losses of the Company that are finally judicially determined by a court of competent jurisdiction to have arisen solely out of the gross negligence or bad faith of such Indemnified Party in connection with any such advice, actions, inactions or services.

The rights of the Indemnified Parties hereunder shall be in addition to any other rights that any Indemnified Party may have at common law, by statute or otherwise. Except as otherwise expressly provided for in this Exhibit A, if any term, provision, covenant or restriction contained in this Exhibit A is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall remain in full force and effect and shall in no way

PETER J. SOLOMON COMPANY

**Furr's Supermarkets, Inc. - Summary of Hours**

February 2001

| Professional   | Date     | Hours | Category      | Explanation   |
|----------------|----------|-------|---------------|---|
| Brad Dietz     | 02/27/01 | 10.3  | Due diligence | Travel to Company for due diligence trip                              |
| Anders Maxwell | 02/27/01 | 10.3  | Due diligence | Travel to Company for due diligence trip                              |
| Alex Kasdan    | 02/28/01 | 15.0  | Due diligence | Travel to Company and due diligence at Company offices in Albuquerque |
| Brad Dietz     | 02/28/01 | 13.0  | Due diligence | Due diligence at Company offices in Albuquerque                       |
| Anders Maxwell | 02/28/01 | 13.0  | Due diligence | Due diligence at Company offices in Albuquerque                       |

Total 61.6

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## Summary of Hours

### Explanation

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(S. Stuart) in Albuquerque & office meetings (T. DahlewS, Mortensen/return to NY  
(S. Stuart) in Albuquerque & office meetings (T. DahlewS, Mortensen/return to NY  
material materials and data room  
This and data room prep/research on prospective buyers  
five buyers  
ings and engagement letter re: PJS' retention  
nd discuss with counsel; due diligence; phone calls w/ Company; conf. calls  
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nd discuss with counsel; due diligence; conf. calls w/ Company and creditors  
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meetings with management and Arthur Andersen; due diligence; store visits  
meetings with management and Arthur Andersen; due diligence; store visits  
meetings with management and Arthur Andersen; due diligence; store visits  
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gement; due diligence; store visits; draft Information Memorandum  
gement; due diligence; store visits; draft Information Memorandum  
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y team in field.  
gement; draft Information Memorandum, travel from the Company  
gement; draft Information Memorandum, travel from the Company

**Quantity of Hours**

**Explanation**

Information Memorandum, travel from the Company

phone calls with counsel  
phone calls with counsel  
phone calls with counsel

materials

in materials including scheds and charts  
in materials including scheds and charts  
review documents

up  
up

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ges; calls to Skadden and w/company.  
coverant issues/external defaults.  
emographic research; phone calls

view and edit doc.  
view and edit doc

ers, time line and sched.  
ers, time line and sched.

**Furr's Supermarkets, Inc. - Summary of Hours**

March 2001

| Professional     | Date     | Hours | Category             | Explanation   |
|------------------|----------|-------|----------------------|---|
| Shawn Harrington | 03/25/01 | 4.0   | Document preparation | Draft Information Memorandum  |
| Alex Kasdan      | 03/26/01 | 12.0  | Document preparation | Draft Information Memorandum; phone calls w/ Company and counsel                    |
| Matthew Fine     | 03/26/01 | 10.5  | Document preparation | Draft Information Memorandum  |
| Brad Dietz       | 03/26/01 | 1.5   | Document preparation | Discussion of financials with management/revision of presentation materials         |
| Anders Maxwell   | 03/26/01 | 10.0  | Document preparation | Discussion of financials with management/revision of presentation materials         |
| Alex Kasdan      | 03/27/01 | 8.0   | Document preparation | Draft Information Memorandum; phone calls w/ Company and counsel, economic research |
| Matthew Fine     | 03/27/01 | 12.0  | Document preparation | Draft Information Memorandum  |
| Brad Dietz       | 03/27/01 | 1.5   | Case administration  | Presentation materials  |
| Anders Maxwell   | 03/27/01 | 7.0   | Review of financials | Review company performance and covenant issues/potential defaults.                  |
| Alex Kasdan      | 03/28/01 | 4.5   | Document preparation | Draft Information Memorandum; phone calls w/ Company and counsel                    |
| Shawn Harrington | 03/28/01 | 10.0  | Document preparation | Draft Information Memorandum; phone calls w/ Company and counsel                    |
| Matthew Fine     | 03/28/01 | 11.5  | Document preparation | Draft Information Memorandum  |
| Brad Dietz       | 03/28/01 | 2.0   | Case administration  | Presentation materials; time line; reviewed buyer and economic research             |
| Anders Maxwell   | 03/28/01 | 4.0   | Document preparation | Draft Information Memorandum  |
| Shawn Harrington | 03/29/01 | 13.0  | Document preparation | Draft Information Memorandum  |
| Matthew Fine     | 03/29/01 | 12.0  | Document preparation | Draft Information Memorandum  |
| Shawn Harrington | 03/29/01 | 9.0   | Document preparation | Draft Information Memorandum  |
| Anders Maxwell   | 03/29/01 | 8.5   | Case administration  | Update from team members on various items; calls w/company.                         |
| Matthew Fine     | 03/30/01 | 10.0  | Document preparation | Draft Information Memorandum  |
| Anders Maxwell   | 03/30/01 | 7.5   | Document preparation | Draft Information Memorandum  |
| Brad Dietz       | 03/30/01 | 1.5   | Case administration  | Update from team members on various items; calls w/company.                         |
| <b>Total</b>     |          |       |                      | <b>756.4</b>  |

**Furr's Supermarkets, Inc. - Summary of Hours**

April 2001

| Professional     | Date     | Hours | Category                        | Explanation   |
|------------------|----------|-------|---------------------------------|---|
| Brad Dietz       | 04/01/01 | 3.8   | Document preparation            | Review and work on Furr's book in office  |
| Shawn Harrington | 04/01/01 | 5.0   | Document preparation            | Draft Information Memorandum  |
| Anders Maxwell   | 04/01/01 | 10.0  | Document preparation            | Draft Information Memorandum  |
| Matthew Fine     | 04/02/01 | 8.0   | Document preparation            | Draft Information Memorandum  |
| Shawn Harrington | 04/02/01 | 6.0   | Document preparation            | Draft Information Memorandum  |
| Anders Maxwell   | 04/02/01 | 5.0   | Case administration             | Phone calls w/ Company and Counsel; draft Information Memorandum                      |
| Matthew Fine     | 04/03/01 | 8.0   | Document preparation            | Draft Information Memorandum  |
| Anders Maxwell   | 04/03/01 | 8.0   | Meeting with Company            | Furr's Travel   |
| Brad Dietz       | 04/03/01 | 9.0   | Meeting with Company            | Furr's Travel   |
| Anders Maxwell   | 04/03/01 | 9.0   | Meeting with Company            | Furr's Travel   |
| Shawn Harrington | 04/03/01 | 5.0   | Document preparation            | Document review   |
| Alex Kasdan      | 04/04/01 | 3.0   | Case administration             | Phone calls w/ Company and Counsel; draft Information Memorandum                      |
| Brad Dietz       | 04/04/01 | 8.0   | Meeting with Company            | Furr's management meetings and travel back to NY                                      |
| Anders Maxwell   | 04/04/01 | 10.0  | Meeting with Company            | Furr's Travel   |
| Shawn Harrington | 04/04/01 | 4.0   | Document preparation            | Document review   |
| Anders Maxwell   | 04/05/01 | 9.0   | Meeting with Company            | Furr's Travel   |
| Brad Dietz       | 04/05/01 | 1.8   | Case administration             | Discussion of buyers/update on contacts   |
| Anders Maxwell   | 04/05/01 | 10.0  | Meeting with Company            | Furr's management meetings and travel back to NY                                      |
| Brad Dietz       | 04/06/01 | 2.0   | Document preparation            | review of Furr's presentation materials/discussions w/ Skadden and Weil Gotshal       |
| Anders Maxwell   | 04/06/01 | 10.0  | Meeting with Furr's             | Furr's Travel   |
| Shawn Harrington | 04/06/01 | 4.0   | Document preparation            | Document review   |
| Alex Kasdan      | 04/08/01 | 0.5   | Document preparation            | Document review   |
| Brad Dietz       | 04/08/01 | 1.0   | Document preparation            | Document review   |
| Anders Maxwell   | 04/08/01 | 8.0   | Document preparation            | Document review   |
| Shawn Harrington | 04/08/01 | 4.0   | Document preparation            | Document review   |
| Brad Dietz       | 04/09/01 | 2.0   | Case administration             | Review information; complete package for PJSC   |
| Alex Kasdan      | 04/09/01 | 4.8   | Case administration             | Phone calls w/ Company and Counsel  |
| Shawn Harrington | 04/09/01 | 3.0   | Document preparation            | Preparing OM for review   |
| Brad Dietz       | 04/10/01 | 2.0   | Case administration             | Review and logging of potential buyers and procedures                                 |
| Anders Maxwell   | 04/10/01 | 7.0   | Case administration             | Review progress on docs; data room with Kasdan  |
| Peter J. Solomon | 04/10/01 | 1.0   | Meetings/Discussion with buyers | Preparation and phone calls with potential buyers                                     |
| Alex Kasdan      | 04/10/01 | 11.8  | Meetings with Company           | Travel to Albuquerque; preparation of data room; call Furr's and counsel; buyer calls |
| Shawn Harrington | 04/10/01 | 3.0   | Document preparation            | Preparing OM for review   |
| Alex Kasdan      | 04/11/01 | 9.0   | Meetings with Company           | Meetings w/ Company and counsel; organizing data room                                 |
| Brad Dietz       | 04/11/01 | 1.5   | Buyer contact                   | Calls with Peter Solomon to buyers  |
| Shawn Harrington | 04/11/01 | 3.0   | Document preparation            | Preparing OM for review   |
| Matthew Fine     | 04/11/01 | 3.0   | Document preparation            | Preparing OM for review   |
| Alex Kasdan      | 04/12/01 | 14.0  | Meetings with Company           | Meetings w/ Company, Arthur Andersen and counsel; organizing data room; travel to NY  |
| Matthew Fine     | 04/12/01 | 2.0   | Document preparation            | Preparing OM for review   |

**Hours**

**Explanation**

Document Review; calls with Company room w/Kasdan.  
Company and counsel  
pers list  
Shal and Skadden; document drafting  
Shal and Skadden; document drafting  
rs w/Kasdan; prep Hornstein on calls to buyers.  
Company and counsel  
th potential buyers  
tial buyers  
ential investors  
ential investors  
ential investors  
ential investors  
Skadden; document preparation  
activity; retention status.  
ential investors  
ements; calls with potential buyers and Skadden  
ll on various items.  
n on various items  
tial buyers; Review of Documents  
ements; calls with potential buyers and Skadden  
; of c.a.s/due diligence.  
ential investors  
tial buyers; Review of Documents  
ention and committee objections  
Weil Gotshal; document review; call with potential buyers  
ential investors  
tial buyers; Review of Documents  
tial buyers; Review of Documents  
ty; document review.  
with potential investors; document review and preparation  
diligence requirements; discussions w/skadden re retention;  
s other buyers  
iew of Documents

Furr's Supermarkets, Inc. - Summary of Hours

April 2001

| Professional     | Date     | Hours | Category                 | Explanation   |
|------------------|----------|-------|--------------------------|---|
| Shawn Harrington | 04/25/01 | 5.0   | Research                 | Gathering information on potential buyers; Review of Documents  |
| Alex Kasdan      | 04/26/01 | 7.0   | Case administration      | Calls w counsel and potential investors   |
| Anders Maxwell   | 04/26/01 | 5.0   | Document preparation     | Preparing OM for review by potential investors  |
| Brad Dietz       | 04/26/01 | 1.5   | Contacts                 | contacts w/buyers and follow-up   |
| Shawn Harrington | 04/26/01 | 6.0   | Research                 | Gathering information on potential buyers; Review of Documents  |
| Alex Kasdan      | 04/27/01 | 5.0   | Case administration      | Calls with investors and counsel; document review and preparation   |
| Anders Maxwell   | 04/27/01 | 8.0   | Case administration      | Preparing OM for review by potential investors  |
| Brad Dietz       | 04/27/01 | 3.0   | Conference Calls         | Calls w/ food partners re: Fleming bid; discussion w/ skadden and management re: Fleming smith bid, retention agreement follow-up |
| Anders Maxwell   | 04/28/01 | 4.0   | Research                 | Gathering information on potential buyers; Review of Documents  |
| Brad Dietz       | 04/29/01 | 2.0   | Conf. Calls              | Conf. Calls to Greg Mayes/George Golleher re: Fleming bid and Kroger. Review of schedule  |
| Anders Maxwell   | 04/30/01 | 3.0   | Phone calls with Company | Phone calls with counsel and Company  |
| Brad Dietz       | 04/30/01 | 5.0   | Case administration      | Calls with counsel and Company; document review.  |
| Alex Kasdan      | 04/30/01 | 5.7   | Case administration      | Calls with counsel and Company; document review.  |

Total 443.5



Furrs Supermarket Inc. - Summary of Hours

May 2001

| Professional     | Date     | Hours | Category              | Explanation   |
|------------------|----------|-------|-----------------------|---|
| Anders Maxwell   | 05/21/01 | 5.0   | Case Administration   | Document review; calls with Company and potential buyers  |
| Brad Dietz       | 05/21/01 | 8.0   | Business Travel       | travel and meetings in New Mexico re: transaction and retention hearing                               |
| Brad Dietz       | 05/22/01 | 8.0   | Business Travel       | prep and bankruptcy court hearing re: retention/mrgs re: sale status and process                      |
| Anders Maxwell   | 05/22/01 | 6.5   | Case Administration   | Document review; calls with Company and potential buyers  |
| Alex Kasdan      | 05/22/01 | 3.0   | Case Administration   | Document review; calls with Company and potential buyers  |
| Anders Maxwell   | 05/22/01 | 4.0   | Document Review       | Review progress of Company documents  |
| Brad Dietz       | 05/23/01 | 8.0   | Business Travel       | return from New Mexico hearing  |
| Anders Maxwell   | 05/23/01 | 7.0   | Document Review       | Review progress of Company documents  |
| Peter J. Solomon | 05/23/01 | 1.0   | Case Administration   | Conference call with Company and counsel  |
| Alex Kasdan      | 05/23/01 | 4.3   | Case Administration   | Conference call with Company and counsel; document review; calls with Company                         |
| Anders Maxwell   | 05/24/01 | 5.5   | Company phone calls   | conference calls with lawyers and company execs re: various offers                                    |
| Brad Dietz       | 05/24/01 | 2.0   | Sale Process          | Flaming and other bids/Purchase agreement negotiation/prep  |
| Alex Kasdan      | 05/24/01 | 3.5   | Case Administration   | Conference call with Company and counsel; document review; calls with Company                         |
| Anders Maxwell   | 05/25/01 | 3.0   | Company phone calls   | Flaming and other bids/Purchase agreement negotiation/prep  |
| Brad Dietz       | 05/25/01 | 2.0   | Sale Process          | Conference calls w/Rich Levin/company company execs re: various offers                                |
| Anders Maxwell   | 05/25/01 | 5.0   | Document Review       | Review progress of Company documents  |
| Alex Kasdan      | 05/25/01 | 4.2   | Case Administration   | Conference call with Company and counsel; document review; calls with Company                         |
| Anders Maxwell   | 05/28/01 | 3.0   | Financial Analysis    | Review of options regarding valuation on a going concern basis  |
| Brad Dietz       | 05/28/01 | 2.8   | Calls with Management | Skadden re: case status; 363 sales procedure; case admin  |
| Brad Dietz       | 05/29/01 | 2.0   | Conference Calls      | Calls with Management and Skadden Arps re: bid procedures/sale motion/flaming offer                   |
| Anders Maxwell   | 05/29/01 | 3.5   | Company phone calls   | Discussions with Skadden on Food Partners, other bids; consideration of reorganizational alternatives |
| Alex Kasdan      | 05/29/01 | 5.0   | Case Administration   | Calls with potential buyers, Company, counsel; conference call  |
| Anders Maxwell   | 05/29/01 | 4.0   | Company phone calls   | conference calls with lawyers and company execs re: various offers                                    |
| Alex Kasdan      | 05/30/01 | 4.4   | Case Administration   | Conf. Calls with Skadden re bid procedures/motions for 363 sale; review of docs                       |
| Brad Dietz       | 05/30/01 | 2.0   | Conference Calls      | Conf. Calls with Skadden re bid procedures/motions for 363 sale; review of docs                       |
| Alex Kasdan      | 05/31/01 | 3.5   | Case Administration   | Flaming and other bids/Purchase agreement negotiation/prep  |
| Brad Dietz       | 05/31/01 | 2.0   | Sale Process          | Flaming and other bids/Purchase agreement negotiation/prep  |

277.8

Total

Furr's Supermarkets, Inc. - Summary of Hours

June 2001

| Professional     | Date     | Hours | Category              | Explanation  |
|------------------|----------|-------|-----------------------|--|
| Alex Kasdan      | 06/01/01 | 5.9   | Case Management       | Calls with potential buyers; conference call; preparation of purchase agreement            |
| Anders Maxwell   | 06/01/01 | 2.0   | Calls to Counsel      | Phone calls to counsel   |
| Alex Kasdan      | 06/03/01 | 1.5   | Document Review       | Contract review and comments to Skadden  |
| Anders Maxwell   | 06/03/01 | 2.7   | Document Review       | Contract review and comments to Skadden  |
| Alex Kasdan      | 06/04/01 | 2.7   | Furrs Conference Call | Conference calls with Company and Skadden; document review                                 |
| Anders Maxwell   | 06/04/01 | 4.5   | Business Travel       | Travel for Furrs Auction   |
| Brad Dietz       | 06/05/01 | 3.0   | Furrs Conference Call | Calls with Management and Skadden  |
| Alex Kasdan      | 06/05/01 | 3.0   | Furrs Conference Call | Calls with Management and Skadden  |
| Anders Maxwell   | 06/05/01 | 4.0   | Agreement Update      | Retention agreement update in contact co. & buyer  |
| Brad Dietz       | 06/06/01 | 4.0   | Case Management       | Fleming Negotiations Sale Process  |
| Alex Kasdan      | 06/06/01 | 3.5   | Case Management       | Calls with potential buyers and Skadden  |
| Anders Maxwell   | 06/06/01 | 2.5   | Case Management       | Calls with potential buyers and Skadden  |
| Alex Kasdan      | 06/07/01 | 4.7   | Case Management       | Conference call with Heller; calls to potential buyers                                     |
| Anders Maxwell   | 06/07/01 | 2.5   | Agreement Update      | Retention agreement update in contact co. & buyer  |
| Brad Dietz       | 06/08/01 | 1.0   | Case Management       | PJSC Retention Hearing and objection raised by trustee                                     |
| Alex Kasdan      | 06/08/01 | 6.5   | Case Management       | Phone conferences w/ Company, Skadden and Heller Financial; calls to potential buyers      |
| Anders Maxwell   | 06/08/01 | 5.0   | Document Review       | Contract review and comments to Skadden  |
| Brad Dietz       | 06/11/01 | 3.0   | Conferences           | Conferences w/ Management & lawyers re: Fleming offer, negotiations & sale process w/ othe |
| Alex Kasdan      | 06/11/01 | 8.5   | Case Management       | Phone conferences w/ Company, Skadden and Food Partners; calls to potential buyers         |
| Brad Dietz       | 06/11/01 | 3.0   | Conferences           | Conferences w/ Management & lawyers re: Fleming offer, negotiations & sale process w/ othe |
| Anders Maxwell   | 06/11/01 | 7.0   | Sale Process          | Flemings and other bids/purchase agreements  |
| Alex Kasdan      | 06/12/01 | 6.0   | Case Management       | Calls with potential buyers  |
| Anders Maxwell   | 06/12/01 | 6.0   | Calls with Management | Calls with   |
| Brad Dietz       | 06/18/01 | 4.0   | Bid prep              | Fleming Contract   |
| Shawn Harrington | 06/18/01 | 4.0   | Bid prep              | Fleming Contract   |
| Anders Maxwell   | 06/18/01 | 5.0   | Financial Analysis    | Review of various restructuring options  |
| Brad Dietz       | 06/19/01 | 2.0   | Bid prep              | Fleming Contract   |
| Anders Maxwell   | 06/19/01 | 4.0   | Case Management       | Calls with potential buyers  |
| Brad Dietz       | 06/20/01 | 3.0   | Bids Prep             | Review   |
| Anders Maxwell   | 06/21/01 | 6.0   | Document Review       | Contract review and comments to Skadden  |
| Brad Dietz       | 06/21/01 | 4.0   | Bids Prep             | Fleming Auction prep   |
| Shawn Harrington | 06/21/01 | 4.0   | Bids Prep             | Fleming Auction prep   |
| Anders Maxwell   | 06/21/01 | 3.0   | Case Management       | Phone conferences w/ Company, Skadden and Food Partners; calls to potential buyers         |
| Brad Dietz       | 06/22/01 | 5.0   | Bid prep              | Fleming Auction prep   |
| Anders Maxwell   | 06/22/01 | 9.0   | Business Travel       | Travel for Furrs Auction   |

**PETER J. SOLOMON COMPANY**

**Furr's Supermarkets, Inc. - Summary of Hours**

**June 2001**

| Professional     | Date     | Hours | Category          | Explanation                                       |
|------------------|----------|-------|-------------------|---|
| Brad Dietz       | 06/23/01 | 15.5  | Business Meeting  | Meetings with Fleming                             |
| Anders Maxwell   | 06/23/01 | 2.0   | Sale Process      | Flemings and other bids/purchase agreements       |
| Shawn Harrington | 06/24/01 | 9.0   | Business Travel   | Four hours of travel                              |
| Anders Maxwell   | 06/24/01 | 5.0   | Bids Prep         | Review  |
| Brad Dietz       | 06/24/01 | 16.0  | Business Travel   | Meetings and travel back to New York              |
| Brad Dietz       | 06/25/01 | 9.0   | Case Management   | Sale to Fleming and travel to New Mexico          |
| Shawn Harrington | 06/25/01 | 9.0   | Business Travel   | Travel for Furr's Auction                         |
| Anders Maxwell   | 06/25/01 | 5.0   | Agreement Update  | Retention agreement update in contact co. & buyer |
| Brad Dietz       | 06/26/01 | 12.0  | Bid Prep          | Furr's sale to Fleming                            |
| Brad Dietz       | 06/27/01 | 14.0  | Bid prep          | Furr's sale to Fleming                            |
| Brad Dietz       | 06/28/01 | 5.0   | Business Meetings | Meetings with local counsel for Furr's hearing    |
| Shawn Harrington | 06/26/01 | 12.0  | Bid Prep          | Furr's sale to Fleming                            |
| Shawn Harrington | 06/27/01 | 14.0  | Bid prep          | Furr's sale to Fleming                            |
| Shawn Harrington | 06/28/01 | 5.0   | Business Meetings | Meetings with local counsel for Furr's hearing    |

Total 278.0

Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
2001

| Description                             | February          | March              | April              | May                | June               | July              | August            | September         | October            | Total               |
|---|-------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|--------------------|---------------------|
| Airfare                                 | \$5,410.41        | \$4,909.50         | \$7,935.00         | \$2,673.00         | \$7,023.50         |                   |                   |                   |                    | \$27,951.41         |
| Presentation books                      | 175.00            |                    | 1,725.00           |                    | 125.00             |                   |                   |                   |                    | 2,025.00            |
| Catering                                | 12.00             |                    |                    |                    |                    |                   |                   |                   |                    | 12.00               |
| Copies                                  |                   | 184.25             | 2,602.50           |                    | 584.25             |                   | \$86.25           | \$77.50           |                    | 3,534.75            |
| Fax                                     |                   | 85.00              | 764.00             |                    | 343.00             |                   |                   | 22.00             |                    | 1,214.00            |
| Hotel                                   | 770.15            | 729.49             | 1,141.98           | 190.76             | 1,964.32           |                   |                   |                   |                    | 4,796.70            |
| Late night meals                        |                   | 76.71              | 308.34             | 554.76             | 123.27             | \$53.70           | 165.65            |                   |                    | 1,282.43            |
| Late night taxis                        |                   |                    | 55.00              | 49.00              | 39.25              |                   | 61.60             |                   |                    | 204.85              |
| Legal fees                              |                   | 630.00             |                    | 10,141.60          | 7,560.74           | 1,146.00          | 913.24            | 3,772.79          | \$24,431.62        | 48,595.99           |
| Meals                                   | 217.21            | 427.50             | 527.05             | 125.94             | 726.61             |                   |                   |                   |                    | 2,024.31            |
| Overnight delivery, messenger           | 40.35             | 737.34             | 906.82             | 351.38             | 220.48             | 62.40             |                   |                   |                    | 2,318.77            |
| Data processing                         |                   | 209.62             | 413.96             | 137.50             | 137.50             |                   |                   |                   |                    | 898.58              |
| Telephone, including conference calls   | 3.37              | 479.61             | 777.35             | 2,217.50           | 1,258.50           | 50.00             | 282.00            |                   |                    | 5,068.33            |
| Research                                |                   | 625.74             | 101.74             | 345.77             | 523.56             |                   | 254.34            |                   |                    | 1,851.15            |
| Taxis                                   | 60.00             | 137.06             | 173.53             | 192.00             | 191.00             | 123.93            |                   |                   |                    | 877.52              |
| Auto rental, other local transportation |                   | 1,009.36           | 621.74             | 168.81             | 525.00             |                   |                   |                   |                    | 2,324.91            |
| <b>Total</b>                            | <b>\$6,688.49</b> | <b>\$10,241.18</b> | <b>\$18,054.01</b> | <b>\$17,148.02</b> | <b>\$21,345.98</b> | <b>\$1,436.03</b> | <b>\$1,763.08</b> | <b>\$3,872.29</b> | <b>\$24,431.62</b> | <b>\$104,980.70</b> |

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Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
February 2001

| <u>Description</u>                      | <u>Amount</u>            |
|---|--------------------------|
| Airfare                                 | \$5,410.41               |
| Presentation books                      | 175.00                   |
| Catering                                | 12.00                    |
| Copies                                  |                          |
| Fax                                     |                          |
| Hotel                                   | 770.15                   |
| Late night meals                        |                          |
| Late night taxis                        |                          |
| Legal fees                              |                          |
| Meals                                   | 217.21                   |
| Overnight delivery, messenger           | 40.35                    |
| Data processing                         |                          |
| Telephone, including conference calls   | 3.37                     |
| Research                                |                          |
| Taxis                                   | 60.00                    |
| Auto rental, other local transportation |                          |
| Total                                   | <u><u>\$6,688.49</u></u> |

Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
March 2001

| <u>Description</u>                      | <u>Amount</u>             |
|---|---------------------------|
| Airfare                                 | \$4,909.50                |
| Presentation books                      | 0.00                      |
| Catering                                | 0.00                      |
| Copies                                  | 184.25                    |
| Fax                                     | 85.00                     |
| Hotel                                   | 729.49                    |
| Late night meals                        | 76.71                     |
| Late night taxis                        |                           |
| Legal fees                              | 630.00                    |
| Meals                                   | 427.50                    |
| Overnight delivery, messenger           | 737.34                    |
| Data processing                         | 209.62                    |
| Telephone, including conference calls   | 479.61                    |
| Research                                | 625.74                    |
| Taxis                                   | 137.06                    |
| Auto rental, other local transportation | <u>1,009.36</u>           |
| Total                                   | <u><u>\$10,241.18</u></u> |

Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
April 2001

| <u>Description</u>                      | <u>Amount</u>             |
|---|---------------------------|
| Airfare                                 | \$7,935.00                |
| Presentation books                      | 1,725.00                  |
| Copies                                  | 2,602.50                  |
| Fax                                     | 764.00                    |
| Hotel                                   | 1,141.98                  |
| Late night meals                        | 308.34                    |
| Late night taxis                        | 55.00                     |
| Meals                                   | 527.05                    |
| Overnight delivery, messenger           | 906.82                    |
| Data processing                         | 413.96                    |
| Telephone, including conference calls   | 777.35                    |
| Research                                | 101.74                    |
| Taxis                                   | 173.53                    |
| Auto rental, other local transportation | <u>621.74</u>             |
| Total                                   | <u><u>\$18,054.01</u></u> |

Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
May 2001

| <u>Description</u>                      | <u>Amount</u>             |
|---|---------------------------|
| Airfare                                 | \$2,673.00                |
| Presentation books                      |                           |
| Catering                                |                           |
| Copies                                  |                           |
| Fax                                     |                           |
| Hotel                                   | 190.76                    |
| Late night meals                        | 554.76                    |
| Late night taxis                        | 49.00                     |
| Legal fees                              | 10,141.60                 |
| Meals                                   | 125.94                    |
| Overnight delivery, messenger           | 351.38                    |
| Data processing                         | 137.50                    |
| Telephone, including conference calls   | 2,217.50                  |
| Research                                | 345.77                    |
| Taxis                                   | 192.00                    |
| Auto rental, other local transportation | <u>168.81</u>             |
| Total                                   | <u><u>\$17,148.02</u></u> |

Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
June 2001

| <u>Description</u>                      | <u>Amount</u>             |
|---|---------------------------|
| Airfare                                 | \$7,023.50                |
| Presentation books                      | 125.00                    |
| Catering                                |                           |
| Copies                                  | 584.25                    |
| Fax                                     | 343.00                    |
| Hotel                                   | 1,964.32                  |
| Late night meals                        | 123.27                    |
| Late night taxis                        | 39.25                     |
| Legal fees                              | 7,560.74                  |
| Meals                                   | 726.61                    |
| Overnight delivery, messenger           | 220.48                    |
| Data processing                         | 137.50                    |
| Telephone, including conference calls   | 1,258.50                  |
| Research                                | 523.56                    |
| Taxis                                   | 191.00                    |
| Auto rental, other local transportation | <u>525.00</u>             |
| Total                                   | <u><u>\$21,345.98</u></u> |

Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
July 2001

| <u>Description</u>                      | <u>Amount</u>     |
|---|-------------------|
| Airfare                                 |                   |
| Presentation books                      |                   |
| Catering                                |                   |
| Copies                                  |                   |
| Fax                                     |                   |
| Hotel                                   |                   |
| Late night meals                        | 53.70             |
| Late night taxis                        |                   |
| Legal fees                              | 1,146.00          |
| Meals                                   |                   |
| Overnight delivery, messenger           | 62.40             |
| Data processing                         |                   |
| Telephone, including conference calls   | 50.00             |
| Research                                |                   |
| Taxis                                   | 123.93            |
| Auto rental, other local transportation |                   |
| Total                                   | <u>\$1,436.03</u> |

Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
August 2001

| <u>Description</u>                      | <u>Amount</u>     |
|---|-------------------|
| Airfare                                 |                   |
| Presentation books                      |                   |
| Catering                                |                   |
| Copies                                  | \$86.25           |
| Fax                                     |                   |
| Hotel                                   |                   |
| Late night meals                        | 165.65            |
| Late night taxis                        | 61.60             |
| Legal fees                              | 913.24            |
| Meals                                   |                   |
| Overnight delivery, messenger           |                   |
| Data processing                         |                   |
| Telephone, including conference calls   | 282.00            |
| Research                                | 254.34            |
| Taxis                                   |                   |
| Auto rental, other local transportation |                   |
| Total                                   | <u>\$1,763.08</u> |

Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
September 2001

| <u>Description</u>                      | <u>Amount</u>            |
|---|--------------------------|
| Airfare                                 |                          |
| Presentation books                      |                          |
| Catering                                |                          |
| Copies                                  | \$77.50                  |
| Fax                                     | 22.00                    |
| Hotel                                   |                          |
| Late night meals                        |                          |
| Late night taxis                        |                          |
| Legal fees                              | 3,772.79                 |
| Meals                                   |                          |
| Overnight delivery, messenger           |                          |
| Data processing                         |                          |
| Telephone, including conference calls   |                          |
| Research                                |                          |
| Taxis                                   |                          |
| Auto rental, other local transportation |                          |
| Total                                   | <u><u>\$3,872.29</u></u> |

Peter J. Solomon Company  
Furrs Supermarkets - Monthly Summary of Expenses  
October 2001

| <u>Description</u>                      | <u>Amount</u>      |
|---|--------------------|
| Airfare                                 |                    |
| Presentation books                      |                    |
| Catering                                |                    |
| Copies                                  |                    |
| Fax                                     |                    |
| Hotel                                   |                    |
| Late night meals                        |                    |
| Late night taxis                        |                    |
| Legal fees                              | \$24,431.62        |
| Meals                                   |                    |
| Overnight delivery, messenger           |                    |
| Data processing                         |                    |
| Telephone, including conference calls   |                    |
| Research                                |                    |
| Taxis                                   |                    |
| Auto rental, other local transportation |                    |
| Total                                   | <u>\$24,431.62</u> |

**SUMMARY OF HOURS FOR PROFESSIONAL SERVICES  
RENDERED BY PETER J. SOLOMON COMPANY LIMITED ON  
BEHALF OF FURR'S SUPERMARKETS, INC.  
FEBRUARY 26 THROUGH JUNE 30, 2001**

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| <b>Names of Professionals/Paraprofessionals</b> | <b>Hours <sup>1</sup></b> |
|---|---------------------------|
| Peter J. Solomon, Chairman                      | 2.0                       |
| Bradley I. Dietz, Managing Director             | 360.2                     |
| Jeffrey A. Hornstein, Managing Director         | 1.0                       |
| Anders Maxwell, Director                        | 595.0                     |
| Alexander B. Kasdan, Associate                  | 455.7                     |
| Rory T. Keenan, Associate                       | 4.0                       |
| Shawn Harrington, Associate                     | 271.0                     |
| Matthew Fine, Analyst                           | 128.5                     |

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<sup>1</sup> As set forth in Applicant's retention agreement dated as of February 26, 2001, and attached as Exhibit A, Applicant is compensated on a monthly retainer and success fee basis; its professionals do not have hourly rates.



## Peter J. Solomon

Peter J. Solomon founded PJSC in February 1989. Mr. Solomon began his career at Lehman Brothers in 1963 as a member of the Corporate Finance Department. In his early years at Lehman, Mr. Solomon developed a reputation as the leading investment banker to the retail and distribution industries and also spearheaded Lehman Brothers' entry into group broadcasting and cable television. He became a Partner of Lehman Brothers in 1971 and a member of its Board of Directors in 1975.

In 1978, Mr. Solomon became Deputy Mayor of Economic Policy and Development in New York City under Mayor Edward I. Koch. In that capacity, he was responsible for all matters within New York City relating to ports, taxes, energy and foreign trade and investment as well as economic development. In 1980, President Carter appointed Mr. Solomon Counselor to the United States Treasury. While at the Treasury, Mr. Solomon advised the Secretary on matters ranging from automobile trade to tax policy.

Mr. Solomon returned to Lehman Brothers in 1981 as a Senior Managing Director and a member of the Executive Committee. In 1984, after the purchase of Lehman by Shearson/American Express, Mr. Solomon became Chairman of the company's Mergers and Acquisitions Department, and in 1985 was appointed Vice Chairman of the firm and Co-Chairman of the Investment Banking Department. Subsequently, Mr. Solomon led the effort

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to raise \$1.3 billion for Shearson's Global Merchant Banking Partnership.

Mr. Solomon received his B.A. degree *cum laude* from Harvard College and his M.B.A. from Harvard Business School. He is widely regarded as a leading international authority on mergers, acquisitions, management buyouts and financings. Mr. Solomon is currently a director of Baker, Fentress & Company, Lawfin International Limited, Monro Muffler/Brake Inc., Office Depot, Inc. Phillips-Van Heusen Corporation and Zagat Survey LLC.

He is also the Chairman of The Manhattan Theatre Club, a Trustee of the American Museum of Natural History, The Federation of Jewish Philanthropies of New York City, and the Lucius N. Littauer Foundation, and a Director-at-Large of the Montana Land Reliance. Mr. Solomon is Co-Chairman of the Technology and Education Planning Committee of Harvard University, a member of the Dean's Council, the Executive Committee of

Harvard University Resources Committee and Chairman of the Friends of the Center for Jewish Studies. He is a member of the Council on Foreign Relations and the New York Administrative Committee of Fleet Bank, N.A.

Over the past 25 years, he has also served as an Overseer of Harvard University, Chairman of the Hudson Guild Neighborhood House, Vice Chairman of Mt. Sinai Hospital, a Trustee of the National Audubon Society, and of Taft School, and a member of the Visiting Committee to the Museum of Fine Arts in Boston. In 1992, he was a recipient of the Ellis Island Congressional Medal of Honor. As a Contributing Editor, Mr. Solomon appears frequently on CNN.

### **Bradley I. Dietz**

**Bradley Dietz is a Managing Director of PISC and heads the Restructuring**

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Group. Prior to joining the firm in 2001, he was a Managing Director at Citigroup where over a ten-year period he had broad based experience in complex restructuring and reorganization matters across a variety of industries. Mr. Dietz has also represented Citibank in transactions with Avondale, Inc., Morrison Knudsen Corporation, Owens Corning, Laidlaw, Inc., and Safety-Kleen, Inc. among others. Before commencing his restructuring activities, Mr. Dietz spent four years in Citibank's Mergers & Aquisitions advisory group working primarily with leveraged finance clients of the bank. Earlier in his career, he served as Vice President in the Corporate Finance Department at Bankers Trust Company and prior to that, as Chief Operating Officer of the Metrotape Division of Metromedia, Inc. Mr. Dietz received his M.B.A. from the University of California at Los Angeles, where he also received his B.A., graduating Phi Beta Kappa, *magna cum laude*. He is a director of First Capital Holdings Liquidation Trust.

### **Anders Maxwell**

Anders Maxwell is a Director of PJSC in the Restructuring Group. He joined the firm in 1999 as a member of the Financing group responsible for mezzanine and high yield financing. Mr. Maxwell has had a diverse 25 year career in the high yield capital markets and related investment and merchant banking fields including experience in workouts, debtor advisory, and trading of distressed bonds. Prior to joining the firm, Mr. Maxwell served as a Managing Director of Barington Capital Group engaged in the placement

of high yield and mezzanine debt securities. Mr. Maxwell began his career at GE Capital where he held a number of positions prior to being named Vice President and General Manager, Equity Capital Group. He has served as a Managing Director, Investment Banking at Dean Witter Reynolds, Inc.; a partner at Benedetto, Gartland & Co., an equity placement agent for several prestigious buyout and distressed securities funds; and has held a variety of high-yield sales and trading positions at Wall Street firms. Mr. Maxwell received an M.B.A. from the Wharton School of the University of Pennsylvania and a Bachelor of Architecture with honors from the University of California at Berkeley.

### **Alexander B. Kasdan**

Alexander B. Kasdan is an Associate in the Restructuring Group. Mr. Kasdan joined the firm in 2000 and was actively involved in merger, acquisition and restructuring assignments in a variety of industries. Prior to joining the firm, Mr. Kasdan was a business development manager at Schlumberger Limited and an Associate in the Investment Banking Department of Credit Suisse First Boston. As an attorney, Alex spent three years as an Associate at O'Sullivan Graev & Karabell and Battle Fowler. He also was an account executive at Reuters and a financial analyst at Merrill Lynch. Mr. Kasdan is a *magna cum laude* graduate of Middlebury College where he received his B.A. in Economics and Italian and was elected Phi Beta Kappa. He is also a graduate of Columbia Law School and studied at the University of Florence in Italy.

### **Rory T. Keenan**

Rory Keenan joined PJSC in 2001 as an Associate in the Restructuring Group. Prior to joining the firm, Mr. Keenan spent five years at Prudential Securities, most recently as an Associate in the Mergers and Acquisitions Group concentrating on the media, communications, grocery and apparel industries. He began his investment banking career as an Analyst in Prudential Securities' Media, Entertainment and Communications Group and also served as an Associate in the Prudential Volpe Technology Group working on a wide variety of transactions including IPO's, secondary offerings, public and private debt financings and privatizations. Mr. Keenan is a graduate of the College of The Holy Cross where he received his B.A. with honors in English Literature.

**Shawn M. Harrington**

Shawn Harrington is an Associate in the Restructuring Group. Mr. Harrington joined PJSC in 1999 and has been involved in several merger, acquisition, divestiture and restructuring transactions. He received a B.A. degree in Mathematics from The University of Chicago in 1999.

**Matthew Fine**

Matthew Jason Fine joined PJSC in 2000. Mr. Fine received a B.S. degree in Applied Mathematics and Economics from Brown University in 2000.