

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

FILED
12:00 MIDNIGHT
OCT 12 2001

DROP BOX
United States Bankruptcy Court
Albuquerque, New Mexico

In re:

FURR'S SUPERMARKETS, INC.,

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

Debtor.

DEBTOR'S MOTION TO EMPLOY MEYNER'S & CO. AS ACCOUNTANTS FOR THE DEBTOR

The Debtor Furr's Supermarkets, Inc. (the "Debtor"), pursuant to 11 U.S.C. § 327(a), requests that the Court approve its employment of Meyners & Co. ("Meyners") to provide certain tax accounting and other accounting services to the Debtor. In support of this Motion (the "Motion"), the Debtor states:

1. On February 8, 2001, the Debtor commenced this bankruptcy case by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Pursuant to Bankruptcy Code §§1107(a) and 1108, Debtor has retained possession of its assets, as Debtor in Possession.

2. Debtor wishes to employ Meyners as accountants for the Debtor, to provide the accounting services set forth below. Meyners is well qualified to provide the accounting services to the Debtor in this case. Meyners has represented in its disclosure filed pursuant to Bankruptcy Rules 2014 and 2016 (the "Meyners Disclosure") that, except for its representation of clients in matters wholly unrelated to the Debtor or this bankruptcy case, to Meyners' knowledge it does not have any interests that are materially adverse to the Debtor.

3. In general, the professional services Meyners would render to the Debtor are:

(a) Preparing federal income tax returns for the 2000, 2001, and 2002 (if necessary) tax years;

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(b) Preparing state income tax returns for the 2000, 2001 and 2002 (if necessary) tax years; and

(c) Providing such other accounting services as the Debtor may request and Meyners may agree to perform.

4. A copy of Meyners' engagement letter with the Debtor (the "Engagement Letter") is attached hereto as Exhibit A and incorporated herein by reference. Meyners seeks a determination that the rates described in the Engagement Letter are reasonable and appropriate and meet with this Court's approval.

5. To the best of Debtor's knowledge, information, and belief, employment of Meyners would be in the best interest of the estate, and Meyners has no interest that is, for the matters that are subject of Meyners' employment, adverse to the Debtor, its creditors, or any other party in interest or their respective attorneys, other than any interests set forth in the Meyners Disclosure.

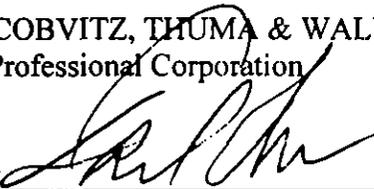
6. The fees, costs, and gross receipts tax that Meyners would charge Debtor are set forth in the Engagement Letter.

7. Meyners requests that the Debtor be authorized to make interim payments to Meyners on a monthly basis upon receipt of Meyners' billing statements and prior to the Court's determination of the allowability of Meyners' compensation, under the same terms as set forth in the Motion for Order Authorizing Payment of Interim Compensation and Reimbursement of Expenses of Debtor's Professionals.

8. Meyners' employment is in the best interest of the estate and should be made effective as of the date this application is filed.

WHEREFORE Debtor requests approval of the Court to employ Meyners to provide accounting services pursuant to 11 U.S.C. § 327(a) under the terms of the Engagement Letter and this Motion, effective as of the date hereof, to make interim payments to Meyners prior to allowance of compensation, as described above, and for all other just and proper relief.

JACOBVITZ, THUMA & WALKER
A Professional Corporation

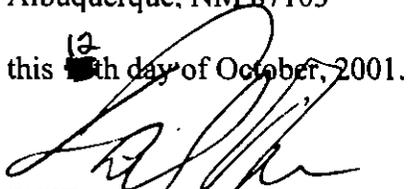
By: 

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(505) 766-9272
(505) 766-9287 (fax)
Attorneys for the Debtor-in-Possession

This certifies that a copy of
the foregoing document was
served by first class mailed on:

United States Trustee
P.O. Box 608
Albuquerque, NM 87103

this ¹²th day of October, 2001.


David T. Thuma



MEYNER'S + COMPANY, LLC

AGREEMENT FOR SERVICES

Furr's Supermarkets, Inc. and S & B Beverage Co.

This agreement is made between Furr's Supermarkets, Inc. and S & B Beverage Co., located at 4411 The 25 Way, Suite 100, Albuquerque, NM 87109, hereinafter called "Client," and MEYNER'S + COMPANY, LLC, a New Mexico Limited Liability Company, hereinafter called "CPA."

SERVICES TO BE PROVIDED

CPA, as an independent contractor, agrees to perform the services described in the attached Schedule(s) pursuant to the terms and conditions set forth herein and in such Schedule(s). The attached Schedules are hereby incorporated by reference into this *Agreement for Services* as if fully set forth herein.

COMPENSATION

Fees for services shown in the attached schedule will be based on the actual time spent by professional or administrative personnel at standard hourly rates, plus travel and other costs such as postage, courier charges, and long distance charges, plus applicable gross receipts tax on all charges for fees and costs. Standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned.

Invoices for these fees will be rendered each month as work progresses and are payable upon presentation. Payment less any court mandated retainage is due upon Client's receipt of the invoice. All fees are subject to a 1.5% per month late payment charge. In addition, work may be suspended if Client's account becomes overdue. Client acknowledges and agrees that in the event CPA stops work or withdraws from any engagement as a result of Client's failure to pay on a timely basis for services rendered as required by this agreement, CPA shall not be liable for any damages that occur as a result of its ceasing to render services.

EXHIBIT

ADDITIONAL SERVICES

CPA is available to provide, upon Client request, business and financial planning, appraisal services, consulting, representation at tax examinations, and other accounting, tax, and business related services. This agreement will serve to cover those additional services in the absence of any additional agreement governing such services. However, fees for such services shall be in addition to those described herein, but subject to the same payment conditions as herein set forth.

TERMINATION

This agreement shall commence on approval of and as set forth by the United States Bankruptcy Court, District of New Mexico, and will be a continuing agreement until terminated by either party or until the services to be performed by CPA as described above are complete. Either party may terminate this agreement at any time by notifying the other party in writing of such termination. In the event of termination prior to completion of the services to be performed by CPA, CPA will be paid in full for all services performed prior to the date of termination within thirty days of Client's receipt of an invoice for such services. In the event of termination by the Client or by the CPA because of Client's failure to pay or Client's breach of any other provision of this agreement prior to completion of services, CPA shall not be liable to Client or any other party for any additional expenses incurred by Client in securing completion of the services described in this agreement.

RETENTION OF RECORDS AND WORKPAPERS

It is agreed and understood that, in connection with the performance of the services described in this agreement, CPA shall prepare certain workpapers, which may include data in electronic format, and that such workpapers are and shall remain the property of the CPA.

CPA will keep workpapers related to such engagement for four years. Upon the expiration of the four-year period, Client agrees that CPA shall be free to destroy any and all workpapers. When records are returned to the Client, it is the Client's responsibility to retain and protect such records for possible future use, including potential examination by any governmental or regulatory agencies.

DISPUTE RESOLUTION AND ATTORNEYS' FEES

The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the litigation or arbitration of any dispute, including all arbitration fees. If any party should institute any action for declaratory relief arising out of this agreement, the prevailing party in such declaratory action shall also be entitled to an award of attorneys' fees and costs incurred in such declaratory action.

MISCELLANEOUS PROVISIONS

This agreement shall be construed and enforced pursuant to the United State Bankruptcy Code and laws of the State of New Mexico. This agreement and the schedules attached hereto constitute the entire agreement of the parties with respect to the services to be provided by CPA and payment by the Client. No provision of this agreement may be amended except by a writing signed by both parties.

AGREED UPON as of the date set forth above.

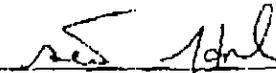
MEYNEERS + COMPANY, LLC

FURRS SUPERMARKETS, INC.
S & B BEVERAGE CO.

By _____



By _____



Steve Stark, VP Controller

Date _____

10/11/01

Date _____

10/11/01

SCHEDULE FOR CORPORATE TAX PREPARATION SERVICES

SERVICES TO BE RENDERED:

CPA will prepare the following tax returns for Client for the years ended December 31, 2000, 2001 and 2002:

Entity	Tax Returns/Project	Estimated Fees (A) (B)
<u>Furr's Supermarkets, Inc.</u> <u>and S & B Beverage Co.</u>	2000 Federal Form 1120	\$ 65,000
	2000 New Mexico Form CIT-1	
	2000 New Mexico Biennial Profit Corporate Report	
	2000 Texas Franchise Tax Return	
	Preparation of 2000 tax return workpapers	
	2001 Federal Form 1120	
	2001 New Mexico Form CIT-1	
	2001 New Mexico Biennial Profit Corporate Report	
	2001 Texas Franchise Tax Return	
	Preparation of 2001 tax return workpapers	
	2002 Federal Form 1120	
	2002 New Mexico Form CIT-1	
	2002 New Mexico Biennial Profit Corporate Report	
	2002 Texas Franchise Tax Return	
	Preparation of 2002 tax return workpapers	

(A) The above fees includes New Mexico gross receipts tax

(B) Out-of-pocket expenses plus applicable New Mexico gross receipts tax will be billed in addition to the fees

Fees for the above services will not exceed the estimated fee of \$65,000 provided that there is no material change in ownership of Client. Further, Client agrees that the following will be provided to CPA:

1. Tax depreciation records will be provided to CPA in electronic format as well as in print as of December 31, 2000 and September 8, 2001. Responsibility for maintenance of depreciation records will reside with Client for all purchases or dispositions of depreciable property ending on or before September 8, 2001.
2. The allocation of the purchase price related to the sale of assets to Flemming will be provided to CPA by Client.
3. CPA will have no responsibility under this contract for maintenance of Client's general ledger, subsidiary ledgers or financial statements.

CPA is responsible for preparing only the returns listed above. All other tax returns or filings or examinations of any nature will be subject to separate arrangements.

The fee does not include responding to IRS inquiries, and Client understands that the CPA is not responsible for IRS disallowance of doubtful deductions or deductions unsupported by adequate documentation, nor for resulting taxes, penalties, and interest.

Client's returns may be processed by an outside computer service. By its signature, Client expressly consents to the use of an outside computer service in the discretion of CPA.

CPA will not audit or verify the data submitted by Client, although CPA may ask Client to clarify it, or furnish CPA with additional data. Client is also confirming that it will furnish to CPA all of the information required for preparing the returns. All information submitted by Client to CPA will, to the best of Client's knowledge, be correct and complete, and will include all income, deductions, and other data necessary for the preparation of Client's income tax returns. Client is responsible for keeping the necessary records of deductions for any business expenses and of business and personal use of any property. CPA will furnish Client with questionnaires, worksheets, or booklets, as necessary, to guide Client in gathering the required information.

CPA's work in connection with the preparation of income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist. CPA will render such accounting and bookkeeping assistance as it finds necessary for preparing the income tax returns.

CPA will use its professional judgment in preparing returns. Whenever CPA is aware that a possible applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), CPA will explain the possible positions that may be taken on your return. CPA will follow whatever position you requested by Client on its return so long as it is consistent with the codes and regulations and interpretations that have been promulgated. If the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. CPA assumes no liability for any such additional penalties or assessments.

By its signature below, Client is confirming to CPA that, unless CPA is otherwise advised, the travel, entertainment, gifts, and related expenses, if any, are supported by the necessary records required under Section 274 of the Internal Revenue Code. If Client has any questions as to the type of records required, please ask CPA for advice in that regard. Congress has greatly limited taxpayers' deductions for travel and entertainment expenses. As such, conflicting regulations and laws have been passed. At present, the minimum record keeping requirement is that taxpayers maintain certain records relating to meals, travel expense, entertainment expense, vehicle use, and business gifts. The minimal substantiation must include the amount of the expense, the location of the travel or entertainment, the date and description of the gift, the business purpose of the expense, and the business relationship between the taxpayer and the person being entertained or receiving the gift. Although not required, the government prefers that the information be kept in a diary, or in some chronological order. There is a strong need that this information be kept current. When possible, charge cards should be used and the above information shown on the back of the slip maintained by Client.

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of his or her tax liability. For corporations and individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return or \$5,000 (\$10,000 for corporations other than S corporations or personal holding companies). The penalty is 20 percent of the

underpayment. Taxpayers other than "tax shelters" may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) that the relevant facts affecting the item's tax treatment were adequately disclosed on the return. A taxpayer is considered a "tax shelter" if its principal purpose is to avoid Federal Income Tax. Because an S-corporation is an entity that tax attributes flow through to its shareholders, the penalty for substantial understatement of tax relating to S-Corporation items may be imposed on the shareholder. Client agrees to advise CPA if it wishes disclosure to be made in its returns or if it wishes for CPA to identify or perform further research with respect to any material tax issues for the purpose of ascertaining whether, in CPA's opinion, there is "substantial authority" for the position proposed to be taken on such issues in Client's returns.

In reviewing Client's tax returns, CPA has identified several understatement that have resulted from

certain investments made by Client. It is important that Client be aware that CPA has not performed any investigation into the quality of the investment, the prospect that Client will profit from it, or the integrity of the people or entities that developed or sold the investment to Client. Therefore, CPA has simply assumed that the investment is precisely as Client has presented it and has determined what tax consequences flow from the investment. Even that determination is not