

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

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

IN RE:

FURR'S SUPERMARKETS, INC.

Case No. 11-01-10779 SA
Chapter 11

DEBTOR.

**MOTION FOR ORDER AUTHORIZING AND COMPELLING DEBTOR TO PAY
SUCCESS FEE TO GEORGE GOLLEHER AND GREGORY MAYS
PURSUANT TO SECTION 105(a) OF THE BANKRUPTCY CODE**

George Golleher and Gregory Mays respectfully move the Court for an Order authorizing and compelling the debtor to pay the remaining portion of their success fee in the amount of \$750,000.00 immediately upon entry of an Order granting the relief sought herein. The grounds for this Motion are as follows:

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1337. This is a core proceeding pursuant to 28 U.S.C. § 157. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
2. In March of 2001, debtors entered into an agreement with George Golleher and an agreement with Gregory Mays to act as Chairman and Vice-Chairman of the debtor respectively. The secured lenders were a party to these agreements. On or about June 1, 2001, the Court approved these agreements. A copy of the George Golleher Agreement is attached hereto as Exhibit A and a copy of the Gregory Mays Agreement is attached hereto as Exhibit B.
3. Under Exhibits A and B, movants became responsible for the management

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of the debtor and to undertake efforts to maximize the value of the estate including through the sale of the debtors assets. Also, under Exhibits A and B, the George Golleher and Gregory Mays became entitled to a success bonus (2/3 to Golleher and 1/3 to Mays) at the closing of any success event. A success event is defined as among other things a consummated sale or disposition by the company of at least sixty percent of its assets for at least a minimum value as defined in Exhibits A and B.

4. George Golleher and Gregory Mays undertook extensive efforts which culminated in the successful sale of essentially all debtors assets to the Fleming Companies, Inc. ("Fleming") under an Asset Purchase Agreement dated June 25, 2001. The Court approved the sale to Fleming on June 30, 2001 and the closing of the Fleming transaction occurred on August 31, 2001. The gross sales proceeds from this transaction were approximately \$84,200,000.00. The sale to Fleming Companies, Inc. satisfied the conditions for a success bonus and George Golleher and Gregory Mays were entitled to be paid a success bonus of \$1,500,000.00 at the closing.

5. Gregory Mays and George Golleher earned their success bonus as provided in Exhibits A and B as a result of the Fleming transaction. The success bonus was to be paid at the closing and as a condition to such closing. Accordingly, the monies payable as the success bonus would not be subject to any liens of the secured lenders and would not become an asset of the debtor. Since the value of the Fleming transaction was in excess of \$50,000,000.00 and less than \$100,000,000.00 the success bonus was to be in the amount of 1.5 million dollars. ¹

¹ Peter J. Solomon Company has asserted the full value of the transaction was \$132,980,000.00 since in addition to the sale proceeds of \$84,200,000.00, there were capital leases assumed and short term debt to be paid. Movants George Golleher and Gregory Mays utilize only the value of the Fleming sale proceeds in determining the amount of their success bonus. The greater value would entitle them to a greater success bonus.

6. George Golleher and Gregory Mays entered into Exhibits A and B in good faith after extensive negotiations with the debtor as well as others including the secured lenders who were parties to the agreement. They brought tremendous experience and knowledge to the debtor which enabled it to realize through the Fleming transaction significantly greater amounts than would otherwise have been available upon sale of the assets.

7. On or about September 26, 2001 the Court, having previously ordered that \$1,500,000.00 from the proceed of the Fleming transaction be reserved for the success bonus due and payable to George Golleher and Gregory Mays, ordered that \$750,000.00 of the success fee be paid. The remaining \$750,000.00 remains reserved for the success bonus payable to George Golleher and Gregory Mays.

8. Notwithstanding that the success bonus was due and payable on August 31, 2001 at the closing of the Fleming transaction and as a condition of the closing, it remains due and payable. The debtor is unable to make the remaining \$750,000.00 payment because under prior orders of the Court no disbursements are permitted without further Order of the Court. Section 105(a) of the Bankruptcy Code authorizes the Court to issue an Order to permit and direct the payment of the remaining success fee to George Golleher and Gregory Mays.

9. George Golleher and Gregory Mays are entitled to payment now of the remaining \$750,000.00 currently held by the debtor in reserve, free from any claim of the debtor and/or the secured lenders.

10. Notice of this Motion has been provided in accordance with the Court's Order limiting Notice in certain matters, dated, February 15, 2001 and movants submit that no further notice need be given.

For the foregoing reasons the Court should authorize and compel the debtor to pay the remaining \$750,000.00 of the success fee to George Golleher and Gregory Mays immediately upon entry of an Order granting the relief sought herein and should grant such other and further relief as is just.

RESPECTFULLY SUBMITTED:

L. Michael Messina, P.A.

By: 

L. Michael Messina

Attorney For

George Golleher and Gregory Mays

COPY

CONSULTING AGREEMENT

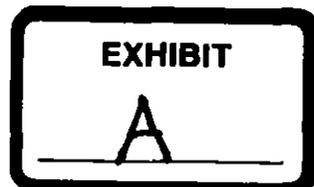
This Consulting Agreement (the "Agreement"), dated as of the ___ day of March, 2001 (the "Execution Date"), is by and between Furr's Supermarkets, Inc., a Delaware corporation (the "Company"), and George Golleher (the "Chairman").

WHEREAS, the Company considers it essential to the best interests of the Company that it have the Chairman's advice available to it on an advisory basis, and the Chairman desires to provide such advice to the Company;

NOW, THEREFORE, in consideration of the mutual promises expressed herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Chairman hereby agree as follows:

1. Service. The Chairman shall provide services to the Company as its Non-Executive Chairman, subject to the terms and conditions set forth in this Agreement. Notwithstanding any other provision hereof, this Agreement is subject to, and shall be effective only upon, the approval of the United States Bankruptcy Court for the District of New Mexico where the Company's Chapter 11 case is currently pending (the date of such approval, the "Effective Date"); *provided, however*, that Section 8 of this Agreement shall be effective as of the Execution Date. The Company will submit the Agreement for approval at the earliest practicable date.

2. Responsibilities and Duties. The Chairman shall provide services to the Company at such times, and to such an extent, as are mutually agreeable to the Chairman and the Company, and shall report directly to the Board of Directors of the Company (the "Board of Directors"). The Board will grant the Chairman authority consistent with the services he is asked to perform. The Company acknowledges and accepts that the Chairman provides or may provide consulting, management and other services to other companies. During the Service Term (as such term is defined in Section 3 below), the Chairman agrees to comply with all applicable reasonable policies, rules and regulations of the Company. During the Service Term, the Company shall cause the Chairman to be reelected to the Board of Directors.



3. Term and Termination.

(a) The term of the service of the Chairman (the "Service Term") under this Agreement shall begin on March 26, 2001 and shall continue until the earliest to occur of the following:

- (i) a termination of the service of the Chairman by the Board of Directors at any time for "just cause", which shall be defined as a termination for any of the following reasons, provided the Board of Directors provides the Chairman with written notice of any such termination and the reasons therefor at least two weeks prior to its effectiveness: (A) the breach by the Chairman of any of the material terms of, or failure to perform any material covenant contained in, this Agreement, which breach or failure continues uncured for a period of 30 days following written notice from the Company, (B) the commission by the Chairman of an act of fraud, conversion, misappropriation (including the unauthorized use or disclosure of confidential or proprietary information of the Company) or embezzlement with respect to the Company, or (C) a conviction or guilty plea by the Chairman with respect to any crime involving theft, conversion, misappropriation, embezzlement or felony involving moral turpitude;
- (ii) a termination of the service of the Chairman by the Company for any reason other than as set forth in Section 3(a)(i) or (iii) (a "Termination Without Just Cause");
- (iii) the death of the Chairman or the mental or physical inability of the Chairman to perform his required duties;
- (iv) the voluntary resignation by the Chairman; or
- (v) December 31, 2002, or, at the option of the Chairman, upon any earlier payment of any Success Bonus payable hereunder.

Except as set forth in Section 3(a)(i) above, any termination of the Chairman's service hereunder (other than a termination by reason of the Chairman's death) shall be communicated in writing to the other party at least 60 days prior to its effectiveness.

(b) Upon any termination of service hereunder, the Chairman shall be entitled to, and the Company shall be liable for and shall pay to the Chairman promptly, the portion of the Service Fee (as such term is hereinafter defined) that was earned prior to the date of the termination of the Chairman's service with the Company and, except as explicitly set forth herein, including, without limitation in Section 4(c) below, the Company shall not be liable for any other compensation or benefits that it would otherwise provide to the Chairman or to which the Chairman would otherwise be entitled.

(c) If the Chairman's employment is terminated in a manner that constitutes a Termination Without Just Cause, and if a Success Event (as such term is defined in Section 4(c) below) occurs within twelve months after such termination, the Company shall pay the Success Bonus (as such term is defined in Section 4(c) below) to the Chairman, less any other Success Bonus or Minimum Bonus previously paid to the Chairman

(d) If the Chairman's employment is terminated in a manner that constitutes a Termination Without Just Cause, then, at the time of any such termination the Chairman shall receive a Success Bonus which is the greater (y) of any such bonus earned as a result of a Success Event or (z) the Minimum Bonus described in Section 4(c)(ii)(E) below. In such event, the Success Bonus shall be paid on the first business day following the date of such termination.

4. Compensation.

(a) Service Fee. The Company shall pay to the Chairman a service fee at the monthly rate of \$25,000 during the Service Term (the "Service Fee"), which amount shall be earned in equal installments each year on a monthly basis and shall be paid at the beginning of each month. The Service Fee may be increased from time to time as may be determined by the Board of Directors at its sole discretion.

(b) Signing Bonus. The Company shall pay to the Chairman, by wire transfer, a signing bonus of \$125,000 (the "Signing Bonus") no later than the end of the first business day following the Effective Date.

(c) Success Bonus.

(i) The Company shall pay to the Chairman two-thirds (2/3) of a success bonus in the amount set forth in Section 4(c)(ii) (the

"Success Bonus") at the closing of any Success Event (with the other one-third (1/3) going to Gregory Mays) and as a condition to such closing. For purposes hereof, a **"Success Event"** shall be deemed to have occurred if (i) a plan of reorganization or liquidation is confirmed in the Company's Chapter 11 case or (ii) there is consummated one or more sales or dispositions by the Company of a portion of the Company's assets, which, in either case, in the aggregate (giving effect to all such sales occurring subsequent to the Effective Date) represents a sale, disposition or reorganization of assets of the Company that were responsible for no less than 60% of the trailing 12-month EBITDA of the Company for the period ended March 24, 2001, as specified on Annex A hereto.

- (ii) The Success Bonus shall be calculated as follows:
- (A) If the aggregate gross asset value of the Company immediately following the confirmation of the plan of reorganization or liquidation, or the consideration received (which shall include the amount of any liabilities assumed by the buyer) in connection with a sale or disposition (each as described in Section 4(c)(i)), as the case may be, excluding the value of any assets or liabilities associated with capital leases (such aggregate value, the **"Aggregate Value"**) is more than \$50 million and less than or equal to \$100 million, then the Success Bonus shall be \$1.5 million.
 - (B) If the Aggregate Value is more than \$100 million and less than or equal to \$150 million, then the Success Bonus shall equal the sum of (1) \$1.5 million and (2) the lesser of (a) 2.5% multiplied by the amount by which the Aggregate Value exceeds \$100 million and (b) \$1.25 million.
 - (C) If the Aggregate Value is more than \$150 million and less than or equal to \$200 million, then the Success Bonus shall equal the sum of (1) the amount calculated pursuant to Section 4(c)(ii)(B) hereof and (2) the lesser of (a) 3% multiplied by the amount by which the Ag-

Aggregate Value exceeds \$150 million and (b) \$1.5 million.

- (D) If the Aggregate Value is more than \$200 million, then the Success Bonus shall equal the sum of (1) the amount calculated pursuant to Section 4(c)(ii)(C) hereof and (2) 4% multiplied by the amount by which the Aggregate Value exceeds \$200 million.
- (E) Notwithstanding the prior provisions of this Section 4(c)(ii), if a Success Event does not occur on or prior to the date that is the later of (y) December 31, 2001 and (z) 30 days after the expiration of the Debtor's debtor-in-possession financing facility (the "DIP Facility"), then the Success Bonus shall be \$750,000 (the "Minimum Bonus"), but paid no later than March 31, 2002, if on or after such date the Chairman voluntarily terminates this Agreement. Such Minimum Bonus shall be paid on the first business day following such date of termination.

(iii) In the event that more than one Success Events occur for which Chairman would be entitled to a Success Fee, Chairman shall receive an amount equal to (y) any Success Bonus that he would be entitled to hereunder as a result of the aggregate amount of the Success Events, less (z) any Success Bonus amounts previously paid to Chairman hereunder.

(d) Expenses. The Company shall reimburse the Chairman for all reasonable costs and expenses incurred by the Chairman in connection with performing services hereunder, including travel, lodging and other expenses incurred in commuting from his principal residence to the Company's principal executive offices ("Reimbursable Expenses").

5. Independence and Discretion

(a) Nothing herein contained shall be construed to constitute the parties hereto as partners or as joint venturers or as employer and employee. By virtue of the relationship described herein, the Chairman's relationship to the Company during the Service Term shall only be that of an independent contractor and, to the extent authorized by the Board, an agent of the Company, and the Chairman shall

perform all services pursuant to this Agreement as an independent contractor. The Chairman shall not present himself as an employee of the Company.

(b) Subject only to such specific limitations as are contained in this Agreement, the manner, means, details or methods by which the Chairman performs his obligations under this Agreement shall be solely within the Chairman's discretion. The Company shall not have the authority to, nor shall it, supervise, direct or control the manner, means, details or methods utilized by the Chairman to perform his obligations under this Agreement and nothing in this Agreement shall be construed to grant the Company any such authority.

(c) The Company shall have no responsibility to the Chairman to withhold, and does not intend to withhold, any amounts from payments made to the Chairman on account of withholding taxes or other employment taxes.

6. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part of this Agreement.

7. Dispute Resolution.

(a) If any dispute shall arise concerning the interpretation or enforcement of this Agreement, and the provisions set forth herein, the parties agree to mutually attempt to resolve such dispute through direct discussion and negotiation and without formal proceedings.

(b) If, notwithstanding the provisions of this Section 7, in the opinion of either party, a resolution of any pending dispute is not possible without formal proceedings, the parties hereby agree to submit any such dispute to a panel of three arbitrators appointed in accordance with the rules, regulations and procedures of the American Arbitration Association ("AAA"). The award and determination of the arbitrators shall be final and binding, and may be entered and enforced in any jurisdiction in which the party against whom such judgment is to be entered may be found.

(c) The situs of arbitration required or requested hereunder shall be Albuquerque, New Mexico.

8. Indemnity. If the Chairman is made a party, or is threatened to be made a party, to any action, suit or proceedings, whether criminal, civil, administrative, investigative or otherwise (a "Proceeding") by reason or arising out of the fact that he is or was a director, officer, employee, consultant, agent or fiduciary of the Company or is or was serving at the request of the Company as a director, officer, member, employee, consultant, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise or in connection with any services performed by the Chairman hereunder, the Company shall indemnify and hold harmless the Chairman to the fullest extent permitted by law, from and against all costs, expenses, liability, losses (including, without limitation, attorney's fees and expenses, judgments, fines, excise taxes or penalties and amounts paid in settlement) incurred or suffered by the Chairman in connection therewith (including, without limitation, investigating, preparing for and defending any such Proceeding), and such indemnification shall continue as to the Chairman even if he has ceased to be a director, officer, member, employee, consultant or agent of the Company or other enterprise or is no longer providing services to the Company hereunder, and shall inure to the benefit of the Chairman's heirs, executors, administrators and successors. The Company shall, to the fullest extent permitted by law, advance to the Chairman all costs and expenses incurred by him in connection with a Proceeding within 10 days after receipt by the Company of a written request for such advance. In addition, the Company shall continue and maintain director's and officers' liability insurance, in an amount and on terms reasonably acceptable to the Chairman, covering the Chairman. Notwithstanding any other provision of this Agreement to the contrary, any termination of the Chairman's services or of this Agreement shall have no effect on the continuation of his rights under this Section 8.

9. Notices. Any notices, consents, demands, requests, approvals or other communications to be given by either party to the other shall be deemed to have been duly given if given in writing and personally delivered or sent by registered or certified mail, postage prepaid with return receipt requested, as follows:

If to the Company:

Furr's Supermarkets, Inc.
c/o Windward Capital Partners
Americas Tower
1177 Avenue of the Americas
New York, New York 10036
attn: Tom Sikorski

If to the Chairman:

As Set Forth Beneath the Chairman's Signature hereto.

The above addresses may be changed only by giving notice of such change to the party hereto that will be affected by such change. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of three days after mailing.

10. Entire Agreement. This Agreement supersedes any and all other agreements, either oral or written, between the parties hereto with respect to the subject matter hereof and contains all of the covenants and agreements between the parties with respect thereto.

11. Modification and Waiver. No change or modification of this Agreement shall be valid or binding upon the parties hereto unless such change or modification shall be in writing and signed by all the parties hereto. No waiver of any term or condition of this Agreement shall be binding unless such waiver is in writing signed by the party against which or whom such waiver is sought to be enforced. The waiver by the Company of a breach of any provision of this Agreement by the Chairman shall not operate or be construed as a waiver of any subsequent breach by the Chairman.

12. Governing Law. This Agreement, and the rights and obligations of the parties hereto, shall be governed by and construed in accordance with the laws of the State of New Mexico.

13. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original but all of which shall constitute one and the same document.

14. Assignment. The Company shall have the right to assign this Agreement to its successors or assigns. The terms "successors" and "assigns" shall include any person, corporation, partnership or other entity that buy all or substantially all of the Company's assets or all of its stock, or with which the Company merges or consolidates. The rights, duties and benefits to the Chairman hereunder are personal to him, and no such right to benefit may be assigned by him, provided however, that the Chairman shall have the right to assign this Agreement, subject to the express consent of the Company, which consent shall not be reasonably withheld and so long as such assignment contemplates the continued services of Chairman.

15. Binding Effect. This Agreement shall be binding upon the parties hereto, together with their respective executors, administrators, successors, personal representatives, heirs and permitted assigns.

16. Prepetition Senior Lenders. The Prepetition Senior Lenders (as identified on the signature pages hereto) have a senior, perfected security interest in and lien against substantially all of the assets of the Company and any proceeds of the disposition of such asset, which security interest and lien is junior only to the liens under the DIP Facility (the "Prepetition Lien"). In consideration for Chairman's services hereunder, the Prepetition Senior Lenders agree to the following:

(a) In the event Chairman becomes entitled to any Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses hereunder, such amounts shall be paid to Chairman free and clear of the Prepetition Lien (but not the lien of the DIP Facility) and any other lien, claim or interest that the Prepetition Senior Lenders may have in the Debtor's assets or the proceeds thereof.

(b) To the extent the Company does not have sufficient cash or availability under the DIP Facility to pay any portion of the Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses due hereunder when such Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses becomes due and payable, the Prepetition Senior Lenders shall subordinate any and all of their recovery under the Prepetition Lien to the payment of such Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses. Chairman agrees that payment of the Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses is junior to liens and claims under the DIP Facility. Such fees and expenses shall be paid in full in cash to Chairman before the Prepetition Lenders receive any proceeds or payment (principal on interest) with respect to the obligations secured by the Prepetition Senior Lien.

(c) Chairman's obligations under this Agreement are expressly contingent on the Senior Lenders' agreement to the terms of this paragraph and each subparagraph hereof

**IN WITNESS WHEREOF, the parties hereto have executed
this Agreement as of the date first above written.**

FURR'S SUPERMARKETS, INC.

By: _____

George Golleher

Address:

Prepetition Senior Lenders

AGREEMENT

This Agreement (the "Agreement"), dated as of the ___ day of March, 2001 (the "Execution Date"), is by and between Furr's Supermarkets, Inc., a Delaware corporation (the "Company"), and Gregory Mays (the "Vice Chairman").

WHEREAS, the Company considers it essential to the best interests of the Company that it have the Vice Chairman's advice available to it on an advisory basis, and the Vice Chairman desires to provide such advice to the Company;

NOW, THEREFORE, in consideration of the mutual promises expressed

which are hereby acknowledged, the Company and the Vice Chairman hereby agree as follows:

1. Service. The Vice Chairman shall provide services to the Company

3. Term and Termination.

(a) The term of the service of the Vice Chairman (the "Service Term") under this Agreement shall begin on March 26, 2001 and shall continue until the earliest to occur of the following:

- (i) a termination of the service of the Vice Chairman by the Board of Directors at any time for "just cause," which shall be defined as a termination for any of the following reasons, provided the Board of Directors provides the Vice Chairman with written notice of any such termination and the reasons therefor at least two weeks prior to its effectiveness: (A) the breach by the Vice Chairman of any of the material terms of, or failure to perform any material covenant contained in, this Agreement, which breach or failure continues uncured for a period of 30 days following written notice from the Company, (B) the commission by the Vice Chairman of an act of fraud, conversion, misappropriation (including the unauthorized use or disclosure of confidential or proprietary information of the Company) or embezzlement with respect to the Company, or (C) a conviction or guilty plea by the Vice Chairman with respect to any crime involving theft, conversion, misappropriation, embezzlement or felony involving moral turpitude;
- (ii) a termination of the service of the Vice Chairman by the Company for any reason other than as set forth in Section 3(a)(i) or (iii) (a "Termination Without Just Cause");
- (iii) the death of the Vice Chairman or the mental or physical inability of the Vice Chairman to perform his required duties;
- (iv) the voluntary resignation by the Vice Chairman; or
- (v) December 31, 2002, or, at the option of the Vice Chairman, upon any earlier payment of any Success Bonus payable hereunder.

Except as set forth in Section 3(a)(i) above, any termination of the Vice Chairman's service hereunder (other than a termination by reason of the Vice Chairman's death) shall be communicated in writing to the other party at least 60 days prior to its effectiveness.

(b) Upon any termination of service hereunder, the Vice Chairman shall be entitled to, and the Company shall be liable for and shall pay to the Vice Chairman promptly, the portion of the Service Fee (as such term is hereinafter defined) that was earned prior to the date of the termination of the Vice Chairman's service with the Company and, except as explicitly set forth herein, including, without limitation in Section 4(c) below, the Company shall not be liable for any other compensation or benefits that it would otherwise provide to the Vice Chairman or to which the Vice Chairman would otherwise be entitled.

(c) If the Vice Chairman's employment is terminated in a manner that constitutes a Termination Without Just Cause, and if a Success Event (as such term is defined in Section 4(c) below) occurs within twelve months after such termination, the Company shall pay the Success Bonus (as such term is defined in Section 4(c) below) to the Vice Chairman, less any other Success Bonus or Minimum Bonus previously paid to the Vice Chairman.

(d) If the Vice Chairman's employment is terminated in a manner that constitutes a Termination Without Just Cause, then, at the time of any such termination the Vice Chairman shall receive a Success Bonus which is the greater (y) of any such bonus earned as a result of a Success Event or (z) the Minimum Bonus described in Section 4(c)(ii)(E) below. In such event, the Success Bonus shall be paid on the first business day following the date of such termination.

4. Compensation.

(a) Service Fee. The Company shall pay to the Vice Chairman a service fee at the monthly rate of \$25,000 during the Service Term (the "Service Fee"), which amount shall be earned in equal installments each year on a monthly basis and shall be paid at the beginning of each month. The Service Fee may be increased from time to time as may be determined by the Board of Directors at its sole discretion.

(b) Signing Bonus. The Company shall pay to the Vice Chairman, by wire transfer, a signing bonus of \$125,000 (the "Signing Bonus") no later than the end of the first business day following the Effective Date.

(c) Success Bonus.

(i) The Company shall pay to the Vice Chairman one-thirds (1/3) of a success bonus in the amount set forth in Section 4(c)(ii) (the "Success Bonus") at the closing of any Success Event (with the other two-thirds (2/3) going to George Golleher) and as a condition to such closing. For purposes hereof, a "Success Event" shall be deemed to have occurred if (i) a plan of reorganization or liquidation is confirmed in the Company's Chapter 11 case or (ii) there is consummated one or more sales or dispositions by the Company of a portion of the Company's assets, which, in either case, in the aggregate (giving effect to all such sales occurring subsequent to the Effective Date) represents a sale, disposition or reorganization of assets of the Company that were responsible for no less than 60% of the trailing 12-month EBITDA of the Company for the period ended March 24, 2001, as specified on Annex A hereto.

(ii) The Success Bonus shall be calculated as follows:

(A) If the aggregate gross asset value of the Company immediately following the confirmation of the plan of reorganization or liquidation, or the consideration received (which shall include the amount of any liabilities assumed by the buyer) in connection with a sale or disposition (each as described in Section 4(c)(i)), as the case may be, excluding the value of any assets or liabilities associated with capital leases (such aggregate value, the "Aggregate Value") is more than \$50 million and less than or equal to \$100 million, then the Success Bonus shall be \$1.5 million.

(B) If the Aggregate Value is more than \$100 million and less than or equal to \$150 million, then the Success Bonus shall equal the sum of (1) \$1.5 million and (2)

the lesser of (a) 2.5% multiplied by the amount by which the Aggregate Value exceeds \$100 million and (b) \$1.25 million.

- (C) If the Aggregate Value is more than \$150 million and less than or equal to \$200 million, then the Success Bonus shall equal the sum of (1) the amount calculated pursuant to Section 4(c)(ii)(B) hereof and (2) the lesser of (a) 1.5% multiplied by the amount by which the Aggregate Value exceeds \$150 million and (b) \$1.5 million.
- (D) If the Aggregate Value is more than \$200 million, then the Success Bonus shall equal the sum of (1) the amount calculated pursuant to Section 4(c)(ii)(C) hereof and (2) 1.25% multiplied by the amount by which the Aggregate Value exceeds \$200 million.
- (E) Notwithstanding the prior provisions of this Section 4(c)(ii), if a Success Event does not occur on or prior to the date that is the later of (y) December 31, 2001 and (z) 30 days after the expiration of the Debtor's debtor-in-possession financing facility (the "DIP Facility"), then the Success Bonus shall be \$750,000 (the "Minimum Bonus"), but paid no later than March 31, 2002, if on or after such date the Vice Chairman voluntarily terminates this Agreement. Such Minimum Bonus shall be paid on the first business day following such date of termination.

(iii) In the event that more than one Success Events occur for which Vice Chairman ~~would be entitled to a Success Fee~~, Vice Chairman shall receive an amount equal to (y) any Success Bonus that he would be entitled to hereunder as a result of the aggregate amount of the Success Events, less (z) any Success Bonus amounts previously paid to Vice Chairman hereunder.

(d) Expenses. The Company shall reimburse the Vice Chairman for all reasonable costs and expenses incurred by the Vice Chairman in connection with performing services hereunder, including travel, lodging and other expenses

incurred in commuting from his principal residence to the Company's principal executive offices ("Reimbursable Expenses").

5. Non-Employee Status.

(a) Nothing herein contained shall be construed to constitute the parties hereto as partners or as joint venturers or as employer and employee. The Vice Chairman shall not present himself as an employee of the Company.

(b) The Company shall have no responsibility to the Vice Chairman to withhold, and does not intend to withhold, any amounts from payments made to the Vice Chairman on account of withholding taxes or other employment taxes.

6. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part of this Agreement.

7. Dispute Resolution.

(a) If any dispute shall arise concerning the interpretation or enforcement of this Agreement, and the provisions set forth herein, the parties agree to mutually attempt to resolve such dispute through direct discussion and negotiation and without formal proceedings.

(b) If, notwithstanding the provisions of this Section 7, in the opinion of either party, a resolution of any pending dispute is not possible without formal proceedings, the parties hereby agree to submit any such dispute to a panel of three arbitrators appointed in accordance with the rules, regulations and procedures of the American Arbitration Association ("AAA"). The award and determination of the arbitrators shall be final and binding, and may be entered and enforced in any jurisdiction in which the party against whom such judgment is to be entered may be found.

(c) The situs of arbitration required or requested hereunder shall be Albuquerque, New Mexico.

8. **Indemnity.** If the Vice Chairman is made a party, or is threatened to be made a party, to any action, suit or proceedings, whether criminal, civil, administrative, investigative or otherwise (a "Proceeding") by reason or arising out of the fact that he is or was a director, officer, employee, consultant, agent or fiduciary of the Company or is or was serving at the request of the Company as a director, officer, member, employee, consultant, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise or in connection with any services performed by the Vice Chairman hereunder, the Company shall indemnify and hold harmless the Vice Chairman to the fullest extent permitted by law, from and against all costs, expenses, liability, losses (including, without limitation, attorney's fees and expenses, judgements, fines, excise taxes or penalties and amounts paid in settlement) incurred or suffered by the Vice Chairman in connection therewith (including, without limitation, investigating, preparing for and defending any such Proceeding), and such indemnification shall continue as to the Vice Chairman even if he has ceased to be a director, officer, member, employee, consultant or agent of the Company or other enterprise or is no longer providing services to the Company hereunder, and shall inure to the benefit of the Vice Chairman's heirs, executors, administrators and successors. The Company shall, to the fullest extent permitted by law, advance to the Vice Chairman all costs and expenses incurred by him in connection with a Proceeding within 10 days after receipt by the Company of a written request for such advance. In addition, the Company shall continue and maintain director's and officers' liability insurance, in an amount and on terms reasonably acceptable to the Vice Chairman, covering the Vice Chairman. Notwithstanding any other provision of this Agreement to the contrary, any termination of the Vice Chairman's services or of this Agreement shall have no effect on the continuation of his rights under this Section 8.

9. Notices. Any notices, consents, demands, requests, approvals or other communications to be given by either party to the other shall be deemed to have been duly given if given in writing and personally delivered or sent by registered or certified mail, postage prepaid with return receipt requested, as follows:

If to the Company:

Furr's Supermarkets, Inc.
c/o Windward Capital Partners
Americas Tower
1177 Avenue of the Americas
New York, New York 10036
attn: Tom Sikorski

If to the Vice Chairman:

As Set Forth Beneath the Vice Chairman's Signature hereto.

The above addresses may be changed only by giving notice of such change to the party hereto that will be affected by such change. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of three days after mailing.

10. Entire Agreement. This Agreement supersedes any and all other agreements, either oral or written, between the parties hereto with respect to the subject matter hereof and contains all of the covenants and agreements between the parties with respect thereto.

11. Modification and Waiver. No change or modification of this Agreement shall be valid or binding upon the parties hereto unless such change or modification shall be in writing and signed by all the parties hereto. No waiver of any term or condition of this Agreement shall be binding unless such waiver is in writing signed by the party against which or whom such waiver is sought to be enforced. The waiver by the Company of a breach of any provision of this Agreement by the Vice Chairman shall not operate or be construed as a waiver of any subsequent breach by the Vice Chairman.

12. Governing Law. This Agreement, and the rights and obligations of the parties hereto, shall be governed by and construed in accordance with the laws of the State of New Mexico.

13. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original but all of which shall constitute one and the same document.

14. Assignment. The Company shall have the right to assign this Agreement to its successors or assigns. The terms "successors" and "assigns" shall include any person, corporation, partnership or other entity that buy all or substantially all of the Company's assets or all of its stock, or with which the Company merges or consolidates. The rights, duties and benefits to the Vice Chairman hereunder are personal to him, and no such right to benefit may be assigned by him, provided however, that the Vice Chairman shall have the right to assign this Agreement, subject to the express consent of the Company, which consent shall not be reasonably withheld and so long as such assignment contemplates the continued services of Vice Chairman.

15. Binding Effect. This Agreement shall be binding upon the parties hereto, together with their respective executors, administrators, successors, personal representatives, heirs and permitted assigns.

16. Prepetition Senior Lenders. The Prepetition Senior Lenders (as identified on the signature pages hereto) have a senior, perfected security interest in and lien against substantially all of the assets of the Company and any proceeds of the disposition of such asset, which security interest and lien is junior only to the liens under the DIP Facility (the "Prepetition Lien"). In consideration for Vice Chairman's services hereunder, the Prepetition Senior Lenders agree to the following:

(a) In the event Vice Chairman becomes entitled to any Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses hereunder, such amounts shall be paid to Vice Chairman free and clear of the Prepetition Lien (but not the lien of the DIP Facility) and any other lien, claim or interest that the Prepetition Senior Lenders may have in the Debtor's assets or the proceeds thereof.

(b) To the extent the Company does not have sufficient cash or availability under the DIP Facility to pay any portion of the Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses due hereunder when such Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses becomes due and payable, the Prepetition Senior Lenders shall subordinate any and all of their recovery under the Prepetition Lien to the payment of such Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses. Vice Chairman agrees that payment of the Signing Bonus, Service Fee, Minimum Bonus or Reimbursable Expenses is junior to liens and claims under the DIP Facility. Such fees and expenses shall be paid in full in cash to Vice Chairman before the Prepetition Lenders receive any proceeds or payment (principal on interest) with respect to the obligations secured by the Prepetition Senior Lien.

(c) Vice Chairman's obligations under this Agreement are expressly contingent on the Senior Lenders' agreement to the terms of this paragraph and each subparagraph hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

FURR'S SUPERMARKETS, INC.

By: _____

Gregory Mays

Address:

Prepetition Senior Lenders

