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U.S. BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

In re
FURR'S SUPERMARKETS, INC.,

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

Debtor.

MOTION FOR ORDER AUTHORIZING DEBTOR
TO (a) IMPLEMENT EMPLOYEE RETENTION,
SEVERANCE, AND SUCCESS BONUS PLANS;
(b) ENTER INTO TRANSITION AGREEMENT WITH
THOMAS DAILEN; AND (c) ENTER INTO CONSULTING
AGREEMENTS WITH GEORGE GOLLEHER AND GREG MAYS

Furr's Supermarkets, Inc., debtor and debtor-in-possession (the "Debtor"), hereby moves for an order (a) authorizing it to implement the employee retention, severance, and success bonus plans described below; (b) authorizing it to enter into a transition agreement (the "Transition Agreement") with Thomas Dahlen, who has announced his intention to resign as the Debtor's President and Chief Executive Officer and take a position with the Fleming Companies, Inc.; and (c) authorizing it to enter into consulting agreements with George Golleher, who will serve as the Debtor's Non-Executive Chairman (the "Golleher Agreement"), and Greg Mays, who will serve as Non-Executive Vice-Chairman (the "Mays Agree-

ment" and, with the Golleher Agreement, the "Consulting Agreements"). In support of this Motion, the Debtor represents as follows:

1. The Debtor requests authority under Bankruptcy Code § 363(b)(1) to implement Retention, Severance, and Senior Management Success Bonus Plans for its employees (collectively, the "Employee Plans"), and requests that amounts due under the Employee Plans, as well as the other described Agreements herein, be granted administrative expense status under Bankruptcy Code §§ 503(b) and 507(a)(1). The Employee Plans are intended to minimize the risk of severe employee attrition that may occur during a large Chapter 11 case. The Debtor's Board of Directors has approved the Employee Plans. The plan documents are being finalized and the Debtor will file them with the court when completed.

2. The Retention Plan. Under the Retention Plan, certain employees will be entitled to a Retention Bonus for remaining in the Debtor's employ during the Chapter 11 case. The Retention Bonus will be payable in two installments – an immediate payment of 50% of the Retention Bonus payable to each Employee upon approval by the Court of the plan, with the remainder payable at the earlier of the Debtor's emergence from Chapter 11 or December 31, 2001. To be eligible, an employee must be employed by the Debtor at the time of the payment. The projected maximum cost of the Retention Plan is approximately \$1.89 million. The Debtor expects that the amount actually paid will likely be lower for several reasons, including employee attrition and terminations for cause.

3. If vacancies arise in the positions for which Retention Bonuses have been authorized, the Debtor seeks authorization to pay, in its discretion, comparable Retention Bonuses to replacement employees, on the same terms as the proposed Retention Bonuses to current employees.

4. Severance Plan. Under the Severance Plan, each of the Debtor's senior managers and other salaried employees would be entitled to severance payments if their employment is involuntarily terminated without cause during or at the conclusion of this Chapter 11 case. The maximum total payments under the Severance Plan would aggregate approximately \$6.8 million. The Debtor's President and Senior Vice-Presidents would also receive continued medical and life insurance benefits during their 18-month severance period.

5. Success Bonus Plan. The Debtor also requests authority to implement a Senior Management Success Bonus Plan for senior executives. Success Bonuses would be payable only if a "Transaction" occurs, in an amount based on "Transaction Value," – which is equal to either (i) the entire consideration resulting from a sale of the business, or (ii) the aggregate amount distributed under a Chapter 11 plan to the Debtor's stakeholders in the form of cash, debt, or equity. The projected cost of the Success Bonus Plan is approximately \$1.6 million to \$6.0 million, depending on the size of the Transaction. Senior executives will be entitled to the greater of the Success Bonus or their severance entitlement, not both.

6. Summary of Benefits Under the Plans. The table attached hereto as Exhibit A summarizes the benefits payable to all levels of Employees under the Retention and Severance Plans. It also includes severance payments due to unionized employees under their collective bargaining agreements and the proposed compensation under the Consulting Agreements (described below).

7. The Need for the Employee Plans. The Debtor's ability to sustain current operations and preserve its estate will depend in large part on the continued retention, active participation, and loyalty and dedication of its employees. The Debtor and its advisors have devised the Employee Plans, taking into account similar plans implemented by other large Chapter 11 debtors, in recognition of the need to maintain employee stability, morale and motivation and to minimize the risk of large-scale attrition.

8. The Debtor believes that many employees – understandably motivated by a concern over long-term job security – may be actively pursuing other employment. The Debtor hopes that the incentives under the Retention and Severance Plans will encourage employees to remain with the Debtor through the Chapter 11 case. The Retention Bonuses are particularly important, because, despite strong performance by the Debtor and its employees in the first three quarters of 2000, the Debtor's lack of liquidity in the fourth quarter prevented it from paying employees their anticipated 2000 incentive bonuses, and because it will provide an immediate

incentive for employees to remain. The Severance Payments will help assure employees that regardless of the case's outcome, they will not be terminated abruptly without compensation, and thereby reduce their incentive to seek alternative employment now, before the Debtor can formulate a plan.

9. The proposed Retention Bonuses are considerably less than those in other Chapter 11 cases. For example, in the Chapter 11 cases of Bruno's Inc, Bradlees, Long John Silver's, and Service Merchandise, employees entitled to retention bonuses received retention bonuses of two to almost five times higher than those proposed in the Debtor's Retention Plan. Benefits under the retention plan of Home Place Stores was one-and-one-half to two times higher than those proposed by the Debtor. Vista Eyecare, with \$229 million in assets, distributed retention bonuses that slightly exceeded the Debtor's proposal at upper management levels and were two to three times higher for other levels of employees.

10. The Debtors' Severance Plan is also comparable to severance plans in other large Chapter 11 cases. Executives' benefits under severance plans approved in the Hechinger and Edison Brothers Chapter 11 cases were similar to the Debtor's. Severance Plan benefits in the Harnischfeger Industries, Long John Silver's, and the first Montgomery Ward Chapter 11 cases exceed those proposed by the Debtor. For district level employees and associates, benefits under the Edison Brothers, Bruno's Inc., and Long John Silver's severance plans were similar, and

those under Montgomery Ward's and Caldor's plans exceeded those under the Debtor's Severance Plan.

11. The Success Bonus Plan is based on the industry practice of awarding emergence bonuses to a debtor's key management, whose knowledge, experience and skills are critical to business operations and its reorganization efforts. Without the Success Bonus Plan, the Debtor believes that many of its key executives may pursue alternative employment.

12. The departure of any senior executive would not only deprive the Debtor of his or her knowledge and experience, it would also impose a significant burden of effort and expense required to find a qualified replacement. The Debtor would likely have to pay substantial fees to an executive search firm (typically 25-35% of total first year compensation, including bonuses), as well as a signing bonus, relocation reimbursement, an above-market salary, performance bonus, and other compensation, in large part prompted by the same uncertainty that necessitates adoption of the Retention and Severance Plans.

The Transition Agreement

13. The Debtor also requests authority to enter into the Transition Agreement with Thomas Dahlen, the form of which is attached hereto as Exhibit B.

The Transition Agreement will minimize the potentially severe impact on the Debtor and its Chapter 11 case from Dahlen's resignation.

14. Dahlen advised the Board of his decision to resign in February 2001. After subsequent discussions and negotiations, Dahlen and the Debtor have agreed to the terms of the Transition Agreement. The Transition Agreement assures the Debtor of Dahlen's continued service as Chief Executive Officer through April 6, 2001 (the "Initial Period"), and his availability to the Debtor on an "as-needed" basis for an additional six weeks thereafter (the "Secondary Period"). In addition, Dahlen has agreed that neither he nor his new employer will seek to recruit additional employees from the Debtor.

15. The Transition Agreement's significant terms include:

(a) During the Initial Period, Dahlen will continue to perform his duties and responsibilities as CEO and receive compensation and other benefits under his current employment agreement.

(b) During the Secondary Period (the six weeks after April 6, 2001), Dahlen will be available on an as-needed basis and agrees to cooperate with the Debtor in the transition process. The Debtor will reimburse Dahlen for his reasonable expenses under the Debtor's normal expense-reimbursement policy. At the end of the Secondary Period, Dahlen will receive \$30,000.

(c) In consideration for Dahlen's willingness to insure a smooth transition and his continuing contribution to and leadership of the Debtor, the Debtor has agreed to pay a \$100,000 conditional retention bonus. The retention bonus is due 90 days after the end of the Initial Period, on the conditions that Dahlen has cooperated with the Debtor in the transition process and that neither Dahlen or Fleming has solicited for employment any management personnel of the Debtor.

(d) The Debtor and Dahlen will execute a release. Among other things, the Debtor will release Dahlen from any claim that his new employment violates the non-compete clause in his employment agreement.

16. The Transition Agreement is the product of extensive arms-length negotiations between Dahlen and the Debtor. Dahlen has continued to serve as the Debtor's President and CEO since February in part in reliance on the Debtor's agreements in the Transition Agreement. The Debtor believes that the Transition Agreement's terms are fair to both parties and necessary to insure Dahlen's continued services to the Debtor during the transition.

17. Although Dahlen will continue as the Debtor's CEO through April 6, 2001, Steven Mortensen, the Debtor's current Chief Financial Officer and Senior Vice-President, will assume the position and duties of President and Chief Operating Officer immediately upon the filing of this Motion and public announcement by the Debtor.

The Consulting Agreements

18. Finally, the Debtor requests authority under 11 U.S.C. § 363(b) to enter into the Consulting Agreements with George Golleher and Greg Mays, copies of which are attached hereto as Exhibits C and D, respectively. The Consulting Agreements will provide the Debtor with qualified leadership in a timely

manner after Dahlen's departure. Golleher will become the Debtor's Non-Executive Chairman, Mays the Non-Executive Vice-Chairman.

19. The Debtor has engaged in separate, extensive arms length negotiations with both Golleher and Mays. Golleher is a valued member of the Company's Board of Directors and many members of the Debtor's management team have had extensive experience working with both Golleher and Mays over the last five to ten years. Together, they offer the Debtor the opportunity to retain institutional knowledge and management expertise within its senior management team, without the added cost of an expensive and time consuming executive search, which would have left the Debtor without senior leadership during the entire period of the search. The Golleher and Mays Agreements are essentially the same except for their respective positions and responsibilities.

20. Golleher and Mays will not receive any benefits under the Employee Plans. All compensation due them will be paid solely under their individual Consulting Agreements.

21. The significant terms of the Consulting Agreements are:

(a) Mays' and Golleher's terms of service will begin on March 26, 2001 and continue until termination with or without cause, resignation, or December 31, 2002. If there is a termination without cause, and a Success Event (as defined in the Consulting Agreements) occurs within twelve months after termination, the Debtor must pay the success bonuses to Mays and Golleher, as provided in the Consulting Agreements.

(b) Mays and Golleher will each receive the following compensation:

(i) A Service Fee of \$25,000 per month paid weekly in accordance with the Debtor's payroll procedures.

(ii) A Signing Bonus of \$125,000.

(iii) A Success Bonus, the amount of which will be determined by the occurrence and size of a "Success Event" (as defined in the Consulting Agreements). Golleher will receive 2/3 of the Success Bonus and Mays the remaining 1/3, except that the minimum aggregate Success Bonus will be \$750,000. Golleher and Mays may receive the minimum Success Bonus if they resign on or after the later of December 31, 2001 and 30 days after the expiration of the Debtor's current debtor-in-possession financing agreement (or any extension thereof), if no Success Event has occurred by that date.

(iv) Reimbursement for all reasonable costs and expenses, including commuting from their principal residences.

(c) Mays' and Golleher's relationship with the Debtor will be that of independent contractors.

(d) The Debtor will indemnify and hold Mays and Golleher harmless to the full extent permitted by law or authorized by the Debtor, for actions against Mays or Golleher arising out of their relationship with the Debtor.

22. As described in the Consulting Agreements, the Debtor's Senior Lenders (as defined therein) have agreed to the payment of fees, expenses, and the Minimum Success Bonus to Golleher and Mays from, if necessary, the proceeds of their collateral.

APPLICABLE AUTHORITY

23. Bankruptcy Code § 363(b)(1) permits a debtor to use property of the estate "other than in the ordinary course of business," after notice and a hearing.¹

24. Courts have held that a proposed non-ordinary-course use of property should be approved, under § 363(b)(1), if the Debtor demonstrates a sound business justification.² Once the Debtor articulates a valid business justification, "[t]he business judgment rule 'is a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was taken in the best interests of the company.'"³ The business judgment rule is applicable in Chapter 11 cases and shields a debtor's management from judicial second-guessing.⁴

¹ 11 U.S.C. § 363(b)(1).

² *See Comm. of Equity Security Holders v. Lionel Corp.*, 722 F.2d 1063, 1071 (2d Cir. 1983) (holding that there must be some articulate business justification for using, selling, or leasing property out of the ordinary course of the debtor's business before a judge may order that disposition); *In re Delaware & Hudson Ry. Co.*, 124 B.R. 169, 179 (D. Del. 1991) (affirming authorization of a sale of substantially all the estate's assets under the debtor's valid business judgment).

³ *Official Comm. of Subordinated Bondholders v. Integrated Resources, Inc.*, 147 B.R. 650, 656 (S.D.N.Y. 1992) (quoting *Smith v. Van Gorkom*, 488 A.2d 858, 872 (Del. 1985)).

⁴ *See Integrated Resources*, 147 B.R. at 656; *Comm. of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp.*, 60 B.R. 612, 615-16

25. Recognizing the importance to Chapter 11 debtors of retaining valued employees to ensure uninterrupted business functions in Chapter 11, the bankruptcy court in the *America West Airlines* case held that the implementation of a success bonus plan was reasonable, fair and a valid exercise of the debtor's business judgment.⁵ Similarly, in the *Interco, Inc.* and *Dai-Ichi Kangyo Bank* cases, the bankruptcy courts concluded that implementation of a critical employee retention and severance plans were a proper exercise of the debtors' business judgment.⁶ Numerous other courts, including those discussed above, have approved similar plans.⁷

26. The Debtor submits that the costs of the Employee Plans are justified by the long-term benefits that it will realize by addressing the current problems of employee morale and attrition. In addition, eliminating the need to pay search firms, temporary service providers, and other expenses associated with

(Bankr. S.D.N.Y. 1986) ("[T]he Code favors the continued operation of a business by a debtor and a presumption of reasonableness attaches to a Debtor's management decisions.").

⁵ *In re America West Airlines*, 171 B.R. 674, 678 (Bankr. D. Ariz. 1994).

⁶ *In re Interco, Inc.*, 128 B.R. 229, 234 (Bankr. E.D. Mo. 1991); *Dai-Ichi Kangyo Bank, Ltd. v. Montgomery Ward Holding Corp.*, 242 B.R. 147 (Bankr. D. Del. 1999).

⁷ *See, e.g., In re Owens Corning*, Case No. 00-03837 (MFW) (Bankr. D. Del. Jan. 18, 2001); *In re Long John Silver's Restaurants, Inc.*, Case No. 98-01164 (PJW) (Bankr. D. Del. Aug. 18, 1998).

dissatisfaction in the work force and excessive turnover may compensate for a significant portion of these costs.

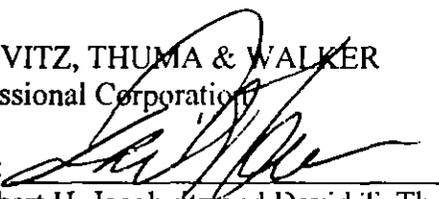
27. The Court should also approve the Transition and Consulting Agreements as representing proper exercise of the Debtor's business judgment. The Transition Agreement will assure that the Debtor retains the services of Thomas Dahlen until his successors have fully assumed their responsibilities. The Consulting Agreements, in turn, will assure the Debtor of qualified replacements for Dahlen. The Transition Agreement and the Consulting Agreements will insure a smooth succession of leadership, with minimal effect on the Debtor's business or its efforts to reorganize.

WHEREFORE, the Debtor respectfully requests that this Court enter an Order authorizing the Debtor (i) to implement the Employee Plans, (ii) to enter

into the Transition Agreement; and (iii) to enter into the Consulting Agreement; and granting the Debtor such other and further relief as is just and proper.

Dated: Albuquerque, New Mexico
March __, 2001

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EXHIBIT A

Summary of Payments

Position	Aggregate Retention			Aggregate Severance			
	No.	Proposed Bonus	% of Salary (avg.)	No.	Salary	Estimated severance	% of Salary (avg.)
Chairman, Vice Chairman*	2	250,000	42%	2	600,000	750,000	125%
President & COO	1	100,000	26%	1	375,000	562,000	150%
Senior VPs, CFO	4	250,125	32%	4	770,000	1,155,000	150%
VPs	4	122,769	24%	4	525,000	525,000	100%
District Mgrs and Dirs (Store)	13	124,962	9- 15%	13	1,098,960	549,480	50%
Dirs (Corp.)	5	29,556	9%	5	379,405	189,703	50%
Store Dirs	75	633,594	15%	75	4,162,300	1,387,433	33%
Asst. District Mgrs, Sales Mgrs, Category Mgrs	30	101,304	8%	30	1,651,446	550,482	33%
Corp. Department Mgrs	20	58,099	5%	20	1,090,048	363,349	33%
Buyers	11	17,907	4%	11	477,513	159,171	33%
Coordinator	16	17,429	4%	16	576,100	192,033	33%
Store Management Associates	162	441,781	8-9%	288	12,206,248	837,992	7%
Associates	0	0	N/A	89	3,966,513	251,174	6%
Hourly Non-Union Associates	0	0	N/A	61	N/A	61,729	N/A
Store Union Associates **	0	0	N/A	2,913	60,496,924	13,700,254	= Salary x 2% x # yrs employed

*Payable under the Consulting Agreements.

** Payable under collective bargaining agreements, not the Severance Plan.

March 26, 2001

Thomas Dahlen
c/o Furr's Supermarkets, Inc.
411 The 25 Way N.E.
Suite 100
Albuquerque, New Mexico 87109

Re: Transition Agreement

Dear Tom:

You have indicated your desire to resign from your position with Furr's Supermarkets, Inc., a Delaware corporation (the "Company"), but have indicated your willingness to continue to perform your duties and responsibilities on a full-time basis while the Company coordinates the transition of your duties and responsibilities to certain existing members of management and to George Golleher and Greg Mays. At the request of the Board of Directors of the Company (the "Board"), you have also indicated your willingness to provide services on an as-needed basis for a period of time after relinquishing your full-time responsibilities to help ensure a smooth transition. At the same time, the Board wishes to recognize your outstanding leadership of the Company and to ensure your continued contribution to the Company. Accordingly, this Transition Agreement (the "Agreement") will evidence our agreement with respect to your continued employment.

1. Transition Period.

(a) The Company shall continue to employ you, and you shall continue to serve the Company, (i) on a full-time basis for a period commencing as of March 12, 2001 (the "Effective Date") and ending on April 6, 2001 (the "Initial Period") and (ii) on an as-needed basis for a period commencing at the end of the Initial Period and ending on the date which is six weeks following the end of the Initial Period (the "Secondary Period") (such total

EXHIBIT
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ten-week period, the "Transition Period"). At the end of the Initial Period, you shall resign as an employee and director of the Company. During the Initial Period, you shall receive compensation and benefits to which you are entitled pursuant to the provisions of the Employment Agreement between you and the Company, dated as of February 9, 2000 and effective as of August 30, 1999 (the "Employment Agreement"). At the end of the Secondary Period, you shall receive \$30,000.

(b) Without limiting your duties and responsibilities, during the Transition Period you shall reasonably cooperate with the Company with regard to management transition and succession. During the Secondary Period, you shall be available at such times as the Company reasonably may request in order to assist in the orientation and performance of your successor. The Company shall reimburse you, in accordance with standard Company policy, for all expenses incurred by you in connection with performing such services, upon your submission of appropriate documentation.

(c) In consideration for the Executive's compliance with the terms of this Agreement, the Company agrees that (i) it shall pay to the Executive a retention bonus of \$100,000 ninety (90) days after the end of the Initial Period so long as (y) Executive has cooperated with the Company in the transition process and (z) neither Executive nor Fleming Companies, Inc. have solicited for employment any management personnel of the Company and (ii) it shall not pursue any claim that it may or may not have under Section 6 of the Employment Agreement with respect to the Executive's entering into the employment of Fleming Companies, Inc.

2. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New Mexico without giving effect to the principles of conflict of laws of such State.

3. Entire Agreement; Other Agreements. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect to such matters; *provided, however,* that this Agreement shall not supersede the Employment Agreement,

which, except as modified by the terms of the Agreement, shall remain in full force and effect.

4. Modification. 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 both parties hereto.

5. 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.

6. 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 Executive hereunder are personal to him, and no such right to benefit may be assigned by him.

* * *

Please sign below in the space provided to acknowledge your acceptance of the terms of this Agreement.

Sincerely,

FURR'S SUPERMARKETS, INC.

By:
Its:

Acknowledged and Agreed to:

Thomas Dahlen

Date: _____

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.

EXHIBIT

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3. Term and Termination.

(1) 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:

- (1) 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;
- (2) 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");
- (3) the death of the Chairman or the mental or physical inability of the Chairman to perform his required duties;
- (4) the voluntary resignation by the Chairman; or
- (5) 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.

(2) 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.

(3) 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

(4) 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.

(1) 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.

(2) 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.

(3) 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 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.

(4) 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.

(1) 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.

(2) 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.

(3) 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, judgements, 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

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 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

herein and other good and valuable consideration, the receipt and sufficiency of 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 as its Non-Executive Vice 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 Vice Chairman shall provide services to the Company at such times, and to such an extent, as are mutually agreeable to the Vice 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 Vice Chairman authority consistent with the services he is asked to perform. The Company acknowledges and accepts that the Vice 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 Vice Chairman agrees to comply with all applicable reasonable policies, rules and regulations of the Company. During the Service Term, the Company shall cause the Vice Chairman to be reelected to the Board of Directors.

3. Term and Termination.

(1) 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:

- (1) 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;
- (2) 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");
- (3) the death of the Vice Chairman or the mental or physical inability of the Vice Chairman to perform his required duties;
- (4) the voluntary resignation by the Vice Chairman; or
- (5) 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.

(2) 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.

(3) 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.

(4) 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.

(1) 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.

(2) 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.

(3) 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) 3% 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) 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 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.

(4) 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. 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 Vice 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 Vice Chairman shall perform all services pursuant to this Agreement as an independent contractor. The Vice 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 Vice Chairman performs his obligations under this Agreement shall be solely within the Vice 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 Vice 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 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.

(1) 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.

(2) 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.

(3) 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
