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UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW MEXICO  
U.S. BANKRUPTCY COURT  
ALBUQUERQUE N.M.

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In re :

FURR'S SUPERMARKETS, INC., :

Debtor. :

**11-01-10770-01**

Chapter 11

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APPLICATION FOR ORDER AUTHORIZING  
RETENTION OF SKADDEN, ARPS, SLATE, MEAGHER  
& FLOM LLP AND AFFILIATED LAW PRACTICE  
ENTITIES AS GENERAL BANKRUPTCY COUNSEL

Furr's Supermarkets, Inc., debtor and debtor-in-possession in the above-captioned case (the "Debtor"), applies for an order under section 327 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 2014, approving the Debtor's employment of Skadden, Arps, Slate, Meagher & Flom LLP and its affiliated law practice entities (collectively, "Skadden, Arps") as its attorneys. In support of this Application, the Debtor represents as follows:

BACKGROUND

A. The Chapter 11 Filing

1. On February 8, 2001 (the "Petition Date"), the Debtor filed a voluntary petition in this Court for reorganization relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, "Bankruptcy Code").

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The Debtor continues to operate its business and manage its properties as debtor-in-possession under sections 1107(a) and 1108 of the Bankruptcy Code.

2. No creditors' committee has yet been appointed in this case by the United States Trustee.

3. The Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b)(2).

**B. The Debtor's Business**

4. The Debtor is a leading regional supermarket chain, with operations in New Mexico and Western Texas. The Debtor has a leading market share in this region. The Debtor employs some 4,900 individuals, and operates seventy-one stores.

5. The Debtor's stores offer a broad selection of grocery, meat, poultry, seafood, dairy, fresh fruits, vegetables and frozen food products. The stores also offer an extended line of non-food products, health and beauty care products, housewares, general merchandise and, in many instances, in-store pharmacies.

**Retention of Skadden, Arps**

6. In recent years, the Debtor has generated annual revenues of \$700-800 million. The Debtor is one of New Mexico's largest private employers, with almost 5,000 employees, the majority of which are unionized. There are more than

13,000 creditors in this case. The Debtor's secured creditors, including the lenders under the proposed debtor-in-possession credit facility, are among the nation's largest and most sophisticated financial institutions.

7. For these reasons, among others, the Debtor has concluded that it requires the services of a large, national, full-service law firm. The Debtor needs a firm with expertise and experience, not only in large and complicated chapter 11 cases, but also in transactional, labor, tax, and other legal issues likely to arise in this case.

8. Skadden, Arps has represented the Debtor over the past five years on major corporate issues. As a result, the Debtor believes that Skadden, Arps' knowledge of the background of the Debtor as well as this case and its extensive experience and knowledge in the field of corporate bankruptcy and creditor's rights and in the other fields of law that may be involved in this case, make it well qualified to represent the Debtor in this case.

9. Over the past week, on very short notice, Skadden, Arps attorneys from various offices have worked on a full-time basis to enable the Debtor to prepare for and file this case. Among other things, Skadden, Arps represented the Debtor in prolonged, intensive negotiations regarding the proposed postpetition credit facility, met with various of the Debtor's officers and employees, prepared numerous "first-day" motions, and met with the United States Trustee's office and the Clerk's

office to establish procedures for this case. Without Skadden, Arps' resources and efforts, the Debtor would not be prepared to file its case at this time.

10. The Debtor requests that the Court authorize the retention of Skadden, Arps under 11 U.S.C. § 327 to perform the following services, among others:

- (a) advise the Debtor with respect to its powers and duties as debtor and debtor-in-possession in the continued management and operation of its business and properties;
- (b) attend meetings and negotiate with representatives of creditors and other parties in interest and advise and consult on the conduct of the case, including the legal and administrative requirements of operating in chapter 11;
- (c) take all necessary action to protect and preserve the Debtor's estate, including the prosecution of actions on its behalf, the defense of actions commenced against the estate, negotiations concerning all litigation in which the Debtor may be involved and objections to claims filed against the estate;
- (d) advise the Debtor with respect to corporate, labor, tax, transactional, and other legal issues that arise in the case;
- (e) prepare on behalf of the Debtor all motions, applications, answers, orders, reports and papers necessary to the administration of the estate;
- (f) negotiate and prepare on the Debtor's behalf a plan of reorganization, disclosure statement and all related agreements and documents, and take any necessary action on behalf of the Debtor to obtain the plan's confirmation;
- (g) advise the Debtor in connection with any sale of assets;

- (h) appear before this Court, any appellate courts, and the United States Trustee, and protect the interests of the Debtor's estate before these courts and the United States Trustee; and
- (i) provide all other necessary legal services and advice to the Debtor in connection with the chapter 11 case.

11. Jay Goffman and Richard Levin will be the Skadden, Arps partners principally responsible for this engagement. A copy of their biographical profiles and the firm's resume is attached as Exhibit A to the Declaration of Richard Levin (the "Levin Declaration"), submitted herewith.

12. Upon information and belief, the members and associates of Skadden, Arps do not have any connection with the Debtor, its creditors or any other party in interest, or its respective attorneys, except as set forth in the Levin Declaration. However, Skadden, Arps is a large firm with an international practice and may represent or may have represented certain of the Debtor's creditors or equityholders in matters unrelated to this case. The Debtor is satisfied that Skadden, Arps represents no adverse interest to the Debtor which would preclude it from acting as the Debtor's counsel in matters upon which it is to be engaged and that Skadden, Arps' employment will be in the best interest of the estate.

Connection with Parties in Interest on Unrelated Matters

13. The Levin Declaration contains information, to the extent available on the Petition Date, about Skadden, Arps' connections with other parties in interest. Based upon a review of the preliminary information contained in the Levin

Declaration, the Debtor submits that Skadden, Arps and the attorneys in the firm are "disinterested persons" as that term is used in Bankruptcy Code § 101(14).

Compensation

14. Skadden, Arps intends to apply to the Court for allowance of compensation and reimbursement of expenses under section 330(a) of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and Orders of this Court. Skadden, Arps acknowledges that all compensation will be subject to this Court's review and approval, after notice and a hearing.

15. The current internal hourly time charges for Skadden, Arps professionals and para-professionals are set forth in the Levin Declaration. These hourly charges are the same for bankruptcy and for non-bankruptcy matters and are subject to periodic increases in general and for particular professionals in the normal course of Skadden's business, the latter often due to the increased experience of the particular professional.

16. The Debtor believes that the rates and charges described above are reasonable and appropriate in view of the size of this case, the demands that it will impose on Debtor's counsel, and the number and complexity of the legal and business issues that are likely to arise.

17. The Debtor has elected to retain Jacobvitz Thuma & Walker ("Jacobvitz") as New Mexico co-counsel to the Debtor in this case. Although it will

inevitably be necessary for Skadden, Arps and Jacobvitz to consult, the Debtor will use its best efforts, and encourage Skadden and Jacobvitz to use their best efforts, to avoid any unnecessary duplication of effort.

18. Notice. For the reasons set forth above, the Debtor believes that Skadden, Arps' employment is in the best interest of its estate and should therefore be approved.

19. The Debtor has served notice of this Application by hand delivery on the United States Trustee and by facsimile on the Debtor's secured creditors and its twenty largest unsecured creditors. In view of the nature of the relief requested, the Debtor submits that this notice is proper and adequate under the circumstances.

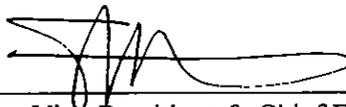
WHEREFORE, the Debtor requests that the Court enter an order under Bankruptcy Code § 327 and Bankruptcy Rule 2014: (i) approving this Application in all respects; (ii) approving the Debtor's employment of Skadden, Arps as its attorneys to perform the services set

forth above, and (iii) granting the Debtor such other relief as is just and appropriate.

Dated Albuquerque, New Mexico  
February 7, 2001

**FURR'S SUPERMARKETS, INC.**

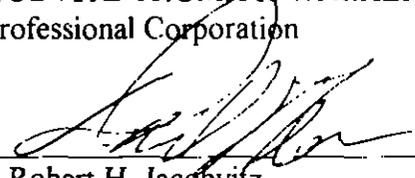
By: **Steven L. Mortensen**

A handwritten signature in black ink, appearing to read 'S. Mortensen', written over a horizontal line.

**Senior Vice President & Chief Financial Officer**

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