

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW MEXICO

FILED
12:00 MIDNIGHT
APR 16 2001

IN RE:
FURR'S SUPERMARKETS, INC.
TIN:2364418

DROP BOX
United States Bankruptcy Court
Albuquerque, New Mexico

Debtor.

No.11-01-10779 SA

**SUPPLEMENTAL OBJECTION TO EMPLOYMENT APPLICATIONS OF
SKADDEN , ARPS, SLATE, MEAGHER & FLOM, LLP**

COMES NOW the United States Trustee for the District of New Mexico and pursuant to 28 U.S.C. §586(a)(3)(A) hereby asserts generally the objections to the employment application of Skadden. A broader scope and a more detailed analysis of the objections are provided in the memorandum in support of the supplemental objections filed concurrently herewith:

1. The United States Trustee has a concern with all the connections Skadden has with the secured creditors. The secured lenders are entities the debtor will have to deal with in putting forth, negotiating, and confirming its plan. The fact that they are all significant clients of Skadden causes great concern. According to the first day financing order, Skadden, on behalf of the debtor, agreed to the validity of all the liens of the four client lenders. This act, in itself, created an unavoidable conflict.

2. The United States Trustee has a concern with all the connections Skadden has with the majority shareholder of the debtor. First, Windward is the majority shareholder of the debtor, having claim to over 50% of debtors stock. Second, Skadden represents the majority shareholder, in matters unrelated to the debtor. Third, Windward received a substantial sum of money from the debtor within the one year pre-petition preference period. The mere fact that

370

Skadden has to review these transfers against an existing client puts the firm in a conflict situation.

3. The Interwest case is the standard in the Tenth Circuit when dealing with issues arising under §327(a). Under the Interwest decision, the Court must find an actual conflict before disqualifying counsel. The United States Trustee has approached the conflict issues in this case under §327(a) in much the same way Judge McFeeley did in the Solv-Ex case. It is the United States Trustee's position that all factors discussed in the accompanying memorandum, when taken together, rise to the level of a conflict and therefore prevent Skadden from participating in this case as counsel for the debtor-in-possession.

4. The fact that the debtor represents the four "lenders", the majority shareholder of the debtor, many of the professionals in the case, causes much concern over Skadden's duty to the debtor and the estate. The creditors who are not represented by Skadden will never know whether the subtle pressure exerted by the fear of offending such a significant client may color the tactical decisions made and to be made by Skadden, as counsel for the debtors, when the interests of their other clients are at risk. In re Amdura Corporation, 139 B.R. 963 (Bankr. D. Colo. 1992).

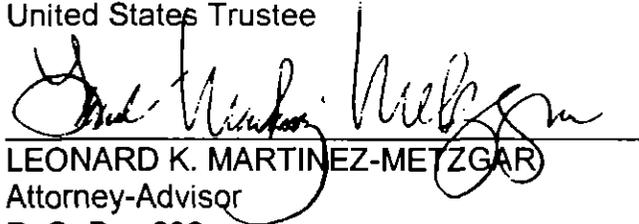
5. The hourly rates charged by Skadden in this case are unreasonable.

6. For a detailed review of the scope of the United States Trustee's objections, please see the accompanying memorandum.

WHEREFORE, the United States Trustee objects to the employment application Skadden on the grounds stated in this objection and the accompanying memorandum.

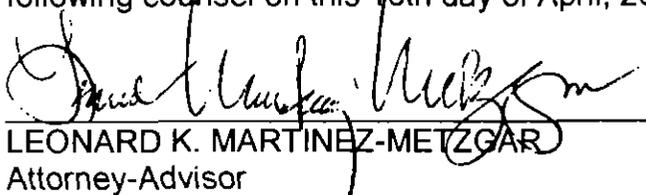
Respectfully submitted,

BRENDA MOODY-WHINERY
United States Trustee



LEONARD K. MARTINEZ-METZGAR
Attorney-Advisor
P. O. Box 608
Albuquerque, NM 87103
(505) 248-6548

I HEREBY CERTIFY that a true copy of the foregoing has been faxed to the following counsel on this 16th day of April, 2001.



LEONARD K. MARTINEZ-METZGAR
Attorney-Advisor

William Davis, Esq.
P.O. Box 6
Albuquerque, NM 87103
(505) 243-6129

Robert Jacobvitz, Esq.
500 Marquette NW, Suite 650
Albuquerque, NM 87102
(505) 766-9287-fax

Richard Levin, Esq.
300 South Grand Avenue, Suite 3400
Los Angeles, California 90071-3144
(213) 687-5600- fax