

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW MEXICO

IN RE:

FURR'S SUPERMARKETS, INC.

Debtor.

No.11-01-10779 SA

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

COMES NOW the United States Trustee for the District of New Mexico and pursuant to 28 U.S.C. §586(a)(3)(A) hereby objects to the employment application, on the following grounds:

1. On page 4, ¶ 9 of the declaration of Richard Levin, the applicant states that the firm represents or has represented certain creditors of the debtor. The applicant should provide further disclosure regarding the nature of the matters involved in its representation with each of the creditors.

2. On page 5, ¶10 the applicant states that it has represented certain professionals, including Price WaterhouseCoopers, on matters unrelated to the debtor. The applicant should be required to disclose the nature of the matters involved in its representation of PWC.

3. On page 3, ¶ 6 of Mr. Levin's declaration, the applicant states that the firm is still in the process of conducting its computerized conflicts check and that when the check is completed a supplemental declaration will be filed. The filing of the supplemental declaration and review of same by the unsecured creditors committee and the U.S. Trustee

should be completed prior to the entry of an employment order. In addition, any further supplemental declarations should be filed as soon as the relevant information becomes available and not only every 120 days as stated on page 4 ¶7 of Mr. Levin's declaration.

4. On page 7, ¶21 of the declaration and on page 4 of the letter agreement of February 1, 2001, it states that the debtor paid Skadden, Arps a retainer of \$250,000. The firm first applied it to its current outstanding bill and then to all amounts owing for services to the date of the filing of the petition. Its not clear what the difference is between the outstanding bill and the bill for filing the chapter 11 case. Nevertheless, there should be further disclosure regarding these payments. Specifically, the applicant should provide more information regarding actual amounts paid for the outstanding bill and the bill for pre-bankruptcy services. Further, disclosure should be made regarding the \$200,000 paid during the year before the petition. Specifically, the applicant should disclose the timing of the payments made within the one year period.

A. The above provision also provides for a retainer to be held and applied by Skadden, Arps to its final bill for services on the completion or termination of the bankruptcy. Such provision is tantamount to a preference and should be void.

5. On page 5 of the letter agreement of February 1, 2001 there is a provision regarding the waiver of possible conflict of interests. All such potential conflicts should be disclosed as they are discovered for a determination as to Skadden, Arps' continued disinterestedness under §§327 (a) and 328 (c).

6. The U.S. Trustee objects to the hourly rates charged by Skadden, Arps

as excessive, even in comparison with other national law firms.

WHEREFORE, the U.S. Trustee objects to the employment of the firm until such time as the above matters are resolved.

Respectfully submitted,

BRENDA MOODY-WHINERY
United States Trustee

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I HEREBY CERTIFY that a true copy of the foregoing has been mailed to the following counsel on this 8th day of March, 2001.

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