

SETTLEMENT AGREEMENT

This Settlement Agreement (the "Agreement") is made as of September 27, 2010, by and between the Official Committee of Unsecured Creditors of Sofa Express, Inc. on behalf of the bankruptcy estate of Sofa Express, Inc. ("Plaintiff"), and Giftcraft, Inc. ("Defendant") in full and final settlement of the adversary proceeding bearing Adv. Pro. No. 09-0530(GCP) (the "Adversary Proceeding") pending in the United States Bankruptcy Court for the Middle District of Tennessee (the "Court"), as set out below:

WHEREAS, on December 6, 2007 (the "Petition Date"), a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") was filed by Sofa Express, Inc. (the "Debtor") with the Court; and

WHEREAS, on December 13, 2007, the Official Committee of Unsecured Creditors was appointed by the Office of the United States Trustee; and

WHEREAS, by Order of the Court dated November 18, 2009, the Official Committee of Unsecured Creditors was authorized to, among other things, commence avoidance actions pursuant to §§ 547 and 550 of the Bankruptcy Code on behalf of the Debtor's estate; and

WHEREAS, Plaintiff has asserted that, on or within ninety (90) days prior to the Petition Date, the Debtor made one or more payments to or on behalf of the Defendant (the "Payments") totaling \$71,228.83 (the "Preference Claim"); and

WHEREAS, pursuant to §§ 547 and 550 of the Bankruptcy Code, Plaintiff initiated the instant Adversary Proceeding against the Defendant seeking the avoidance and return of the Payments and, pursuant to § 502(d) of the Bankruptcy Code, the disallowance of any proofs of claim filed by the Defendant against the Debtor's estate; and

WHEREAS, the Defendant disputes the allegations contained in the complaint which commenced the Adversary Proceeding; and

WHEREAS, Plaintiff and Defendant have exchanged information and documents relevant to the Preference Claim and the asserted defenses thereto including, but not limited to, ordinary course and new value defenses; and

WHEREAS, in order to avoid the cost of further litigation and the attendant risks and costs thereto, Plaintiff and Defendant have determined to resolve the dispute between them upon the terms and provisions of this Agreement; and

WHEREAS, Plaintiff and Defendant have carefully considered the terms of this Agreement, after having had the opportunity to consult with their respective attorneys, and are satisfied that it is fair and reasonable;

NOW, THEREFORE, Plaintiff and Defendant agree as follows:

1. This Agreement shall be subject to approval by the Court.
2. In full and final settlement of the Preference Claim, Defendant agrees to pay Plaintiff the sum of \$8,200.00 (the "Settlement Amount") by wire transfer, check or money order made payable to "Platzer, Swergold, as Attorneys for the Committee." The Settlement Amount shall be paid by Defendant upon execution of this Agreement, and sent to "Platzer, Swergold, Karlin, Levine, Goldberg & Jaslow, LLP, 1065 Avenue of The Americas, 18th Floor, New York, NY 10018, Attn: Teresa Sadutto-Carley, Esq." The Settlement Amount shall be held in escrow by Platzer Swergold, Karlin, Levine, Goldberg & Jaslow, LLP pending approval by the Court.
3. In addition, Defendant hereby stipulates and agrees to waive its right to file a claim pursuant to 11 U.S.C. § 502(h) with respect to the Settlement Amount.

4. Upon payment of the Settlement Amount, and execution and approval by the Court of this Agreement, Plaintiff will file the appropriate notice or stipulation dismissing this Adversary Proceeding with prejudice in accordance with Rule 7041 of the Fed. R. Bankr. P. and Rule 41(a)(1)(A) of the Fed. R. Civ. P.

5. Defendant agrees and acknowledges that Defendant has voluntarily offered, executed and delivered this Agreement on its own volition and upon the advice of counsel of its own selection and that the Agreement is valid and binding.

6. If Defendant fails to pay the Settlement Amount, when due, as required under the Agreement, Plaintiff reserves its right to pursue all rights and remedies available at law or equity and the settlement evidenced by this Agreement shall become null and void.

7. Neither the terms nor the statements contained in the Agreement or any correspondence related to the negotiation, drafting or approval of the Agreement shall be argued to be deemed to be an admission against either party's interest in any pending litigation by and between the parties.

8. Plaintiff and Defendant acknowledge that this Agreement is a compromise of a disputed claim, and that neither admits, and each expressly denies any liability on its part.

9. Upon payment of the Settlement Amount, and execution and approval by the Court of this Agreement, the parties hereby mutually release each other from any and all claims, counterclaims, demands, actions, causes of action, rights, obligations, damages, losses, injuries, costs, expenses, attorneys' fees, suits, controversies, and liabilities of any kind or nature whatsoever in law, equity or otherwise, whether known or unknown, suspected or unsuspected, fixed, contingent, accrued, inchoate or otherwise, which may now exist in any way related to the subject matter of the Adversary Proceeding.

10. The release provided herein shall not be deemed a waiver of any of Plaintiff's or the Debtor's rights, if deemed necessary, to object to claims filed by the Defendant in the Debtor's bankruptcy case and Defendant shall be precluded from raising the release provided herein in response to any claim objection filed by Plaintiff or the Debtor.

11. This Agreement contains the entire agreement between the parties, and may only be modified in writing signed by the parties or their duly appointed agents.

12. Each party acknowledges that they have read all of the terms of this Agreement and enters into this Agreement voluntarily and without duress.

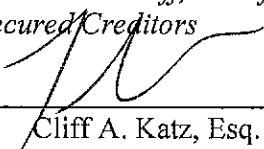
13. This Agreement shall be binding upon the parties' heirs, successors and assigns, and shall inure to the benefit of the parties' heirs, successors and assigns. All references herein to the Defendant shall be deemed to include all parents, affiliates, subsidiaries, successors and assigns and all references herein to Plaintiff shall be deemed to include its successors and assigns.

14. This Agreement may be executed in counterpart originals.

Dated: September 28, 2010
New York, New York


**PLATZER, SWERGOLD, KARLIN,
LEVINE, GOLDBERG & JASLOW, LLP**
*Counsel to Plaintiff, the Official Committee of
Unsecured Creditors*

By: _____


Cliff A. Katz, Esq.
Andrew S. Muller, Esq.
Teresa Sadutto Carley, Esq.
1065 Avenue of the Americas, 18th Floor
New York, NY 10018
(212) 593-3000

Dated: September 27, 2010
Buffalo, New York

JAECKLE FLEISCHMANN & MUGEL, LLP
Counsel to Defendant, Giftcraft, Inc.

By: 

Beverley S. Braun, Esq.
12 Fountain Plaza, Suite 800
Buffalo, NY 14202-2292
(716) 856-0432