

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE MIDDLE DISTRICT OF TENNESSEE  
NASHVILLE DIVISION**

<b>IN RE:</b>	)	<b>CHAPTER 11</b>
	)	
<b>SOFA EXPRESS, INC.</b>	)	<b>Case No. 07-09024</b>
	)	
<b>Debtor.</b>	)	
_____	)	

**INTERIM ORDER (1) APPROVING POST-PETITION FINANCING  
(2) GRANTING LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE  
EXPENSE STATUS PURSUANT TO 11 U.S.C. §§ 363 AND 364, (3) AUTHORIZING  
USE OF CASH COLLATERAL AND PROVIDING ADEQUATE PROTECTION  
PURSUANT TO 11 U.S.C. §§ 361 and 363; (4) MODIFYING AUTOMATIC STAY,  
AND (5) SETTING FINAL HEARING PURSUANT TO FEDERAL RULES OF  
BANKRUPTCY PROCEDURE 4001**

THIS MATTER having come before the Court upon the Motion (the “Motion”) of Sofa Express, Inc., a debtor and debtor in possession (the “Debtor”) seeking the entry of interim and final orders including authority to:

(i) Obtain credit and incur debt on an interim basis of up to the aggregate principal amount of \$2,000,000 and after a final hearing of up to the aggregate principal amount of \$20,000,000 secured by liens (as defined in Section 101(37) of Title 11, U.S.C., as amended (the “Bankruptcy Code”) and referred to herein as “Liens”) on property of the Debtor’s estate pursuant to Sections 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code and with priority, as to administrative expenses, as provided in Section 364(c)(1) of the Bankruptcy Code.

(ii) Establish that financing arrangement (the “DIP Credit Facility”) as provided in that certain Debtor-in-Possession Credit Agreement, substantially in the form attached to the Motion as Exhibit A (the “DIP Credit Agreement”) by and among Wells Fargo Retail Finance, LLC, as Agent (the “Agent”), for itself and the other Lenders (as defined in the DIP Credit Agreement) (the “Lenders”).

(iii) Provide the Agent for the benefit of itself, the Lenders and Wells Fargo Bank, N.A., as Issuing Bank (collectively, the “Secured Parties”) with Liens upon all of the Debtor’s real and personal property as provided in and as contemplated by this Order and the “DIP Loan Documents” (as defined in the DIP Credit Agreement).

(iv) Grant the Agent (for the benefit of the Secured Parties) a Super-Priority Claim over any and all administrative expenses other than as set forth in Paragraph 16 of this Order.

(v) Use the Cash Collateral (as defined below) of the “Lenders” identified in that certain Credit Agreement dated April 13, 2007, as amended and in effect (the “Pre-Petition Credit Agreement”), by and among Wells Fargo Retail Finance, LLC, as Agent (solely in this capacity, the “Pre-Petition Agent”) and other financial institutions identified therein as Lenders (solely in such capacities, the “Pre-Petition Lenders”) and grant Liens in the Collateral and a Super-Priority Claim to the Pre-Petition Agent for the benefit of the Pre-Petition Lenders which Liens and Super-Priority Claim shall be subject to the Liens and Super-Priority Claim of the Agent and the Carve-Out as adequate protection for (x) the use of Cash Collateral, (y) diminution in value of the Pre-Petition Collateral (as defined below), and (z) the priming liens granted to the Agent, Lenders and Secured Parties hereunder.

(vi) Modify the automatic stay to the extent necessary and required by the DIP Credit Facility.

(vii) Schedule a second interim hearing (the “Second Interim Hearing”) to consider the entry of an Order (the “Second Interim Order”) requesting authority to use Cash Collateral and borrow, pursuant to the DIP Credit Agreement, an amount sufficient to prevent irreparable harm to the estate pending a final hearing and a final hearing (the “Final Hearing”) to consider the entry of an Order (the “Final Order”) authorizing and approving the DIP Credit Facility and DIP Credit Agreement on a final basis, as set forth in the Motion, approve the form of Notice with respect to the Second Interim Hearing and Final Hearing and authorize payment in full of the Pre-Petition Obligations.

It appearing that absent the relief requested herein, the Debtor will suffer immediate and irreparable harm; and it further appearing that notice of this interim hearing is sufficient under the circumstances and complies with the requirements of Bankruptcy Rules 2002, 4001(c) and 4001(d) and the local rules of this Court; and for good cause shown:

**THE COURT HEREBY FINDS THAT**

A. On December 6, 2007 (the “Petition Date”), the Debtor filed a voluntary petition under Chapter 11 of the Bankruptcy Code.

B. The Debtor has continued in the management and operation of its business and property as debtor in possession pursuant to Bankruptcy Code Sections 1107 and 1108. No trustee or examiner has been appointed in this case, and no Official Committee (a “Creditors’ Committee”) has been formed as of the date hereof.

C. An immediate need exists for the Debtor to obtain funds with which to purchase inventory, continue its operations, and administer and preserve the value of its estate. The ability of the Debtor to finance its operations requires the additional availability of working capital, the absence of which would immediately and irreparably harm the Debtor, its estate, and its creditors.

D. The Debtor has been unable to obtain unsecured credit allowable under Bankruptcy Code Section 503(b)(1) as an administrative expense.

E. The Debtor is also unable to obtain secured credit, allowable only under Bankruptcy Code Sections 364(c)(2), and 364(c)(3) on more favorable terms and conditions than those provided in the DIP Loan Documents and this Order. The Debtor is unable to obtain credit for borrowed money without the Debtor granting to the Agent (i) Liens on all of the assets of the Debtor pursuant to Bankruptcy Code Sections 364(c)(2) and 364(c)(3) and pursuant to Section 364(d) with respect to the Pre-Petition Obligations and the liens and security interest granted Klaussner (as defined in Paragraph D below); and (ii) super-priority administrative expense claim status with priority over any and all administrative claims arising pursuant to Bankruptcy Code Sections 503(b) and 507(b) as provided in Section 364(c)(1) of the Bankruptcy Code (such super-priority administrative expense claim having priority as provided herein) and as provided by this Order.

F. The ability of the Debtor to finance its operations and the availability of sufficient working capital through the incurrence of indebtedness for borrowed money and other financial accommodations is vital to the Debtor’s ability to preserve and maintain the value of the Debtor’s assets and maximizes a return for all creditors. Moreover, the Debtor has established that it is necessary to either (i) use cash collateral or (ii) borrow up to \$2 million pending a second interim hearing to avoid immediate and irreparable harm to the estate.

G. The relief requested in the Motion is necessary, essential, and appropriate for the continued operation of the Debtor’s business and the management and preservation of its property.

H. It is in the best interest of Debtor’s estate to be allowed to establish the DIP Credit Facility contemplated by the DIP Loan Documents.

I. The terms and conditions of the DIP Credit Facility and the fees paid and to be paid thereunder are fair, reasonable, and the best available under the circumstances, reflect the Debtor’s exercise of prudent business judgment consistent with its fiduciary duties, and are supported by reasonably equivalent value and consideration.

J. The DIP Credit Agreement was negotiated in good faith and at arms length between the Debtor, Agent, and Lenders. Credit to be extended under the DIP Credit Facility

will be so extended in good faith and for valid business purposes and uses, the consequence of which the Agent and the Lenders are entitled to the protection and benefits of Bankruptcy Code Section 364(e).

K. The notice of this interim hearing has been provided by the Debtor to (i) the United States Trustee, (ii) the twenty (20) largest unsecured creditors of the Debtor, (iii) the Internal Revenue Service, (iv) all secured creditors of record or known to the Debtor, and (v) all of the Debtor's current landlords, and constitutes sufficient and adequate notice in accordance with Bankruptcy Rules 2002, 4001(c) and 4001(d) and the local rules of this Court. Under the circumstances, no further notice of the request for the relief granted at the interim hearing is required.

L. No further notice of the interim relief sought in the Motion is required for the entry of this Order.

M. Good and sufficient cause has been shown for the entry of this Order. Among other things, the entry of this Order will enable the Debtor to continue the operation of its business; maximize value for all creditors; and will be in the best interest of the Debtor, its creditors, and its estate.

N. This Court has jurisdiction, pursuant to 28 U.S.C. § 1334, over this proceeding, and over the persons and property affected hereby; and consideration of this Motion constitutes a core proceeding under 28 U.S.C. § 157(b)(2)(A), (D), and (G).

### **DEBTOR'S STIPULATIONS**

A. The Debtor stipulates and agrees that prior to the Petition Date, Sofa Express, Inc. entered into the Pre-Petition Credit Agreement, pursuant to which the Pre-Petition Lenders extended a working capital facility providing for Revolving Credit Loans and Letters of Credit (as each is defined in the Pre-Petition Credit Agreement); the Pre-Petition Credit Agreement and all documents and instruments executed in connection therewith are collectively referred to herein as the "Pre-Petition Loan Documents"). The Debtor stipulates and agrees that as of the Petition Date, the Debtor was indebted to the Pre-Petition Lenders in the principal sum under the Revolving Credit Loans in the approximate amount of \$10,347,713, issued and outstanding Letters of Credit in the approximate amount of \$710,000, plus interest accrued and accruing, costs, fees, and professional fees and expenses, and all other "Obligations" as defined in the Pre-Petition Credit Agreement including, the rights of the Pre-Petition Agent and Pre-Petition Lenders to indemnification and reimbursement ("Pre-Petition Indemnification Obligations") of legal fees and expenses under the Pre-Petition Credit Agreement (collectively, hereinafter the "Pre-Petition Obligations").

B. The Debtor stipulates and agrees that the Pre-Petition Obligations are secured by substantially all of the Debtor's real and personal property including, but not limited to, accounts, inventory, general intangibles, equipment, goods, motor vehicles, fixtures, chattel paper, investment property, owned real property, money, cash and cash equivalents relating thereto, proceeds, accessions, substitutions, replacements, rents, profits, and products of the

aforementioned property all as more fully set forth in the Pre-Petition Loan Documents (the "Pre-Petition Collateral").

C. The Debtor stipulates and agrees that all amounts on deposit in the Debtor's banking, checking, and other deposit accounts constitute cash collateral within the meaning of Section 363 of the Bankruptcy Code ("Cash Collateral"), in which the Pre-Petition Agent has a security interest in order to secure the Pre-Petition Obligations.

D. To the best of the Debtor's knowledge, the only valid and perfected liens as to property of the Debtor's estate which existed as of the filing date of this proceeding were the liens of the Pre-Petition Agent, the Liens granted by the Debtor to Klaussner Furniture Industries, Inc. as agent for Klaussner Furniture Industries, Inc., Klaussner Corporation, Klaussner Corporate Services, Inc., Klaussner Furniture of California, Inc., Technimark, Inc., Klaussner International, LLC, Prestige Fabricators, Inc., Klaussner Furniture of Mississippi, LLC, Candor Creek Investments, LLC, Technimark Chihuahua, Inc., Technimark Reynosa, Inc., Technimark Mexicali, Inc. and Iloap, Inc. (collectively the "Klaussner Secured Parties") pursuant to that General Security Agreement dated as of January 31, 2007. Nothing herein shall constitute a finding or ruling by this Court that the liens in favor of Klaussner are valid, perfected, or enforceable. Moreover, any party in interest including but not limited to the Debtor, the Agent, and the Creditors' Committee may challenge the validity, priority, perfection, enforceability, and extent of any such lien and or security interest.

E. In entering into the DIP Loan Documents, and as consideration therefore, the Debtor hereby agrees that until such time as all Obligations (as defined in the DIP Credit Agreement) are indefeasibly paid in full in cash and the DIP Credit Agreement is terminated in accordance with the terms thereof, the Debtor shall not in any way prime or seek to prime the security interests and Liens provided to the Lenders under this Order by offering a subsequent lender or a party-in-interest a superior or *pari passu* lien or claim pursuant to Section 364(d) of the Bankruptcy Code or otherwise.

F. The Debtor and the Agent stipulate and agree that (i) this Court has jurisdiction, pursuant to 28 U.S.C. § 1334, over this proceeding, and over the persons and property affected hereby; and (ii) consideration of this Motion constitutes a core proceeding under 28 U.S.C. § 157(b)(2)(A), (D), and (G).

NOW, THEREFORE, on the Motion of the Debtor and the record before the Court with respect to the Motion, and with the consent of the Debtor, the Pre-Petition Agent, the Pre-Petition Lenders, the Agents, and the Lenders to the form and entry of this Order, and good cause appearing,

**IT IS HEREBY ORDERED that:**

1. The Motion is granted on an emergency basis in accordance with the terms of this Interim Borrowing Order.

## **APPROVAL OF AND AUTHORIZATION AS TO BORROWING**

2. The terms and conditions of the DIP Credit Facility are hereby approved on an interim basis through the date of the Final Hearing subject to the budget attached hereto as Exhibit 1 (the "Budget"). The Debtor is hereby authorized to:

- (a) Establish the DIP Credit Facility.
- (b) Execute each of the DIP Loan Documents to which the Debtor is a party.
- (c) Borrow up to the lesser of (i) \$2,000,000 or (ii) the Availability (as defined in the DIP Credit Agreement).

3. The Debtor is hereby authorized, empowered, and directed to do and perform all acts, pay all fees and expenses and to make, execute, and deliver all instruments and documents which may be requisite or necessary for the performance by the Debtor under the DIP Loan Documents and the creation and perfection of the Liens described in and provided for by this Order and the DIP Loan Documents and to assure the priority thereof as contemplated herein.

4. The Debtor is hereby authorized to grant to the Agent (for the benefit of the Secured Parties) and pursuant to the Loan Documents and this Order the Agent (for the benefit of the Secured Parties) is granted valid, binding, enforceable and perfected Liens in and to the following (collectively, the "Collateral"):

All real and personal property of the Debtor, including without limitation, inventory, accounts, equipment, fixtures, general intangibles (including, without limitation, tax refunds, trademarks, and tradenames), instruments, documents, investment property, stock, chattel paper, and goods, (respectively as defined in the Uniform Commercial Code), all real estate (including real property known and numbered as 725 Myatt Drive, Madison, Tennessee, and 11501 Carolina Place Parkway, Pineville, North Carolina), all proceeds from the sale, disposition, or assignment of any leasehold interest (but excluding the leasehold interest themselves), and all other "Collateral" (as defined in the Loan Documents), all of the foregoing now owned or in which the Debtor has any interest (and without regard to whether acquired prior or subsequent to the Petition Date) or hereafter acquired or in which the Debtor obtain an interest; and the products and proceeds thereof, (but excluding all proceeds of any avoidance action under Chapter 5 of the Bankruptcy Code, other than recoveries pursuant to Section 549 of the Bankruptcy Code).

The Liens granted herein shall be subject and subordinate to the Carve-Out (as defined in Paragraph 16 below) and shall secure all Obligations (as defined in the DIP Credit Agreement) incurred by the Debtor pursuant to the Loan Documents.

5. The automatic stay imposed under Bankruptcy Code Section 362(a) is hereby modified as necessary to permit the Debtor to grant the aforesaid Liens and to perform the Debtor's liabilities and obligations to the Agent and the Lenders under the DIP Credit Facility.

6. Each officer of the Debtor, acting singly, and such other individuals as may be so authorized by the Board of Directors of the Debtor, likewise acting singly, is hereby authorized to execute and deliver each of the DIP Loan Documents, such execution and delivery to be conclusive of their respective authority to act in the name of and on behalf of the Debtor.

7. At such time as the conditions precedent to the DIP Credit Facility have been satisfied (which conditions are set forth in the DIP Credit Agreement) (i) the Debtor shall utilize the proceeds of the first borrowings under the DIP Credit Facility to repay in full the Pre-Petition Obligations (other than the Pre-Petition Indemnification Obligations); and (ii) all outstanding letters of credit issued or caused to be issued pursuant to the Pre-Petition Credit Agreement for the benefit of the Debtor shall be deemed to have been issued under the DIP Credit Agreement and shall constitute Letters of Credit under the DIP Credit Agreement and DIP Loan Documents without the necessity of reissuance of such Letters of Credit. Notwithstanding the foregoing, the Pre-Petition Indemnification Obligations shall not terminate and shall continue to exist.

8. Subject only to Paragraph 9 of this Order, the Debtor on behalf of itself and its estate and its successors, including any subsequently appointed trustee, hereby: (i) releases and discharges the Pre-Petition Agent and the Pre-Petition Lenders together with their affiliates, agents, attorneys, officers, directors and employees from any and all claims and causes of action arising out of, based upon or related to the Pre-Petition Loan Documents and; (ii) waives any and all claims, defenses (including, without limitation, offsets and counterclaims of any nature or kind) as to the validity, perfection, priority, enforceability, and avoidability (under Chapter 5 of the Bankruptcy Code or otherwise) of the Pre-Petition Obligations or the security interests, liens, deeds of trust or mortgages granted to secure Pre-Petition Obligations, and (iii) agrees, without further Court order, to the allowance of the pre-petition claims of the Pre-Petition Agent and the Pre-Petition Lenders as secured claims (to the extent of the value of the Pre-Petition Collateral in accordance with Section 506(b) of the Bankruptcy Code) in an amount not less than the Pre-Petition Obligations pursuant to Sections 502 and 506(a)(1) and (b) of the Bankruptcy Code. The release, discharge, waivers and agreements set forth in this Paragraph 8 will be deemed effective upon the date this Order is entered, subject only to the Creditors' Committee's, and any party in interest's right to object on the terms and conditions set forth in Paragraph 9 of this Order.

9. The provisions of Paragraph 8 above, shall be without prejudice to the right of the Creditors' Committee or any party in interest to seek to disallow the Pre-Petition Lenders' or Pre-Petition Agent's claims, avoid any security or collateral interest in the assets of the Debtor claimed by the Pre-Petition Agent or the Pre-Petition Lenders, and to seek the disgorgement of all or any part of any payment made by the Debtor to the Pre-Petition Lenders. The Creditors' Committee and any other party in interest, including any subsequently appointed trustee, shall have one hundred, twenty (120) calendar days from the date of this Order within which to file an objection or commence an adversary proceeding (as may be appropriate) with respect to the Pre-Petition Agent's or Pre-Petition Lenders' claims or security interest, payments made to the Pre-Petition Agent or Pre-Petition Lenders, or any other claims or causes or actions as to the Pre-Petition Agent or Pre-Petition Lenders. If ~~the extent~~ no Creditors' Committee is appointed, ~~the Office of the United States Trustee~~ shall have the right to request an extension of the foregoing periods. In the event that no objection or complaint, as applicable, is timely filed: (a) the waiver and release granted by Paragraph 8 above shall become final and binding on all parties

any party  
in interest

(including the Creditors' Committee, any creditor, or any subsequently appointed trustee); (b) the Pre-Petition Obligations, and the Pre-Petition Agent's and Pre-Petition Lenders' liens in the Pre-Petition Collateral shall be valid, perfected, nonavoidable, and in full force and effect, not subject to any claims, counterclaims, setoffs, or defenses; and (c) the payment of the Pre-Petition Obligations in accordance with this Order shall not be subject to disgorgement. To the extent any such objection or complaint is filed, the Pre-Petition Agent and Pre-Petition Lenders shall be entitled to include such costs and expenses, including but not limited to reasonable attorneys' fees, incurred in defending the objection or complaint as a Pre-Petition Indemnification Obligation.

10. The Liens to be created and granted to the Agent and the Secured Parties, as provided herein, are created pursuant to Bankruptcy Code Sections 364(c)(2), 364(c)(3), and 364(d). With the exception of property of the estate which is subject to any valid and perfected pre-petition liens in existence on the Petition Date (other than Liens granted the Pre-Petition Agent, Pre-Petition Lenders and the Liens granted to the Klaussner Secured Parties), the Liens to be created and granted to the Agent, as provided herein, are first, prior, perfected, and superior to any security, mortgage, or collateral interest or Lien or claim to the Collateral including the Pre-Petition Agent's Liens securing the Pre-Petition Obligations. The Liens to be created and granted to the Agent and the Secured Parties in the Collateral shall pursuant to Section 364(d)(1) be senior and superior to any Liens of the Klaussner Secured Parties existing as of the Petition Date.

11. This Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the Liens granted pursuant to this Order upon the Collateral, without the necessity of filing or recording any financing statement, deed of trust, mortgage, or other instrument or document which may otherwise be required under the law of any jurisdiction or the taking of any other action to validate or perfect the Liens of the Pre-Petition Agent, Pre-Petition Lenders, Agent, or Secured Parties in and to the Collateral or to entitle the Pre-Petition Agent, Pre-Petition Lenders, Agent, and Secured Parties to the priorities granted herein, provided, however, the Agent and Pre-Petition Agent may file or record deeds of trust, mortgages, UCC-1 financing statements or other instruments to evidence and to perfect the Liens authorized hereby, provided further, however, no such filing or recordation shall be necessary or required in order to create or perfect any such Lien. Any and all deeds of trust, mortgages, UCC-1 financing statement or other document or instrument evidencing or securing or perfecting any lien or collateral interest granted by the Debtor to the Pre-Petition Agent shall be deemed to secure the Obligations under the DIP Credit Agreement and other DIP Loan Documents without the necessity of amending same.

12. If the Agent, in its sole discretion, chooses to file financing statements, notices of Lien or similar instruments, or to otherwise confirm perfection of such security interest and Liens: (i) all such documents shall be deemed to have been recorded and filed as of the time and on the date of entry of this Order; and (ii) no defect in any such act shall affect or impair the validity, perfection and enforceability of the Liens and security interest granted hereunder. In lieu of filing such financing statements, notices of lien or similar instruments, the Agent may, at its sole discretion, choose to file a xerographic copy of this Order in any place at which any such instruments would or could be filed, and such filing by the Agent shall have the same effect as if



such financing statements, notices or Lien or similar instruments have been filed or recorded at the time and on the date of entry of this Order.

13. The DIP Credit Agreement and each of the DIP Loan Documents shall constitute and evidence the valid and binding obligations of the Debtor, which obligations shall be enforceable against the Debtor in accordance with their terms. The rights, remedies, powers, privileges, Liens and priorities of the Lenders provided for in this Order and in any other DIP Loan Documents shall not be modified, altered or impaired in any manner by any subsequent order (including a confirmation order) or by any plan of reorganization or liquidation in this case or in any Subsequent Case under the Bankruptcy Code unless and until the Obligations have first been indefeasibly paid in full in cash and completely satisfied.

### **ADMINISTRATIVE CLAIM**

14. The Obligations under the DIP Credit Agreement shall be an allowed administrative expense claim (the “**Super-Priority Claim**”) with priority (except as otherwise provided in Paragraphs 15 and 16 below) under Bankruptcy Code Section 364(c)(1) and otherwise over all administrative expense claims and unsecured claims against the Debtor, now existing or hereafter arising, of any kind or nature whatsoever including, without limitation, administrative expenses of the kinds specified in or arising or ordered pursuant to Bankruptcy Code Sections 105, 326, 330 (except as otherwise provided in Paragraph 16, below), 328, 331, 503(a), 503(b), 507, 546(c), 546(d), 726, 1113, and 1114, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment.

15. Except for the Carve-Out (Paragraph 16, below), no costs or expenses of administration including, without limitation, professional fees allowed and payable under Sections 328, 330, and 331 of the Bankruptcy Code that have been or may be incurred in this proceeding, or in any other proceeding related thereto (hereinafter, any “Successor Case”), and no priority claims to the Collateral are, or will be, senior to, prior to, or on parity with the Obligations, or with any other claims of the Agent or the Lenders arising hereunder.

16. (A) The Agent’s Liens in the Collateral and the Super-Priority Claim are subject and subordinate to the Carve-Out, which shall be in an amount equal to the sum of (a) all accrued and unpaid bankruptcy court-allowed professional fees and expenses of attorneys, accountants, financial advisors and consultants retained by the Debtor or the Creditors’ Committee, whether incurred prior to or following the occurrence of an Event of Default (the “Professional Expenses”) provided that the Professional Expenses to be included in the Carve-Out and entitled to priority over the Liens and Super-Priority Claim shall not exceed \$300,000 in the aggregate, plus (b) quarterly fees required to be paid pursuant to 28 U.S.C. Section 1930(a) (“U.S. Trustee Fees”) (the “Carve-Out”). The Carve-Out shall be effective upon notice by the Agent to the Debtor of the occurrence of any Event of Default under the DIP Credit Agreement. Thereupon, the Professional Expenses which take priority over the Liens granted and Super-Priority Claim of the Agent and Pre-Petition Agent shall be limited to the amount of the Carve-Out. Any Professional Expenses paid pursuant to court order or court approved procedures prior to notice of the occurrence of any Event of Default under the DIP Credit Agreement shall not be counted against the Carve-Out. The Carve-Out shall exclude any fees and expenses (x) incurred in connection with the filing or prosecution (but not the investigation of) of any claim, counter

claim, action, proceeding application, motion, objection, defenses or other contested matter, or joinder in any of the foregoing, the purpose of which is to seek any order, judgment, determination or similar relief invalidating, setting aside, avoiding, subordinating, in whole or in part, (A) the Obligations, (B) the Pre-Petition Obligations, (C) the Pre-Petition Agent's or Secured Parties' Lien in the Pre-Petition Collateral or the Collateral, (D) the Agent's or Lenders' Liens in the Collateral, (E) the Liens securing the Pre-Petition Obligations, (y) in using cash collateral of the Agent or the Lenders, selling or otherwise disposing of any other Collateral, or incurring any Indebtedness, in each case, in violation of the DIP Credit Agreement, without the Agent's express written consent or (z) arising after the conversion of the Chapter 11 case to a case under chapter 7 of the Bankruptcy Code. Except as otherwise provided in this paragraph, nothing contained in this Order shall be deemed a consent by the Agent or Lenders to any charge, lien, assessment or claim against the Collateral under Section 506(c) of the Bankruptcy Code or otherwise. The Agent reserves the right to object to the Professional Fees and nothing herein shall be construed to obligate the Agent or Lenders, in any way, to pay the allowance of the Professional Fees or U.S. Trustee Fees or to assure that the Debtor has sufficient funds on hand to pay such Professional Fees or U.S. Trustee Fees.

(B) Nothing contained in Paragraph 16 shall (i) be read to exempt those persons receiving interim compensation payments or reimbursement of expenses from compliance with this Court's approved procedure for compensation or otherwise from applicable provisions of bankruptcy law, including but not limited to requirements that such compensation or reimbursement be allowed on a final basis after the filing of appropriate fee applications, and when applicable, any subsequent order of this Court requiring that such payments be disgorged, (ii) be construed as consent to the allowance of fees and expenses referenced to in Paragraph 16, or (iii) be construed to affect any right of the Agent, on behalf of the Lenders, to object to the reasonableness or allowance of such amounts.

17. Unless the Agent and Pre-Petition Agent have provided their prior written consent or all Obligations have been paid in full in cash (or will be paid in full in cash upon entry of an order approving indebtedness described in subparagraph (a) below), all commitments to lend have terminated, all Letters of Credit have been cash secured as required by the DIP Loan Documents, all Pre-Petition Obligations have been paid in full, all Pre-Petition Indemnification Obligations have been cash secured to the reasonable satisfaction of the Pre-Petition Agent, there shall not be entered in this proceeding, or in any Successor Case, any order which authorizes any of the following:

(a) the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage, or collateral interest or other lien on all or any portion of the Collateral and/or entitled to priority administrative status which is equal or senior to that granted to the Agent herein; or

(b) the Debtor's return of goods constituting Collateral pursuant to Section 546(h) of the Bankruptcy Code.

18. Except as otherwise provided in Paragraph 16 and other than with respect to the Carve-Out, no cost or expense which may be incurred in connection with or on account of the preservation and/or disposition of any Collateral or which otherwise could be chargeable to the Pre-Petition Agent, Pre-Petition Lender, Agent or the Lenders or the Collateral pursuant to

Bankruptcy Code Sections 105, 506(c), 552 or otherwise, shall be so chargeable without Agent's prior written consent. The Debtor hereby waives the right for itself and for its estate to seek to charge the Collateral or Pre-Petition Collateral pursuant to Bankruptcy Code Sections 105, 506(c), 552 or otherwise.

19. Without limiting the provisions and protections of Paragraph 17, above, if at any time prior to the repayment in full of all Obligations, and the termination of the Agent's and Lenders' obligation to make loans and advances under the DIP Loan Documents, including subsequent to the confirmation of any plan with respect to the Debtor, and the payment in full of all Pre-Petition Obligations, the Debtor or any Trustee subsequently appointed shall obtain credit or incur debt pursuant to Sections 364(c) or 364(d) of the Bankruptcy Code, other than debt secured solely by pre-petition avoidance actions, then all of the cash proceeds derived from such credit or debt shall immediately be turned over to the Agent in reduction of the Obligations and the Pre-Petition Obligations.

20. All Obligations of the Debtor to the Agent and the Lenders and all Pre-Petition Obligations of the Debtor to the Pre-Petition Agent and Pre-Petition Lenders are due and payable upon the earliest to occur of (each an "Event of Default"):

(a) January 15, 2008 (or such later date to which the Agent, Pre-Petition Agent, and the Debtor agree in writing), unless a Final Order approving the Motion (in a form acceptable to the Agent and Pre-Petition Agent in their reasonable discretion) has been entered by such date, in which event the foregoing date shall be extended to June 6, 2008, and may be further extended from time to time pursuant to a budget for such extended periods, as may be agreed to by the Agent and the Debtor in writing, without further order of the Court, provided that notice of such extended date is filed with the Court and served on counsel to the Creditors' Committee, if any;

(b) the occurrence of an Event of Default (as defined in the DIP Credit Agreement);

(c) the effective date of any plan for the Debtor confirmed pursuant to Bankruptcy Code Section 1129; or

(d) at any time the sum of the Pre-Petition Obligations plus Obligations are greater than the sum of the Borrowing Base under the DIP Credit Agreement plus cash on deposit with the Pre-Petition Agent.

Unless and until the Obligations and all Pre-Petition Obligations are repaid in full, all commitments to lend have terminated, all Letters of Credit have been cash secured as required by the DIP Loan Documents, and all obligations under the DIP Loan Documents which survive termination and the Pre-Petition Indemnification Obligations have been cash secured to the reasonable satisfaction of the Agent, the protections afforded to the Agent and the Lenders under the DIP Loan Documents, and any actions taken pursuant thereto, shall survive the entry of any order confirming a plan or converting this case into a Successor Case, and the Liens in and to the Collateral and the Super-Priority Claim shall continue in this proceeding and in any Successor Case, and such Liens and Super-Priority Claim shall maintain their priority as provided by this Order.

21. The time and manner of payment of the Obligations pursuant to the DIP Credit Agreement and the Liens in and to the Collateral and the Super-Priority Claim shall not be altered or impaired by any plan which may hereafter be confirmed pursuant to or by any further order which may hereafter be entered other than the Final Order and any order assented to in writing by the Lenders.

22. The Debtor may use the proceeds of the loans and advances made pursuant to the DIP Credit Facility only for the purposes specifically set forth in the DIP Credit Agreement. Notwithstanding anything herein or in the DIP Credit Agreement to the contrary no such loans or advances or any proceeds of the Collateral may be used by the Debtor, the Creditors' Committee or any other person or entity to object to or contest in any manner, or raise any defenses to (provided, however, the proceeds of loans and advances may be used by the Committee to investigate) the validity, extent, perfection, priority or enforceability of the Pre-Petition Obligations, the Obligations, or any liens or security interests with respect thereto or any other rights or interests of the Pre-Petition Agent, Pre-Petition Lenders, Agent, or the Lenders, or to assert any claims or causes of action, including, without limitation, any actions under Chapter 5 of the Bankruptcy Code, against the Pre-Petition Agent, Pre-Petition Lenders, Agent, or the Lenders.

#### **AUTHORIZING USE OF CASH COLLATERAL AND ADEQUATE PROTECTION**

23. Provided no Event of Default has occurred, and subject to the Budget, Debtor is hereby authorized to use Cash Collateral in accordance with the terms and conditions of this Order and the DIP Credit Agreement.

24. As partial adequate protection, pursuant to sections 361 and 363 of the Bankruptcy Code for the diminution and value arising out of the Debtor's use, sale or disposition of the Pre-Petition Collateral including Cash Collateral and the granting by the Debtor of the Liens to the Agent in the Pre-Petition Collateral:

(a) The Pre-Petition Agent is hereby granted a valid, perfected and enforceable security interest and replacement lien in the Collateral (at times collectively referred to herein as the "Adequate Protection Collateral") and an allowed administrative expense claim having priority over all administrative expenses of the kind specified in sections 503(b), 507(a)(2), 507(6), 105, 326, 330, 331 and 506(b) and 726 of the Bankruptcy Code against the Debtor's estate (the "Super Priority Claim"), each of which shall be junior only to the liens granted to the Agent and the Carve-Out.

(b) The liens and security interest granted in this section shall be limited to the extent of the aggregate diminution of the value of the Pre-Petition Collateral subsequent to the Petition Date, whether by depreciation, use, sale, loss, decline in value or otherwise including such diminution as may arise from the use or application of the Pre-Petition Collateral (including Cash Collateral) in accordance with this Order including by reason of the Lien granted to the Agent ("Diminution Claim"). Without limiting the generality of the foregoing, the Carve-Out shall be included as a diminution in the value of the Pre-Petition Collateral in any calculation regarding adequate protection of the Pre-Petition Agent including in connection with the determination of the Diminution Claim or the

amount secured by the Adequate Protection Collateral. The Diminution Claim, if any, shall be an allowed Super-Priority Claim subject only to the Carve-Out and the Agent's Super-Priority Claim.

(c) After all Pre-Petition Obligations and Obligations under the DIP Credit Facility have been paid in full, all commitments under the DIP Credit Facility have terminated, all Letters of Credit and indemnification obligations have been cash collateralized (each in accordance with the DIP Credit Facility), the Pre-Petition Indemnification Obligations shall be cash collateralized to the extent determined by the Pre-Petition Agent in its reasonable discretion.

### **EVENTS OF DEFAULT**

25. Any automatic stay otherwise applicable to the Pre-Petition Agent, Agents, Lenders, and Pre-Petition Lenders is hereby modified so that after the occurrence of any Event of Default and after the expiration of five (5) business days prior written notice of such occurrence (the "Remedies Notice Period") (which notice shall be in writing and delivered by facsimile, electronic mail, or overnight carrier), in each case given to the Debtor, counsel to the Debtor, counsel for the Creditors' Committee, if any, counsel to the Klaussner Secured Parties, and the United States Trustee, the Agent, Pre-Petition Agent, the Lenders, and Pre-Petition Lenders shall be entitled to exercise their rights and remedies in accordance with the DIP Loan Documents. Immediately following the giving of notice by the Agent of the occurrence of an Event of Default: (i) the Debtor shall continue to deliver and cause the delivery of the proceeds of Collateral to the Pre-Petition Agent or Agent as provided in the DIP Credit Agreement and this Order; (ii) the Agent shall continue to apply such proceeds in accordance with the provisions of this Order and of the DIP Credit Agreement; (iii) the Debtor shall have no right to use any of such proceeds, nor any other cash collateral (as defined in Bankruptcy Code Section 363(a)) other than towards the satisfaction of the Obligations and the Carve-Out; and (iv) any obligation otherwise imposed on the Agent or the Lenders to provide any loan or advance to the Debtor pursuant to the DIP Credit Facility shall be suspended. Following the giving of notice by the Agent of the occurrence of an Event of Default, the Debtor shall be entitled to an emergency hearing before this Court solely for the purpose of contesting whether an Event of Default has occurred. If the Debtor does not contest whether an Event of Default has occurred within such a time period, or if the Debtor does timely contest the occurrence of an Event of Default, and the Court after notice and hearing declines to stay the enforcement thereof within such time period, the automatic stay as to the Agent and Lenders shall automatically terminate at the end of such notice period.

26. At any time after the Remedies Notice Period, unless the Court has determined during the Remedies Notice Period that an Event of Default has not occurred, the Pre-Petition Agent, Agent, Lenders, and Pre-Petition Lenders shall be entitled to exercise, if the Pre-Petition Agent, Agent, Lenders, and Pre-Petition Lenders exercise any of their rights and remedies upon the occurrence of an Event of Default under the DIP Loan Documents, the Agent may retain one or more agents to sell, lease, or otherwise dispose of the Collateral. In any exercise of their rights and remedies upon an Event of Default under the DIP Loan Documents, the Pre-Petition Agent, Agent, Lenders, and Pre-Petition Lenders are authorized to proceed under or pursuant to the DIP Loan Documents.

27. At any time after the Remedies Notice Period, unless the Court has determined during the Remedies Notice Period that an Event of Default has not occurred in the exercise of the Agent's rights and remedies upon Event of Default,

(a) the Agent may by written notice to the Debtor require the Debtor to file a motion seeking to retain one or more agents to sell, lease, or otherwise dispose of the Collateral on terms acceptable to the Agent. The Debtor shall file such motion within ten (10) calendar days of the Agent's request and shall diligently prosecute such motion. If the Debtor fails to so file the motion or diligently prosecute same, the Agent may file and prosecute such a motion in the name of the Debtor; and/or

(b) the Agent may by written notice to the Debtor require the Debtor to file a motion or motions seeking to sell, assume, assign, or otherwise dispose of any or all of the real estate (including, without limitation, leasehold interests) of the Debtor pursuant to Sections 363 and 365 of the Bankruptcy Code, on terms acceptable to the Agent. The Debtor shall file such motion or motions within ten (10) calendar days of the Agent's request and shall diligently prosecute such motion. If the Debtor fails to so file such motion(s) or diligently prosecute same, the Agent may file and prosecute such a motion(s) in the name of the Debtor; and/or

(c) the Agent may proceed under or pursuant to the DIP Credit Agreement and other DIP Loan Documents.

All proceeds realized from any of the foregoing shall be turned over to the Agent for application to the Carve-Out, the Pre-Petition Obligations and the Obligations under, and in accordance with the provisions of, the DIP Credit Agreement, other DIP Loan Documents, and this Order.

28. Nothing included herein shall prejudice, impair, or otherwise affect the Pre-Petition Agent's, Pre-Petition Lender's, Agent's or Lenders' rights to seek any other or supplemental relief in respect of the Debtor nor the Agent's or Lenders' rights, as provided in the DIP Credit Agreement, to suspend or terminate the making of loans under the DIP Credit Agreement in accordance with the terms of the DIP Credit Agreement.

### **MISCELLANEOUS PROVISIONS**

29. This Order is entered pursuant to Sections 363 and 364 of the Bankruptcy Code, granting the Agent and the Lenders all protection afforded by Bankruptcy Code Section 364(e) and the Pre-Petition Agent and the Pre-Petition Lenders all protection afforded by Bankruptcy Code Section 363(m). If any provision of this Order is hereafter reversed, modified, vacated or stayed by subsequent order of this or any other Court for any reason, such action will not affect: (i) the validity of any obligation, indebtedness or liability incurred post-petition hereunder by the Debtor to the Agent or the Lenders prior to the date of receipt of written notice to the Agent of the effective date of such action; (ii) the validity and enforceability of any Lien or priority authorized or created hereby or pursuant to the DIP Credit Agreement or related DIP Loan Documents; or (iii) the validity and enforceability of any security interest or Lien or priority authorized or created hereby to the Pre-Petition Agent in the Adequate Protection Collateral. Notwithstanding any such reversal, stay, modification or vacatur, any post-petition indebtedness,

obligation or liability incurred by the Debtor to the Agent or the Lenders prior to the written notice to the Agent of the effective date of such action shall be governed in all respects by the original provisions of this Order. The Agent, the Lenders, the Pre-Petition Agent and the Pre-Petition Lenders shall be entitled to all the rights, remedies, privileges and benefits granted herein and in the DIP Credit Agreement and the DIP Loan Documents with respect to such indebtedness, obligation or liability.

30. Except as set forth in Paragraph 9, the payments made, and the Liens and Super-Priority Claims granted to the Agent and Secured Parties under the DIP Credit Facility and this Order, and the priority thereof, shall be binding on the Debtor, any successor trustee for the Debtor, the Creditors' Committee and all creditors of the Debtor, as provided in Bankruptcy Code Section 364(e).

31. All depository banks, blocked account banks, and credit card processors shall continue to comply for the benefit of the Agent and the Lenders, with the terms and conditions of any Blocked Account Agreement, DDA Notifications, or Credit Card Notifications received or in existence as of the Petition Date whether or not, and as if, an additional agreement or notification is executed or furnished in connection with the DIP Credit Agreement.

32. Following the occurrence of an Event of Default, all custom brokers used by the Debtor are hereby appointed as agent for the Agent to receive and retain possession of all bills of lading, documents, and other documents of title (collectively, the "Title Documents") heretofore or at any time hereafter issued for any goods, inventory, or other property of the Debtor which are received by custom broker for processing (collectively, the "Property") and to receive and retain possession of all such Property, such receipt and retention, or possession of the Title Documents and Property being for the purpose of more fully perfecting and preserving the Agent's Liens in the Title Documents and the Property. A custom broker who has been given notice of this Order and of such Event of Default is authorized to maintain possession of the Title Documents and, where appropriate, the Property, subject to the Liens of the Agent until receipt of express direction from the Agent or an order of this Court directing them otherwise.

33. The Agent's failure to seek relief or otherwise exercise its rights and remedies under the DIP Credit Facility or this Order shall not constitute a waiver of any of the Agent's rights hereunder, thereunder, or otherwise.

~~34. This Order does not create any rights for the benefit of any third party, creditor, or any direct, indirect, or incidental beneficiary.~~

35. Counsel to the Agent and the Pre-Petition Agent shall submit redacted copies of all invoices for legal fees and expenses to the Debtor, Creditors' Committee, and the United States Trustee. Upon the passage of ten (10) calendar days after submission of such invoices, the Debtor shall pay to the Agent or Pre-Petition Agent, as applicable, the amount of all legal fees and out-of-pocket expenses requested by counsel and such invoices to the extent no objection has been filed with the Court to such legal fees or expenses. No person submitting an invoice for payment of legal fees shall be required to file with respect thereto any interim or final fee application with this Court, although disputes as to the entitlement of such legal fees and expenses under the Bankruptcy Code Section 506(b) shall be subject to this Court's jurisdiction. Notwithstanding the payment of the legal fees and expenses pursuant to this Paragraph 35, if it is

later determined by the Court that the claims of the Pre-Petition Lenders under the Pre-Petition Loan Documents are not fully secured claims pursuant to Section 506(b), the post-petition payment of legal fees and expenses of the Pre-Petition Lenders may be reallocated to the outstanding principal balance of the Pre-Petition Obligations after notice and a hearing before the Court.

36. The Debtor and the Agent may amend or waive any provision of the DIP Credit Facility, provided that such amendment or waiver, in the judgment of the Debtor and the Agent, is nonprejudicial to the rights of third parties and is not material. Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions hereof shall be effective unless set forth in writing, signed by the Debtor and the Agent and approved by the Court.

37. This Order shall not be construed in any way as a waiver or relinquishment of any rights that the Agent and/or the Lenders may have to bring or be heard on any matter brought before this Court.

38. The terms of this Order and the DIP Credit Agreement and any actions pursuant thereto, including but not limited to the Liens granted there under and the adequate protection granted hereby, shall survive the entry of any order: (a) confirming any plan of reorganization in this case; (b) dismissing this case; (c) converting this Chapter 11 case to any other Chapter under the Bankruptcy Code; (d) withdrawing of the reference of this Chapter 11 case from this Court; and (e) abstention from handling or retaining of jurisdiction of this Chapter 11 case in this Court.

39. In the event of any inconsistency between the terms and conditions of any DIP Loan Document and of this Order, the provisions of this Order shall govern and control.

40. The DIP Credit Facility has been negotiated in good faith and at arms-length between the Debtor and the Agent; and any credit extended and loans made to the Debtor pursuant to the Interim Order and/or the DIP Loan Documents will be deemed (and are found) to have been extended, issued, or made, as the case may be, in good faith as required by, and within the meaning of, Bankruptcy Code §364(e). Consequently, the Agent is entitled to the protections of Bankruptcy Code § 364(e).

41. The Debtor shall, within two (2) days after this Order is entered, serve by U.S. mail copies of the notice of entry of this Order, together with a copy of this Order and proposed Final Order to (i) parties having been given notice of the emergency hearing, (ii) any other party which has filed a request for special notice with this Court and served such request upon the Debtor's counsel, (iii) counsel for any statutory committee, (iv) all creditors who have recorded a UCC-1 financing statement on the personal property of the Debtor or a Lien on any of the Debtor's real estate, (iv) all immediate landlords that are direct parties to leases with the Debtor, and (v) the United States Trustee. The notice of entry of this Order shall state that any party in interest objecting to the DIP Credit Facility or the terms of the Final Order shall file written objections with the United States Bankruptcy Court Clerk for the Middle District of Tennessee no later than January 4, 2008, which objections shall be served so that same are received by no later than 4:00 p.m. (Eastern time) on such date by the United States Trustee, counsel for the Debtor, and counsel for the Agent.



The Second Interim Hearing to consider the Motion and Second Interim Order shall be held on December 21, 2007, at 10:00 a.m. before the Honorable Keith M. Lundin, United States Bankruptcy Judge, in Courtroom 2, Customs House, 701 Broadway, Nashville, Tennessee. The Final Hearing to consider the Motion and Final Order shall be held on January 15, 2008 at 9:30 a.m. before the Honorable George C. Paine II, United States Bankruptcy Judge, in Courtroom 1, Customs House, 701 Broadway, Nashville, Tennessee. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtor and entered by the Court.

**THIS ORDER WAS SIGNED AND ENTERED ELECTRONICALLY AS INDICATED  
AT THE TOP OF THE FIRST PAGE.**

APPROVED FOR ENTRY:

/s/ William L. Norton III

William L. Norton, III (TN 10075)  
BOULT, CUMMINGS, CONNERS & BERRY, PLC  
1600 Division St., Suite 700  
Nashville, Tennessee 37203  
(615) 252-2397  
fax: (615) 252-6397  
bnorton@boultcummings.com

- and -

ALSTON & BIRD LLP  
Dennis J. Connolly  
Jason H. Watson  
Wendy R. Reiss  
1201 West Peachtree Street  
Atlanta, Georgia 30309-3424  
Telephone: (404) 881-7000  
Facsimile: (404) 881-7777  
jason.watson@alston.com  
wendy.reiss@alston.com

*Attorneys for the Debtor and  
Debtor in Possession*

/s/ Paul G. Jennings

Paul G. Jennings (TN 14367)  
Bass, Berry & Sims PLC  
AmSouth Center  
315 Deaderick St., Ste. 2700  
Nashville, TN 37238-3001  
Phone: 615-742-6267  
Fax: 615-742-6293  
pjennings@bassberry.com

- and -

Kevin J. Simard  
Riemer & Braunstein LLP  
Three Center Plaza, 6th Floor  
Boston, Massachusetts 02108  
(617) 523-9000  
(617) 880-3456 fax  
KSimard@riemerlaw.com

*Attorneys for Wells Fargo Bank, N.A.  
and Wells Fargo Retail Finance, LLC*

/s/ Lloyd E. Mueller

Lloyd E. Mueller (TN 16540)  
US Trustee Office  
701 Broadway, Ste. 318  
Customs House  
Nashville, TN 37203  
Phone: 615-736-2254 Ext. 226  
Fax: 615-736-2260  
Lloyd.E.Mueller@usdoj.gov

## Sofa Express Inc. (v18)

Sofa Express Inc. (v18)

Wind-Down Budget and DIP Facility

Bankruptcy Filing = 12/6/07

Last Updated 12/10/07

	Week 1-Post Actual 12/8/2007	Week 2 Forecast 12/15/2007	Week 3 Forecast 12/22/2007	Week 4 Forecast 12/29/2007	Week 4 Total 4 Weeks
For the week ending, Saturday					
Professional Fees:					
WFRF - Legal Fees / Other Fees	-	-	-	-	-
CTG (Debtor - Financial Advisor)	-	-	-	-	-
Legal-Other	-	-	-	-	-
Creditor-Legal	-	-	-	-	-
Creditor-FA	-	-	-	-	-
Alston & Byrd & Hubbard (Debtor - Legal)	-	-	-	-	-
Carl Marks	-	-	42,500	-	42,500
Other	-	-	-	-	-
BMC Group (Noticing Agent)	-	-	-	-	-
Fees Incurred after liquidation sale should be paid from Reserve Below	-	-	-	-	-
Total Professional Fees	-	-	42,500	-	42,500
Total Cash Disbursements	(0)	1,127,506	1,240,731	897,927	3,266,164
REIMBURSEMENTS:					
Store Expenses Reimbursement (excl. benefits)	-	-	-	-	-
Store Benefits Reimbursement (assume 20% of payroll)20%	-	-	-	-	-
Occupancy Cost Reimbursement (excl. Rent)	-	-	-	-	-
Pro-Rated Rent Reimbursement	-	-	-	-	-
Petty Cash in Stores at time of Sale -- Liquidator to Use and Reimburse	-	-	-	-	-
Central Services	-	-	-	-	-
DC Expense Reimbursement (excl. Benefits)	-	-	-	-	-
DC Benefits Reimbursement (assume 20% of payroll)20%	-	-	-	-	-
DC Occupancy Cost Reimbursement (excl. Rent)	-	-	-	-	-
DC Rent Reimbursement	-	-	-	-	-
Timing of Reimbursement -- Payment 1 Week in Arrears	-	-	-	-	-
Total Reimbursements	-	-	-	-	-
NET CASH FLOW	283,229	(739,313)	(1,035,550)	(891,866)	(2,383,499)
CUMULATIVE NET CASH FLOW	283,229	(456,083)	(1,491,633)	(2,383,499)	
Borrowing Base Analysis					
Beginning Inventory	15,111,294	14,839,703	14,463,615	14,434,656	
Plus: Purchases	-	-	-	-	
Less: Sales (@ Cost)	(271,591)	(376,087)	(28,959)	-	
Less: Markdowns-Sale of Inventory to Liquidator	-	-	-	-	
Ending Inventory	14,839,703	14,463,615	14,434,656	14,434,656	
YTD c-o sales 11/10					
Shrink @0.50%52,468,500	(301,205)	(303,086)	(303,231)	(303,231)	
Other- Cycle count adj	(3,029)	(3,029)	(3,029)	(3,029)	
Ending Shrink & ADJ's	(304,234)	(306,115)	(306,260)	(306,260)	
In-eligible Inventory	(162,499)	(162,499)	(162,499)	(162,499)	
Total Eligible Inventory	14,372,969	13,995,002	13,965,898	13,965,898	
12/3/07					
Inventory Availability54.0%59.1%	7,761,403	7,557,301	7,541,585	7,541,585	
CC Receivables Availability90.0%	54,967	27,482	6,061	-	
Real Estate\$ 5,570,00070.0%60.0%	3,899,000	3,899,000	3,899,000	3,899,000	
Fixed Assets\$ 3,274,500 FLV85.0%	2,783,325	2,783,325	2,783,325	2,783,325	
Total Borrowing Base Availability	14,498,696	14,267,108	14,229,971	14,223,910	
Availability Reserves - Customer Deposits	(1,554,852)	(1,001,014)	(764,010)	(527,006)	
Professional Fee Carve Out	(300,000)	(300,000)	(300,000)	(300,000)	
3-months HQ Occupancy	-	-	-	-	
Minimum Availability Reserve	-	-	-	-	
Total Reserves	(1,854,852)	(1,301,014)	(1,064,010)	(827,006)	
Total Borrowing Base Availability Net of Reserves	12,643,844	12,966,094	13,165,961	13,396,904	
Loan Balance	10,064,483	10,803,796	11,839,346	12,731,211	
Standby Letters of Credit	210,000	210,000	210,000	210,000	
Klaussner Insurance L/C	500,000	500,000	500,000	500,000	
Total Exposure before Term Loans	10,774,483	11,513,796	12,549,346	13,441,212	
Excess Availability	1,869,360	1,452,298	616,615	(44,307)	
Minimum Excess Availability	-	-	-	-	
Standby Letter of Credit - Reserve Account at Wells (Worker's Comp Claims)	-	-	-	-	
Professional Fee - Reserve Account at Wells (Debtor)	-	-	-	-	
Professional Fee - Reserve Account at Wells (Creditor)	-	-	-	-	
Professional Fee - Reserve Account at Wells (Additional Debtor)	-	-	-	-	
Indemnification Reserve - Account at Wells (WFRF Legal)	-	-	-	-	
Excess Availability after Covenant = Available Cash	1,869,360	1,452,298	616,615	(44,307)	
Klaussner Secured Debt	36,281,056	36,281,056	36,281,056	36,281,056	
Wells Revolver/DIP	10,774,483	11,513,796	12,549,346	13,441,212	
Total Exposure including Term Loans (Secured)	47,055,540	47,794,852	48,830,402	49,722,268	

The accompanying financial information is based on information provided by Sofa Express. Clear Thinking Group has not audited or otherwise verified the information provided to us, nor will we provide any assurances as concerning the reliability, accuracy, or completeness of any materials provided by or on behalf of Sofa Express.