

**\IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
VICTORIA DIVISION**

IN RE: §
§ **CASE NO. 10-60149**
LACK’S STORES, INCORPORATED, ET §
AL.,¹ § **(Chapter 11)**
§ **Jointly Administered**
DEBTORS.

**DEBTORS’ APPLICATION FOR AUTHORIZATION TO EMPLOY AND RETAIN
KURTZMAN CARSON CONSULTANTS LLC AS NOTICE,
CLAIMS, AND BALLOTING AGENT**

**A HEARING WILL BE CONDUCTED ON THIS MATTER
ON DECEMBER 15, 2010 AT 2:30 P.M. AT THE UNITED
STATES COURTHOUSE, COURTROOM 600, 515 RUSK
AVENUE, HOUSTON, TEXAS 77002.**

**IF YOU OBJECT TO THE RELIEF REQUESTED, YOU
MUST RESPOND IN WRITING, SPECIFICALLY
ANSWERING EACH PARAGRAPH OF THIS PLEADING.
UNLESS OTHERWISE DIRECTED BY THE COURT, YOU
MUST FILE YOUR RESPONSE WITH THE CLERK OF
THE BANKRUPTCY COURT WITHIN TWENTY-THREE
DAYS FROM THE DATE YOU WERE SERVED WITH
THIS PLEADING. YOU MUST SERVE A COPY OF YOUR
RESPONSE ON THE PERSON WHO SENT YOU THE
NOTICE; OTHERWISE, THE COURT MAY TREAT THE
PLEADING AS UNOPPOSED AND GRANT THE RELIEF
REQUESTED.**

**REPRESENTED PARTIES SHOULD ACT THROUGH
THEIR ATTORNEYS.**

Lack’s Stores, Incorporated and its affiliated debtors (the “Debtors”) hereby file this
Application Pursuant to 28 U.S.C. § 156(c) for Authorization to Employ and Retain Kurtzman

¹ The Debtors and the last four digits of their tax identification numbers are Lack’s Stores, Incorporated (6528), Merchandise Acceptance Corporation (0972), Lack’s Furniture Centers, Inc. (9468), and Lack Properties, Inc. (8961).

**DEBTORS’ APPLICATION FOR AUTHORIZATION TO EMPLOY
AND RETAIN KURTZMAN CARSON CONSULTANTS LLC
AS NOTICE, CLAIMS, AND BALLOTING AGENT**



Carson Consultants LLC as Notice, Claims and Balloting Agent (the "Application"), and in support thereof respectfully state as follows:

JURISDICTION AND PROCEDURAL BACKGROUND

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Application is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A).
2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
3. On November 16, 2010 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), thereby commencing the above-captioned cases (the "Cases").
4. Since the Petition Date, the Debtors have continued to operate and manage their businesses as debtors in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.
5. As of the Date of this Application, no official committee of unsecured creditors has been appointed.

FACTUAL BACKGROUND

A. The Debtors and Their 70-Year History

6. Lack's Stores, Incorporated ("Lack's") is a Texas corporation with its corporate headquarters located in Victoria, Texas. It is one of the largest independently-owned retail furniture chains in the United States. Lack's operates under the trade names "Lack's" and "Lack's Home Furnishings" and sells a complete line of furnishings for the home, including furniture, bedding, major appliances and home electronics.

7. The nucleus of the current company was formed on February 28, 1938 by David and Rebecca Lack, when they opened a small auto supply store in Beeville, Texas. Because of the chronic shortage of cars and new auto parts during World War II, the company diversified

into furniture in an attempt to maintain sales volume. Furniture did well, and so became a growing segment of Lack's total business.

8. In 1952, by which time the company had expanded to five retail stores, Lack's made a commitment to become a furniture and appliance chain. It continued to carry auto supplies, tires and other hardware items at all locations, but the merchandising emphasis switched to home furnishings. The original automotive and hardware merchandise was eventually phased out in the 1970's.

9. Today, Lack's remains a family owned business that operates 36 retail home furnishing stores in 26 cities located in Texas.² These stores are supported by a 380,000 square foot state-of-the-art distribution center in Schertz, Texas, several cross-docking central delivery facilities, and a service center. According to surveys by Furniture/Today, an industry newspaper, Lack's sales volume place it among the top furniture retailers in the country. In 2007, Lack's was named Retailer of the Year by the National Home Furnishings Association.

10. Lack Properties, Inc. ("Lack Properties"), a wholly-owned subsidiary of Lack's, is the owner of the real property and improvements associated with approximately fourteen store and warehouse locations that are leased to Lack's.³ The remaining store locations are leased by Lack's from third party lessors, including locations that are leased from lessors that are affiliated with various members of the Lack's family.

² Lack's retail stores are located in Abilene, Alice, Austin (3), Bay City, Beeville, College Station, Corpus Christi (2), Del Rio, El Campo, Killeen, Longview, Lubbock (2), Lufkin, Midland, New Braunfels, Odessa, Port Lavaca, Portland, San Angelo, San Antonio (5), Sinton, Temple, Tyler, Uvalde, Victoria (2), and Waco.

³ Merchandise Acceptance Corporation ("Merchandise Acceptance") and Lack's Furniture Centers, Inc. ("Lack's Furniture") are also wholly-owned subsidiaries of Lack's, each of which own limited or no assets and have no operations.

11. Since its inception, Lack's has financed a significant portion of its customers' purchases through the underwriting of "in store" financing. Indeed, over the last several years, Lack's has financed approximately 70% of all customer sales. The book amount of the customer notes receivable portfolio as of the Petition Date is more than \$130,000,000. There are currently in excess of 75,000 customer notes receivable, the average balance of each note is approximately \$1,700, and the weighted average remaining term of each note is approximately eighteen to twenty-four months.

12. Lack's services the customer notes portfolio with in-house employees. Lack's has historically collected approximately 95% of the balance of the customer notes receivable, even though they are generally considered to be "sub-prime" by many credit institutions.

13. Lack's revenue is derived from the sale of home furnishings and the interest earned from financing customer notes receivable. From February 1, 2010 (the beginning of Lack's fiscal year) through the Petition Date, Lack's has generated revenue of more than \$122,000,000 and has operating profit of more than \$1,000,000. Lack's currently employs approximately 886 persons.

B. Secured Credit Facility

14. Lack's is the borrower under that certain Second Amended and Restated Loan and Security Agreement dated as of July 10, 2007 (as amended from time to time, the "Senior Credit Agreement") among Lack's, The CIT Group / Business Credit, Inc., as agent (in such capacity, the "Agent"), and the other lenders from time to time party thereto (together with the Agent, the "Senior Lenders").⁴ Lack's relationship with many of the Senior Lenders under the Senior

⁴ The current Senior Lenders include The CIT Group / Business Credit, Inc.; U.S. Bank National Association; PNC Bank, National Association; Capital One Leverage Finance Corp.; and JPMorgan Chase Bank, N.A.

Credit Agreement (or prior versions thereof) dates back to 1999. The Senior Credit Agreement, with a stated maturity date of October 31, 2010,⁵ is a revolving credit facility. From 1999 through the maturity date, Lack's had never been in monetary default under the operative credit documents.

15. As of the Petition Date, the aggregate principal amount of the advances currently outstanding under the Senior Credit Agreement is approximately \$86,000,000, having been gradually reduced from \$105,000,000 since January of 2009. Lack's obligations under the Senior Credit Agreement are guaranteed by Merchandise Acceptance, Lack's Furniture, Lack Properties, and Melvin Lack.⁶ The Senior Lenders allege that the obligations under the Senior Credit Agreement are secured by a lien on substantially all of the Debtors' assets excluding certain real estate. The Senior Lenders do not, however, have dominion over all of the Debtors' bank accounts.

16. In addition to liens held by the Senior Lenders, certain of the properties owned by Lack Properties and leased to Lack's are subject to mortgages held by third party lenders, including stores in Bay City, Abilene, Wichita Falls (now closed), and Longview, as well as warehouse/distribution centers in Schertz and San Antonio.

C. Trade Creditors

17. In the ordinary course of business, the Debtors purchase merchandise from an assortment of vendors, including furniture, bedding, home electronics and appliance manufacturers. The Debtors estimate that, as of the Petition Date, the general unsecured claims

⁵ By agreement, the maturity date was subsequently extended through and including November 12, 2010.

⁶ Mr. Lack's obligations under the guarantee are limited. Mr. Lack is not a debtor in these Cases and is represented by separate counsel in the Cases.

held by trade vendors against their respective estates are no more than \$12,000,000 in the aggregate. The Debtors' three largest vendors⁷ account for approximately 60% of the amounts payable to trade creditors.

D. Events Leading to the Chapter 11 Cases

18. As a result of the economic slowdown, consumer demand in general – and the demand for home furnishings in particular – decreased sharply starting in the second half of 2008. The decreased demand caused an approximate 20% decrease in Lack's revenues starting at the end of its 2008 fiscal year. Notwithstanding this decrease, Lack's was able to reduce expenses and reach a monthly breakeven position by February 2009. The effort to recover revenues and control expenses has continued. Revenue and profitability have continued to improve during 2010.

19. At the same time, the national economic slowdown resulted in an unprecedented tightening of credit markets. The Senior Lenders stated that they would not refinance or restructure the obligations under the Senior Credit Agreement on terms which would allow the Debtors to continue their operations. The Debtors have been unable to identify an alternative financing source for their business operations since the overwhelming majority of their customers are rated sub-prime, notwithstanding those customers' and Lack's great historical and current track record of payment and collection, respectively.

20. Without an alternative funding source, Lack's will be unable to finance the purchase of new inventory or to underwrite additional customer notes receivable. As a consequence, the Debtors determined that it was appropriate to commence these Cases in order

⁷ Comprised of Sealy Mattress Company, Lane Furniture Industries, and Brownchild Ltd. Inc.

to maximize the value of their assets for the benefit of their creditors and equity holders and to conduct an orderly – as opposed to forced – liquidation, utilizing cash collateral to effect the wind-down which is anticipated to pay all creditors in full.

E. The Chapter 11 Cases

21. The Debtors submit that these Cases will have two macro components or goals. First, the Debtors will request that the Court approve the commencement of “Store Closing Sales” so that the Debtors (working with Hilco Merchant Resources, LLC (“Hilco”)⁸) may sell their remaining inventory in a prompt and efficient manner designed to maximize recoveries and reduce the costs of operations. Second, the Debtors intend to propose a chapter 11 plan that will provide for the collection of the customer notes receivable portfolio in the ordinary course of business and the marketing and disposition of their real estate interests over time and in such a manner as to maximize their value for the benefit of the estates.

22. The Debtors anticipate that the orderly liquidation of their inventory and fixtures, ordinary course collection of customer notes receivable, and the marketing and disposition of real property interests and other miscellaneous assets will satisfy in full the claims of the Senior Lenders under the Senior Credit Agreement and likely the claims of all other creditors with a return available to the equity holders.

RELIEF REQUESTED

23. By this Application, the Debtors seek to employ Kurtzman Carson Consultants LLC (“KCC”) as notice, claims, and balloting agent, and to assist in the preparation of schedules and statements of financial affairs at the Debtors’ election, in connection with their Cases, on the

⁸ Pursuant to the Debtors’ agreement with Hilco, Hilco is permitted to joint venture with SB Capital Group, LLC with respect to the “Store Closing” sales.

terms and subject to the conditions of the *KCC Agreement for Services* attached hereto as **Exhibit “A”** (the “Agreement”).

A. Legal Authority

24. Section 156(c) of title 28 of the United States Code governs the staffing and expenses of the Bankruptcy Court and authorizes the Court to use facilities other than those of the Clerk’s Office for the administration of bankruptcy cases. Section 156(c) provides, in pertinent part:

Any court may utilize facilities or services, either on or off the court’s premises, which pertain to the provision of notices, dockets, calendars, and other administrative information to parties in cases filed under the provisions of title 11, United States Code, where the costs of such facilities or services are paid for out of the assets of the estates and are not charged to the United States.

28 U.S.C. §156(c).

25. The Debtors estimate that there are well over one thousand creditors and other parties in interest in these Cases, many of whom may file proofs of claim. The distribution of notices, and the receipt, docketing, and maintenance of proofs of claim in these Cases would be unduly time consuming and burdensome for the Clerk’s Office.

26. KCC is a bankruptcy administrator that specializes in providing comprehensive chapter 11 administrative services including noticing, claims processing, balloting and other related services critical to the effective administration of chapter 11 cases. Indeed, KCC has developed efficient and cost-effective methods to properly handle the voluminous mailings associated with the noticing, claims processing and balloting portions of chapter 11 cases to ensure the orderly and fair treatment of creditors, equity security holders and all parties in interest. Further, KCC will work with the Clerk’s Office to ensure that such methodology

conforms with all of the Court's procedures, the Local Rules and the provisions of any orders entered by this Court.

27. KCC has substantial experience in matters of this size and complexity. KCC is well-recognized as a specialist in performing these functions and has acted as the official notice, claims and solicitation agent in many large bankruptcy cases and has been retained in numerous chapter 11 cases of significant size both in this and other districts. *See, e.g., In re Bosque Power Company, LLC*, Case No. 10-60348 (RBK) (Bankr. W.D. Tex. March 24, 2010); *In re Edge Petroleum Corp., et al.*, Case No. 09-20644 (RSS) (Bankr. S.D. Tex. October 1, 2009); *In re Idearc Inc., et al.*, Case No. 09-31828 (BJH) (Bankr. N.D. Tex. March 21, 2009); *In re Interiors & Gifts, Inc., et al.*, Case No. 08-31961 (BJH) (Bankr. N.D. Tex. April 21, 2009); *In re Blockbuster, Inc., et al.*, Case No. 10-14997 (Bankr. S.D.N.Y. September 23, 2010); *In re NR Liquidation III Co. Inc. f/k/a Neff Corp.*, Case No. 10-12610 (SCC) (Bankr. S.D.N.Y. May 16, 2010); *In re Uno Restaurant Holdings Corporation*, Case No. 10-10209 (MG) (Bankr. S.D.N.Y. January 20, 2010); *In re American Safety Razor Company, LLC, et al.*, No. 10-12351 (MFW) (Bankr. D. Del. July 28, 2010); *In re OTC Holdings Corporation*, No. 10-12636 (BLS) (Bankr. D. Del. August 25, 2010); *In re Magic Brands, LLC, et al.*, No. 10-11310 (BLS) (Bankr. D. Del. April 21, 2010); *In re Regent Communications, Inc.*, No. 10-10632 (KG) (Bankr. D. Del. March 1, 2010); *In re International Aluminum Corporation*, No. 10-10003 (MFW) (Bankr. D. Del. 2010); *In re Specialty Packaging Holdings, Inc.*, No. 10-10142 (KG) (Bankr. D. Del. 2010); *In re Black Gaming, LLC*, No. 10-13301 (BAM) (Bankr. D. Nev. Mar. 5, 2010); *In re Movie Gallery, Inc.*, No. 10-30696 (DOT) (Bankr. E.D. Va. Feb. 3, 2010); *In re Fleetwood Enters., Inc.*, No. 09-14254 (MJ) (Bankr. C.D. Cal. Mar. 20, 2009).

28. The Debtors believe that the retention of KCC as notice, claims, and balloting agent is in the best interests of their estates, creditors, and other parties in interest. As set forth more fully in the *Declaration of Albert H. Kass, Vice President of Corporate Restructuring Services at Kurtzman Carson Consultants LLC*, attached hereto as **Exhibit “B”** (the “Kass Declaration”), KCC’s appointment will relieve the Court and the Clerk’s Office of heavy administrative burdens. Additionally, the retention of KCC as the notice, claims, and balloting agent will promote the effective administration of the Debtors’ estates. Accordingly, the Debtors propose to engage KCC as their notice, claims, and balloting agent under 28 U.S.C. § 156(c).

B. Scope of Services

29. The Agreement between the Debtors and KCC, attached hereto, is incorporated here by reference. Subject to the Court’s approval, at the direction of the Debtors or the Clerk’s Office, as the case may be, and in accordance with any court Order in or rules applicable to the Debtors’ Cases (including the court Order authorizing KCC’s engagement), KCC will, among other things:

- a. Establish and maintain the master creditor and mailing matrix;
- b. Prepare and serve required notices in these chapter 11 cases, including:
 - i. a notice of the commencement of these chapter 11 cases and the initial meeting of creditors under section 341(a) of the Bankruptcy Code, 11 U.S.C. § § 101-1532 (the “Bankruptcy Code”);
 - ii. notices of objections to claims (if necessary);
 - iii. notices of any hearings on a disclosure statement and confirmation of a plan or plans of reorganization; and
 - iv. such other miscellaneous notices as the Debtors or Court may deem necessary or appropriate for an orderly administration of these chapter 11 cases;

- c. Serve pleadings filed by the Debtors, and other documents as may be requested by the Debtors, in these chapter 11 cases;
- d. File with the Clerk affidavits of service;
- e. Maintain a copy of the schedules of assets and liabilities and statement of financial affairs (collectively, the “Schedules”) that the Debtors will file with the Court, listing the Debtors’ known creditors and the amounts owed thereto and providing assistance in preparing same if requested by the Debtors;
- f. Notify all potential creditors of the existence and amount of their respective claims as evidenced by the Schedules;
- g. Docket all claims received on CM/ECF, maintaining the official claims register (the “Claims Register”) for the Debtors on behalf of the Clerk and providing the Clerk with certified duplicate, unofficial Claims Register as directed by the Clerk;
- h. Specify, in the Claims Register, the following information for each claim docketed:
 - i. the claim number assigned;
 - ii. the date received;
 - iii. the name and address of the claimant and, if applicable, the agent who filed the claim;
 - iv. the classification(s) of the claim (*e.g.*, secured, unsecured, priority, etc.); and
 - v. the asserted amount of the claim;
- i. Relocate all of the actual proofs of claim filed from this Court to KCC not less than weekly;
- j. Record all transfers of claims and providing any notices of such transfers required by Bankruptcy Rule 3001(e);
- k. Make changes in the Claims Register pursuant to orders of this Court;
- l. Provide access to the public for examination of copies of the proofs of claim or proofs of interest filed in the chapter 11 cases without charge during regular business hours;

- m. Maintain the official mailing list of all entities that have filed a proof of claim, which list shall be available upon reasonable request by a party in interest or the Clerk;
- n. Provide such other claims processing, noticing and administrative services as the Debtors may require;
- o. Implement necessary security measures to ensure the completeness and integrity of the claims registers;
- p. Assist with, among other things, solicitation, receiving, and calculation of votes and distribution as required in furtherance of confirmation of any chapter 11 plan;
- q. Docket a ballot tally, with ballots attached, regarding any chapter 11 plan;
- r. Prior to the close of the chapter 11 cases, assist the Debtors in submitting a proposed order terminating the services of KCC as the Notice, Claims, and Balloting Agent upon completion of its duties and responsibilities and upon the closing of the chapter 11 cases; and
- s. At the close of the chapter 11 cases, box and transport all original documents, in proper format, as requested by the Clerk's Office.

C. Compensation

30. The Debtors request authority to compensate and reimburse KCC in accordance with the payment terms of the Agreement for all services rendered and expenses incurred in connection with the Debtors' Cases. The Agreement also provides for \$15,000 retainer, which was paid by the Debtors prepetition. The Debtors believe that such compensation rates are reasonable and appropriate for services of this nature and comparable to those charged by KCC in other chapter 11 cases in which it has served as notice, claims, and balloting agent.

31. In an effort to reduce the administrative expenses related to the KCC's retention, the Debtors seek authorization to pay KCC's fees and expenses on a monthly basis in accordance with the provisions of the Agreement and without the necessity of KCC filing formal fee applications with the Court. The Debtors request that the undisputed fees and expenses incurred

by virtue of KCC performing the services described above shall be administrative expenses of the Debtors' chapter 11 estates and shall be paid by the Debtors in accordance with the Agreement.

32. In the event that the KCC's services are terminated, KCC shall perform its duties until the occurrence of a complete transition with the Clerk's Office or any successor claims and noticing agent.

D. KCC's Disinterestedness

33. To the best of the Debtors' knowledge, the KCC does not have any connection with the Debtors, the Debtors' substantial creditors, their respective attorneys, and accountants, the United States Trustee, or any person employed in the Office of the United States Trustee, except as disclosed in the Kass Declaration.

34. As set forth in the Kass Declaration, there are no outstanding prepetition amounts owed by the Debtors to KCC.

PRAYER

The Debtors respectfully request that the Court enter an order granting the relief requested herein and such other and further relief to which the Debtors are justly entitled.

Dated: November 19, 2010

Respectfully submitted,

**LACK'S STORES, INCORPORATED
AND ITS AFFILIATED DEBTORS**

By:  /s/Melvin Lack

Name: Melvin Lack

Title: President and Chief Executive Officer
of Lack's Stores, Incorporated



This Agreement is entered into as of the 15 day of November, 2010, between Lack's Stores, Incorporated (together with its affiliates and subsidiaries, the "Company"),¹ and Kurtzman Carson Consultants LLC (together with its affiliates and subcontractors, "KCC").

In consideration of the premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Terms and Conditions

I SERVICES

A. KCC agrees to provide the Company with consulting services regarding noticing, claims management and reconciliation, plan solicitation, balloting, disbursements and any other services agreed upon by the parties or otherwise required by applicable law, government regulations or court rules or orders.

B. KCC further agrees to provide (i) computer software support and training in the use of the support software, (ii) KCC's standard reports as well as consulting and programming support for the Company requested reports, (iii) program modifications, (iv) data base modifications, and/or (v) other features and services in accordance with the fees outlined in a pricing schedule provided to the Company (the "KCC Fee Structure"), attached hereto as **Schedule A**.

C. Without limiting the generality of the foregoing, KCC may, upon request by the Company, (i) provide a communications plan including, but not limited to, preparation of communications materials, dissemination of information and a call center staffed by KCC and/or (ii) provide confidential on-line workspaces or virtual data rooms and publish documents to such workspaces or data rooms (which publication shall not be deemed to violate the confidentiality provisions of this Agreement).

D. The price listed for each service in the KCC Fee Structure represents a bona fide proposal for such services, which may be accepted in whole or in part. Services will be provided when requested by the Company or required by applicable law, government regulations or court rules or orders. Services are mutually exclusive and are deemed delivered and accepted by the Company when provided by KCC, in form reasonably acceptable to Company.

¹ The term Company shall include, to the extent applicable, the Company, as debtor and debtor in possession in its chapter 11 case, together with any affiliated debtors and debtors in possession whose chapter 11 cases are jointly administered with the Company's chapter 11 case.



E. The Company acknowledges and agrees that KCC will often take direction from employees of Vinson & Elkins LLP and Huron Consulting Group, Inc. (collectively, the "Company Parties") with respect to the services being provided under this Agreement. The parties agree that KCC may rely upon, and the Company agrees to be bound by, any requests, advice or information provided by the Company Parties to the same extent as if such requests, advice or information were provided by the Company. The Company agrees and understands that KCC shall not provide the Company or any other party with any legal advice.

II PRICES, CHARGES AND PAYMENT

A. KCC agrees to charge and the Company agrees to pay KCC for its services, expenses and supplies at the rates or prices set by KCC and in effect as of the date of this Agreement in accordance with the KCC Fee Structure. However, KCC's prices are generally adjusted periodically to reflect changes in the business and economic environment, and KCC reserves the right to reasonably increase its prices, charges and rates annually. If any price increases exceed 10%, KCC will give thirty (30) days written notice to the Company.

B. The Company agrees to pay the reasonable out of pocket expenses incurred by KCC in connection with services provided under this Agreement, including but not limited to, transportation, lodging, and meals.

C. In addition to all fees for services and expenses hereunder, the Company shall pay to KCC (i) any fees and expenses payable by KCC related to, arising out of, or as a result of any error or omission made by the Company or the Company Parties, as mutually determined by KCC and the Company, and (ii) all sales taxes that are applicable to this Agreement or that are measured by payments made under this Agreement and are required to be collected by KCC or paid by KCC to a taxing authority.

D. Where the Company requires services that are unusual or beyond the normal business practices of KCC, or are otherwise not provided for in the KCC Fee Structure, the cost of such services shall be charged to the Company at a competitive rate.

E. KCC agrees to submit its invoices to the Company monthly and the Company agrees that the amount invoiced is due and payable upon the Company's receipt of the invoice. However, where total fees and expenses are expected to exceed \$10,000 in any single month, KCC may require advance payment from the Company due and payable upon demand and prior to the performance of services hereunder. If any amount is unpaid as of sixty (60) days from the receipt of the invoice, the Company further agrees to pay a late charge, calculated as one and one-half percent (1-1/2%) of the total amount unpaid every sixty (60) days. In the case of a dispute in the invoice amount, the Company shall give written notice to KCC within ten (10) days of receipt of the invoice by the Company. The undisputed portion of the invoice will remain due and payable immediately upon receipt of the invoice. Late charges shall not accrue on any amounts in dispute.

F. In the event that the Company files for protection pursuant to chapter 11 of the United States Bankruptcy Code (a "Chapter 11 Filing"), the parties intend that KCC shall be employed pursuant to 28 U.S.C. § 156(c) ("Section 156(c)") and that all fees and expenses due under this Agreement shall be paid as administrative expenses of the Company's chapter 11 estate. As soon



as practicable following a Chapter 11 Filing (and otherwise in accordance with applicable law and rules and orders of the Bankruptcy Court), the Company shall cause a motion to be filed with the Bankruptcy Court seeking entry of an order pursuant to Section 156(c) approving this Agreement in its entirety (the "Section 156(c) Order"). The form and substance of the motion and the Section 156(c) Order shall be reasonably acceptable to KCC. If any Company chapter 11 case converts to a case under chapter 7 of the Bankruptcy Code, KCC will continue to be paid for its services in accordance with Section 156(c) and under the terms of this Agreement.

G. To the extent permitted by applicable law, KCC shall receive a retainer in the amount of \$15,000 (the "Retainer") that may be held by KCC as security for the Company's payment obligations under the Agreement. The Retainer is due upon execution of this Agreement. KCC shall be entitled to hold the Retainer until the termination of the Agreement. Following termination of the Agreement, KCC shall return to the Company any amount of the Retainer that remains following application of the Retainer to the payment of unpaid invoices.

III RIGHTS OF OWNERSHIP

A. The parties understand that the software programs and other materials furnished by KCC pursuant to this Agreement and/or developed during the course of this Agreement by KCC are the sole property of KCC. The term "program" shall include, without limitation, data processing programs, specifications, applications, routines, and documentation. The Company agrees not to copy or permit others to copy the source code from the support software or any other programs or materials furnished pursuant to this Agreement.

B. The Company further agrees that any ideas, concepts, know-how or techniques relating to data processing or KCC's performance of its services developed or utilized during the term of this Agreement by KCC shall be the exclusive property of KCC. Fees and expenses paid by the Company do not vest in the Company any rights in such property, it being understood that such property is only being made available for the Company's use during and in connection with the services provided by KCC under this Agreement.

IV. NON-SOLICITATION

The Company and KCC agree that neither it nor its subsidiaries or other affiliated companies shall directly or indirectly solicit for employment, employ or otherwise retain employees of the other during the term of this Agreement and for a period of twelve (12) months after termination of this Agreement unless the other provides prior written consent to such solicitation or retention.

V. CONFIDENTIALITY

Each of KCC and the Company, on behalf of themselves and their respective employees, agents, professionals and representatives, agrees to keep confidential all non-public records, systems, procedures, software and other information received from the other party in connection with the services provided under this Agreement; provided, however, that if either party reasonably believes that it is required to produce any such information by order of any governmental agency or other regulatory body it may, upon not less than five (5) business days' written notice to the other party, release the required information.



VI. SUSPENSION OF SERVICE AND TERMINATION

A. This Agreement shall remain in force until terminated or suspended by either party (i) upon thirty (30) days' written notice to the other party or (ii) immediately upon written notice for Cause (defined herein). As used herein, the term "Cause" means (i) gross negligence or willful misconduct of KCC that causes serious and material harm to the Company, (ii) the failure of the Company to pay KCC invoices for more than sixty (60) days from the date of invoice, or (iii) the accrual of invoices or unpaid services in excess of the retainer held by KCC where KCC reasonably believes it will not be paid.

B. In the event that this contract is terminated, regardless of the reason for such termination, KCC shall coordinate with the Company and, to the extent applicable, the clerk of the Bankruptcy Court, to maintain an orderly transfer of record keeping functions and KCC shall provide all necessary staff, services and assistance required for an orderly transfer. The Company agrees to pay for such services in accordance with KCC's then existing prices for such services. If such termination occurs following entry of the Section 156(c) Order, the Company shall immediately seek entry of an order (in form and substance reasonably acceptable to KCC) that discharges KCC from service and responsibility under Section 156(c) and this Agreement.

C. Any data, programs, storage media or other materials furnished by the Company to KCC or received by KCC in connection with the services provided under the terms of this Agreement may be retained by KCC until the services provided are paid for, or until this Agreement is terminated with the services paid in full. The Company shall remain liable for all fees and expenses imposed under this Agreement as a result of data or physical media maintained or stored by KCC. KCC shall dispose of the data and media in the manner requested by the Company. The Company agrees to pay KCC for reasonable expenses incurred as a result of the disposition of data or media. If the Company has not utilized KCC's services under this Agreement for a period of at least ninety (90) days, KCC may dispose of the data or media, and be reimbursed by the Company for the expense of such disposition, after giving the Company thirty (30) days' notice. Notwithstanding any term herein to the contrary, following entry of the Section 156(c) Order, the disposition of any data or media by KCC shall be in accordance with any applicable instructions from the clerk of the Bankruptcy Court, local Bankruptcy Court rules and orders of the Bankruptcy Court.

VII. SYSTEM IMPROVEMENTS

KCC strives to provide continuous improvements in the quality of service to its clients. KCC, therefore, reserves the right to make changes in operating procedure, operating systems, programming languages, general purpose library programs, application programs, time period of accessibility, types of terminal and other equipment and the KCC data center serving the Company, so long as any such changes do not materially interfere with ongoing services provided to the Company in connection with the Company's chapter 11 case.

VIII. BANK ACCOUNTS

At the Company's request, and with the Company's prior written consent, KCC shall be authorized to establish accounts with financial institutions in the name of and as agent for the Company. To the extent that certain financial products are provided to the Company pursuant to



KCC's agreement with financial institutions, KCC may receive compensation from such financial institutions for the services KCC provides pursuant to such agreement.

IX. LIMITATIONS OF LIABILITY AND INDEMNIFICATION

A. The Company shall indemnify and hold KCC, its affiliates, members, directors, officers, employees, consultants, subcontractors and agents (collectively, the "Indemnified Parties") harmless, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, judgments, liabilities and expenses (including reasonable counsel fees and expenses) (collectively, "Losses") resulting from, arising out of or related to KCC's performance under this Agreement. Such indemnification shall exclude Losses resulting from KCC's gross negligence or willful misconduct. Without limiting the generality of the foregoing, Losses include any liabilities resulting from claims by any third-parties against any Indemnified Party. Each party shall notify the other in writing promptly upon the assertion, threat or commencement of any claim, action, investigation or proceeding that the Company becomes aware of with respect to the services provided by KCC under this Agreement. The Company's indemnification obligations hereunder shall survive the termination of this Agreement.

B. Except as provided herein, KCC's liability to the Company or any person making a claim through or under the Company for any Losses of any kind, even if KCC has been advised of the possibility of such Losses, whether direct or indirect and unless due to gross negligence or willful misconduct of KCC, shall be limited to the total amount billed or billable to the Company for the portion of the particular work which gave rise to the alleged Loss. In no event shall KCC's liability to the Company for any Losses, whether direct or indirect, arising out of this Agreement exceed the total amount billed to the Company and actually paid to KCC for the services contemplated under the Agreement. In no event shall KCC be liable for any indirect, special or consequential damages such as loss of anticipated profits or other economic loss in connection with or arising out of the services provided for in this Agreement.

C. The Company is responsible for the accuracy of the programs, data and information it or any Company Party submits for processing to KCC. KCC does not verify information provided by the Company and, with respect to the preparation of schedules and statements, all decisions are at the sole discretion and direction of the Company. The Company reviews and approves all schedules and statements filed on behalf of, or by, the Company; KCC bears no responsibility for the accuracy or contents therein. The Company agrees to initiate and maintain backup files that would allow the Company to regenerate or duplicate all programs and data submitted by the Company to KCC.

X. FORCE MAJEURE

A. Whenever performance by KCC of any of its obligations hereunder is materially prevented or impacted by reason of any act of God, strike, lock-out or other industrial or transportation disturbance, fire, lack of materials, law, regulation or ordinance, war or war condition, or by reason of any other matter beyond KCC's reasonable control, then such performance shall be excused and this Agreement shall be deemed suspended during the continuation of such prevention and for a reasonable time thereafter.



B. Whenever performance by the Company of any of its obligations (including payment) hereunder is materially prevented by reason of any act of God, fire, law, regulation, or ordinance, war or war condition, or by reason of any other matter beyond the Company's reasonable control, then such performance shall be excused during the continuation of such prevention and for a reasonable time thereafter.

XI. INDEPENDENT CONTRACTORS

The Company and KCC are and shall be independent contractors of each other and no agency, partnership, joint venture or employment relationship shall arise, directly or indirectly, as a result of this Agreement.

XII. NOTICES

All notices and requests in connection with this Agreement shall be given or made upon the respective parties in writing and shall be deemed as given as of the third day following the day it is deposited in the U.S. Mail, postage pre-paid or on the day it is given if sent by facsimile or electronic mail or on the day after the day it is sent if sent by overnight courier to the appropriate address set forth below:

Kurtzman Carson Consultants LLC
2335 Alaska Ave.
El Segundo, CA 90245
Attn: Drake D. Foster
Tel: (310) 823-9000
Fax: (310) 823-9133
E-Mail: dfoster@kccllc.com

Company
Lack's Stores, Incorporated
200 South Ben Jordan
Victoria, TX 77901
Attn: Melvin Lack
Tel: 361-578-3571
E-Mail: mlack@lacks.com

Or to such other address as the party to receive the notice or request so designates by written notice to the other.

XIII. APPLICABLE LAW

The validity, enforceability, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of California.

XIV. ENTIRE AGREEMENT/ MODIFICATIONS

Each party acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and further agrees that it is the complete and exclusive statement of the agreement between the parties, which supersedes and merges all prior proposals, understandings, other agreements, and communications oral and written between the parties relating to the subject matter of this Agreement. The Company represents that it has the authority to enter into this Agreement, and the Agreement is non-dischargeable under any applicable statute or law. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby. This Agreement may be modified only by a written instrument duly executed by an authorized representative of the Company and an officer of KCC.



XV. COUNTERPARTS; EFFECTIVENESS

This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. This Agreement will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, which delivery may be made by exchange of copies of the signature page by facsimile or electronic mail.

XVI. ASSIGNMENT

This Agreement and the rights and duties hereunder shall not be assignable by the parties hereto except upon written consent of the other, with the exception that this Agreement can be assigned without written consent by KCC to a wholly-owned subsidiary or affiliate of KCC.

XVII. DISPUTES

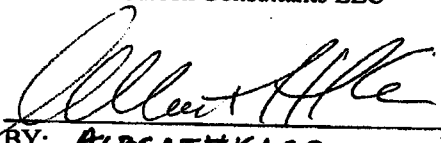
Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be subject to the jurisdiction of the Bankruptcy Court for the Southern District of Texas.

XVIII. ATTORNEYS' FEES

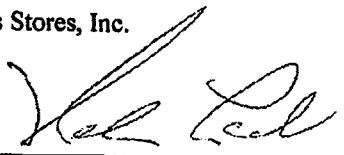
In the event that any legal action, including an action for declaratory relief, is brought to enforce the performance or interpret the provisions of this Agreement, the parties agree to reimburse the prevailing party's reasonable attorneys' fees, court costs, and all other related expenses, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which the prevailing party may be entitled

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the first date mentioned above.

Kurtzman Carson Consultants LLC


BY: ALBERT H. KASS DATE: 11/15/2010
TITLE: VICE PRESIDENT, CORPORATE RESTRUCTURING

Lack's Stores, Inc.


BY: Melvin Lack DATE: 11.15.10
TITLE: President

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
VICTORIA DIVISION

IN RE: §
LACK'S STORES, INCORPORATED, ET § CASE NO. [_____] §
AL.,¹ § (Chapter 11) §
DEBTORS. § (Jointly Administered) §
§

DECLARATION OF ALBERT H. KASS IN SUPPORT OF THE DEBTORS'
APPLICATION FOR ORDER AUTHORIZING THE DEBTORS TO EMPLOY
KURTZMAN CARSON CONSULTANTS LLC AS
NOTICE, CLAIMS, AND BALLOTING AGENT

I, Albert H. Kass, pursuant to Section 1746 of title 28 of the United States Code, hereby declare that the following is true to the best of my knowledge:

I am the Vice President of Corporate Restructuring Services at Kurtzman Carson Consultants LLC ("KCC"), which maintains an office at 2335 Alaska Avenue, El Segundo, California 90245, and I am authorized to execute this declaration on behalf of KCC. I submit this declaration in support of the *Debtors' Application to Employ Kurtzman Carson Consultants LLC As Notice, Claims, and Balloting Agent* (the "Application"), filed contemporaneously herewith by the Debtors in possession (the "Debtors") in the above-captioned cases (the "Cases"). Except as otherwise indicated, I have personal knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto. Certain of the disclosures herein relate to matters within the knowledge of other employees at KCC and are based on information obtained from them.

¹ The Debtors and the last four digits of their tax identification numbers are Lack's Stores, Incorporated (6528), Merchandise Acceptance Corporation (0972), Lack's Furniture Centers, Inc. (9468), and Lack Properties, Inc. (8961).

As agent and custodian of court records, the services my firm proposes to render to the office of the Clerk of Court of the Bankruptcy Court for the Southern District of Texas (the “Clerk”) and the Debtors under the terms of the KCC Agreement include, if necessary, the following:

1. Establishing and maintaining the master creditor and mailing matrix;
2. Preparing and serving required notices in these chapter 11 cases, including:
 - a. a notice of the commencement of these chapter 11 cases and the initial meeting of creditors under section 341(a) of the Bankruptcy Code, 11 U.S.C. § § 101-1532 (the “Bankruptcy Code”);
 - b. notices of objections to claims (if necessary);
 - c. notices of any hearings on a disclosure statement and confirmation of a plan or plans of reorganization; and
 - d. such other miscellaneous notices as the Debtors or Court may deem necessary or appropriate for an orderly administration of these chapter 11 cases;
3. Serving pleadings filed by the Debtors, and other documents as may be requested by the Debtors, in these chapter 11 cases;
4. Filing with the Clerk affidavits of service;
5. Maintaining a copy of the schedules of assets and liabilities and statement of financial affairs (collectively, the “Schedules”) that the Debtors filed with the Court, listing the Debtors’ known creditors and the amounts owed thereto and providing assistance in preparing same if requested by the Debtors;
6. Notifying all potential creditors of the existence and amount of their respective claims as evidenced by the Schedules;
7. Docketing all claims received on CM/ECF, maintaining the official claims register (the “Claims Register”) for the Debtors on behalf of the Clerk and providing the Clerk with certified duplicate, unofficial Claims Register as directed by the Clerk;
8. Specifying, in the Claims Register, the following information for each claim docketed:

- a. the claim number assigned;
 - b. the date received;
 - c. the name and address of the claimant and, if applicable, the agent who filed the claim;
 - d. the classification(s) of the claim (*e.g.*, secured, unsecured, priority, etc.); and
 - e. the asserted amount of the claim;
9. Relocating all of the actual proofs of claim filed from this Court to KCC not less than weekly;
 10. Recording all transfers of claims and providing any notices of such transfers required by Bankruptcy Rule 3001(e);
 11. Making changes in the Claims Register pursuant to orders of this Court;
 12. Providing access to the public for examination of copies of the proofs of claim or proofs of interest filed in the Chapter 11 cases without charge during regular business hours;
 13. Maintaining the official mailing list of all entities that have filed a proof of claim, which list shall be available upon reasonable request by a party in interest or the Clerk;
 14. Providing such other claims processing, noticing and administrative services as the Debtors may require;
 15. Implement necessary security measures to ensure the completeness and integrity of the claims registers;
 16. Assisting with, among other things, solicitation, receiving, and calculation of votes and distribution as required in furtherance of confirmation of any chapter 11 plan;
 17. Docketing a ballot tally, with ballots attached, regarding any chapter 11 plan;
 18. Prior to the close of the Chapter 11 Cases, assisting the Debtors in submitting a proposed order terminating the services of KCC as the Claims, Noticing and Balloting Agent upon completion of its duties and responsibilities and upon the closing of the Chapter 11 Cases; and

19. At the close of the Chapter 11 Cases, boxing and transporting all original documents, in proper format, as requested by the Clerk's Office.

The Debtors also seek to employ KCC to assist them by acting as solicitation agent in connection with the chapter 11 plan process and, if necessary, to assist with the preparation of Schedules.

On behalf of KCC I hereby represent that:

1. KCC is not a creditor of the Debtors;
2. KCC is not and will not be employed by the U.S. government or any federal agency (collectively, the "Government") and will not seek any compensation from the Government;
3. KCC waives any right, by accepting employment in the Chapter 11 Cases to receive compensation from the Government;
4. KCC is not an agent of the Government and is not acting on behalf of the Government;
5. KCC will not knowingly misrepresent any fact to the public;
6. KCC will not employ any past or present employees of the Debtors for work involving the Chapter 11 Cases;
7. KCC shall be under the supervision and control of the Clerk's Office with respect to the receipt and recordation of claims and claim transfers; and
8. None of the services provided by KCC as notice and claims agent shall be at the expense of the Clerk's Office.

Should KCC discover any new relevant facts or relationships bearing on the matters described herein during the period of its retention, KCC will use reasonable efforts to file promptly a supplemental declaration.

KCC is an indirect subsidiary of Computershare Limited. Computershare Limited is a financial services and technologies provider for the global securities industry. Within the Computershare corporate structure, KCC operates as a separate, segregated business unit. As

such, any relationships that Computershare Limited and its affiliates maintain do not create an interest of KCC that would be materially adverse to the Debtors' estates or any class of creditors or equity security holders. Administar, a claims and noticing agent, is also an indirect subsidiary of Computershare Limited. On June 10, 2009, the marketing and operation of Administar's restructuring services were consolidated under KCC.

KCC is a bankruptcy administrator that specializes in providing comprehensive chapter 11 administrative services including noticing, claims processing, balloting and other related services critical to the effective administration of chapter 11 cases. KCC has assisted and advised numerous chapter 11 debtors in connection with noticing, claims administration and reconciliation and administration of plan votes. Recently, KCC has provided services in the following cases: *See, e.g., In re Bosque Power Company, LLC*, Case No. 10-60348 (RBK) (Bankr. W.D. Tex. March 24, 2010); *In re Edge Petroleum Corp., et al.*, Case No. 09-20644 (RSS) (Bankr. S.D. Tex. October 1, 2009); *In re Idearc Inc., et al.*, Case No. 09-31828 (BJH) (Bankr. N.D. Tex. March 21, 2009); *In re Home Interiors & Gifts, Inc., et al.*, Case No. 08-31961 (BJH) (Bankr. N.D. Tex. April 21, 2009); *In re Blockbuster, Inc., et al.*, Case No. 10-14997 (Bankr. S.D.N.Y. September 23, 2010); *In re NR Liquidation III Co. Inc. f/k/a Neff Corp.*, Case No. 10-12610 (SCC) (Bankr. S.D.N.Y. May 16, 2010); *In re Uno Restaurant Holdings Corporation*, Case No. 10-10209 (MG) (Bankr. S.D.N.Y. January 20, 2010); *In re American Safety Razor Company, LLC, et al.*, No. 10-12351 (MFW) (Bankr. D. Del. July 28, 2010); *In re OTC Holdings Corporation*, No. 10-12636 (BLS) (Bankr. D. Del. August 25, 2010); *In re Magic Brands, LLC, et al.*, No. 10-11310 (BLS) (Bankr. D. Del. April 21, 2010); *In re Regent Communications, Inc.*, No. 10-10632 (KG) (Bankr. D. Del. March 1, 2010); *In re International*

Aluminum Corporation, No. 10-10003 (MFW) (Bankr. D. Del. 2010); *In re Specialty Packaging Holdings, Inc.*, No. 10-10142 (KG) (Bankr. D. Del. 2010); *In re Black Gaming, LLC*, No. 10-13301 (BAM) (Bankr. D. Nev. Mar. 5, 2010); *In re Movie Gallery, Inc.*, No. 10-30696 (DOT) (Bankr. E.D. Va. Feb. 3, 2010); *In re Fleetwood Enters., Inc.*, No. 09-14254 (MJ) (Bankr. C.D. Cal. Mar. 20, 2009).

The Debtors have many creditors, and accordingly, KCC may have rendered and may continue to render services to certain of these creditors in a ministerial and administrative capacity. Additionally, KCC employees may, in the ordinary course of their personal affairs, have relationships with certain creditors of the Debtors. For example, one or more of KCC's employees may have obligations outstanding with financial institutions that are creditors of the Debtors.

Although the Debtors do not propose to retain KCC under § 327 of the Bankruptcy Code, to the best of my knowledge, neither KCC nor any employee thereof has any materially adverse connection with the Debtors, their creditors or any other party in interest herein. KCC may have relationships with certain of the Debtors' creditors or parties in interest as vendors or in connection with cases in which KCC serves or has served in a neutral capacity as claims and noticing agent or class action claims administrator. To the best of my knowledge, neither KCC nor any employee thereof are or were, within two years before the date of the filing of the petition, a director, officer or employee of the Debtors. To the best of my knowledge, neither KCC nor any employee thereof represents any interest materially adverse to the Debtors' estate with respect to the matters upon which KCC is to be engaged.

The Agreement sets forth the fees KCC charges for the services it will provide to the Debtors. The proposed compensation arrangement is consistent with, and typical of, arrangements of KCC and its competitor firms to provide claims and noticing agent services in chapter 11 cases.

KCC requests that the Debtors pay their fees and expenses in accordance with the terms of the Agreement. KCC will submit invoices summarizing, in reasonable detail, the services and expenses for which compensation is sought.

In performing these services, KCC's rates are at least as favorable as the prices KCC charges in chapter 11 cases in which the firm has been retained to perform similar services.

KCC will comply with all requests of the Clerk and the guidelines promulgated by the Judicial Conference of the United States for the implementation of 28 U.S.C. § 156(c).

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.



ALBERT H. KASS

Vice President of Corporate Restructuring Services
KURTZMAN CARSON CONSULTANTS LLC

Executed this 15 day of November, 2010.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
VICTORIA DIVISION**

IN RE: §
§ **CASE NO. 10-60149**
LACK’S STORES, INCORPORATED, ET §
AL.,¹ § **(Chapter 11)**
§ **Jointly Administered**
DEBTORS.

**ORDER GRANTING DEBTORS’ APPLICATION FOR AUTHORIZATION TO
EMPLOY AND RETAIN KURTZMAN CARSON CONSULTANTS LLC AS
NOTICE, CLAIMS, AND BALLOTING AGENT**

[Related to Dkt. No. ____]

The Court has considered the *Debtors’ Application for Authorization to Employ and Retain Kurtzman Carson Consultants LLC as Notice, Claims, and Balloting Agent* (the “Application”)² filed by Lack’s Stores, Incorporated and its affiliated debtors (collectively, the “Debtors”) for employment and retention of Kurtzman Carson Consultants LLC (“KCC”) as notice, claims, and balloting agent in these Cases. The Court finds that (a) it has jurisdiction over the matters raised in the Application pursuant to 28 U.S.C. § 1334(b), (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), (c) the relief requested in the Application is in the best interests of the Debtors and their respective estates, creditors and equity security holders, (d) proper and adequate notice of the Application and hearing thereon has been given and that no other or further notice is necessary, and (e) good and sufficient cause exists for granting the relief requested in the Application after due deliberation upon the Application, all exhibits attached thereto and all proceedings before the Court in connection with the Application. The Court

¹ The Debtors and the last four digits of their tax identification numbers are Lack’s Stores, Incorporated (6528), Merchandise Acceptance Corporation (0972), Lack’s Furniture Centers, Inc. (9468), and Lack Properties, Inc. (8961).

further finds that KCC has adequately represented that it holds no interest adverse to the Debtors, their estates or their creditors. Therefore, it is

ORDERED that the Application is **GRANTED**, *nunc pro tunc* to the Petition Date, as set forth herein. It is further

ORDERED that the terms of the Agreement are approved. It is further

ORDERED that the Debtors are authorized to retain and employ KCC to perform the claims, noticing, balloting, and other services described in the Application and the Agreement attached thereto, and incorporated therein by reference, to, *inter alia*, receive, maintain, record, and otherwise administer the proofs of claim filed in the Cases, to assist the Debtors in the reconciliation and resolution of claims, to assist the debtors in the preparation of their schedules of assets and liabilities and their statements of financial affairs at the Debtors' election, and to perform all solicitation, balloting and tabulation services in connection with the Debtors' chapter 11 plan and disclosure statement. It is further

ORDERED that KCC is appointed as agent for the Clerk and custodian of records and as such, it is designated as the authorized repository for all proofs of claims filed in the Cases and is authorized and directed to maintain official claims registers for each of the Debtors and to provide the Clerk with a certified duplicate thereof on a monthly basis unless otherwise directed by the Clerk. It is further

ORDERED that KCC is authorized and directed to perform all related tasks to process the proofs of claims and maintain claims registers. It is further

² Capitalized terms not defined herein shall have the meaning given to them in the Application.

ORDERED that KCC is authorized to take such other action to comply with all duties set forth in the Application and this Order. It is further

ORDERED that the Debtors are authorized to compensate KCC on a monthly basis, in accordance with the Agreement, upon the receipt of reasonably detailed invoices setting forth the services to be provided and the rates charged for each, and to reimburse KCC for all reasonable and necessary expenses it may incur upon the presentation of appropriate documentation; *provided, however*, nothing contained in this Order shall preclude the Debtors from contesting the amount of any invoice presented for payment. It is further

ORDERED that pursuant to § 503(b)(1)(A) of the Bankruptcy Code, the fees and expenses of KCC incurred pursuant to the Agreement shall be an administrative expense of the Debtors' estates. It is further

ORDERED that if these Cases would convert to Cases under chapter 7 of the Bankruptcy Code, KCC shall continue to be paid for its services until the claims filed in the chapter 11 Cases have been completely processed. If KCC's representation would be necessary in the converted chapter 7 Cases, KCC shall continue to be paid in accordance with 28 U.S.C. § 156(c) under the terms set forth herein. It is further

ORDERED that in the event KCC would be unable to provide the services set forth in the Application, and as approved by this Order, KCC shall immediately notify the Clerk and the Debtors' attorneys and shall have all original proofs of claim and computer information turned over to another claims agent with the advice and consent of the Clerk and the Debtors' attorneys. It is further

ORDERED that the Debtors and KCC are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Application. It is further

ORDERED that, this Court shall retain jurisdiction to hear and consider all disputes arising from the interpretation or implementation of this Order.

SIGNED THIS ____ day of _____, 2010.

Jeff Bohm
United States Bankruptcy Judge