

CASE NAME:	ROOMSTORE, INC.
CASE NUMBER:	11-37790
JUDGE:	DOUGLAS O. TICE

ACCRUAL BASIS

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF VIRGINIA

RICHMOND DIVISION

MONTHLY OPERATING REPORT

MONTH ENDING: FEBRUARY 1, 2012 TO FEBRUARY 29, 2012

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-6) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY): IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.

RESPONSIBLE PARTY:

/s/ LEWIS M. BRUBAKER, JR.
ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

SVP & CHIEF FINANCIAL OFFICER
TITLE

LEWIS M. BRUBAKER, JR.
PRINTED NAME OF RESPONSIBLE PARTY

MARCH 31, 2012
DATE

PREPARER:

/s/ DONNA P. YENNEY
ORIGINAL SIGNATURE OF PREPARER

FINANCIAL REPORTING MANAGER
TITLE

DONNA P. YENNEY
PRINTED NAME OF PREPARER

MARCH 31, 2012
DATE

CASE NAME:	ROOMSTORE, INC.
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ACCRUAL BASIS - 1

BALANCE SHEET

(Amount in thousands)

	<u>02/29/12</u>	<u>01/31/12</u>	<u>12/31/11</u>
Cash	\$ 44	\$ 142	\$ 60
Inventories	15,773	16,086	18,782
Receivables	2,538	1,161	1,929
Prepaid expenses	1,041	977	468
Deferred income taxes	794	794	794
Total current assets	<u>20,190</u>	<u>19,160</u>	<u>22,033</u>
Property, plant and equipment	42,340	42,870	44,292
Accumulated depreciation	(24,678)	(24,719)	(25,271)
Property, plant and equipment, net	<u>17,662</u>	<u>18,151</u>	<u>19,021</u>
Other assets	8,972	8,882	7,741
Total Assets	<u>\$ 46,824</u>	<u>\$ 46,193</u>	<u>\$ 48,795</u>
Accounts payable	\$ 3,682	\$ 3,830	\$ 1,080
Bank overdrafts	287	-	693
Accrued expenses (1)	16,391	14,428	13,464
Income taxes payable	524	239	217
Note payable - DIP credit facility	7,861	6,525	5,957
Mortgage note payable - current portion	90	89	88
Deferred revenue (2)	3,367	2,630	2,609
Total current liabilities	<u>32,202</u>	<u>27,741</u>	<u>24,108</u>
Deferred rent (3)	3,457	3,488	3,885
Deferred income taxes	794	794	794
Mortgage note payable	2,248	2,256	2,264
Total liabilities not subject to compromise	<u>38,701</u>	<u>34,279</u>	<u>31,051</u>
Liabilities subject to compromise	20,973	21,233	22,051
Total Liabilities	<u>59,674</u>	<u>55,512</u>	<u>53,102</u>
Common stock	98	98	98
Additional paid-in capital	46,791	46,791	46,791
Accumulated deficit	(59,739)	(56,208)	(51,196)
Total Stockholders' Equity	<u>(12,850)</u>	<u>(9,319)</u>	<u>(4,307)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 46,824</u>	<u>\$ 46,193</u>	<u>\$ 48,795</u>

- (1) Accrued expenses includes the following items:

*Product protection warranties, customer deposits and credit memo pending amounts include pre- and post-petition balances, which the Company may pay at its discretion pursuant to the *Order Pursuant to 11 U.S.C. §§ 105(a), 363, 506, 507(a), 553, 1107(a), and 1108 and Bankruptcy Rules 6003 and 6004(h) Authorizing Continuation of Certain Customer Programs and Practices and Granting Related Relief* authorizing continuation of certain customer programs and practices.

*Health insurance and workers compensation insurance reserves which includes pre- and post-petition balances, which the Company may pay pursuant to the *Order Pursuant to 11 U.S.C. §§ 105(a), 363(b), 507(a), 541, 1107(a), 1108 and Bankruptcy Rule 6003 Authorizing Debtor to Pay Prepetition Wages, Compensation, and Other Employee Benefits and to Continue Compensation and Employee Benefit Programs as Appropriate* allowing the Company to continue to pay prepetition wages, compensation and employee benefit programs as appropriate.

- (2) Deferred revenue includes unearned amounts for up-front contract incentives, deferred gain on sale of a building and booked sales not delivered ("SND").
- (3) Deferred rent represents the accrual of the lease liability under GAAP accounting rules which requires companies to straight-line the total lease payments over the life of the lease and compare that amount to the actual rent payment:

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ACCRUAL BASIS - 2

INCOME STATEMENT

(Amount in thousands)

	02/01/12 - 02/29/12	12/12/11 - 02/29/12
Net sales	\$ 7,581	\$ 20,688
Cost of sales	4,688	13,066
Gross profit	<u>2,893</u>	<u>7,622</u>
Selling, general and administrative	5,771	15,182
Total operating expenses	<u>5,771</u>	<u>15,182</u>
Loss from operations before non-operating loss, reorganization items and income taxes	<u>(2,878)</u>	<u>(7,560)</u>
Interest expense (1)	(132)	(578)
Other income, net	35	76
Total non-operating expense	<u>(97)</u>	<u>(502)</u>
Reorganization items:		
U.S. Trustee fees	(3)	(13)
Professional fees	(421)	(1,401)
Loss on disposal of property and equipment from closed locations (2)	(158)	(935)
Other (3)	45	(340)
Total reorganization items	<u>(537)</u>	<u>(2,689)</u>
Income tax expense	<u>19</u>	<u>53</u>
Net loss	<u>\$ (3,531)</u>	<u>\$ (10,804)</u>

- (1) Includes accelerated amortization of loan acquisition fees for pre-DIP financing as well as amortization of loan acquisition fees related to DIP financing.
- (2) Loss from write-off of leasehold improvements and HVAC equipment from closed stores.
- (3) Includes loss on auction of inventory of closed stores net of related inventory reserve adjustments, write-off of accrued lease liability for rejected leases, administrative expenses related to filings.

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ACCRUAL BASIS - 3

CASH RECEIPTS AND DISBURSEMENTS

(Amount in thousands)

	02/01/12 - 02/29/12	12/12/11 - 02/29/12
Cash flows from operating activities:		
Net loss	\$ (3,531)	\$ (10,804)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	272	734
Gain on disposal of property and equipment	55	62
Loss from disposal of property and equipment from closed locations	158	935
Equity in earnings of investee	-	-
Change in operating assets and liabilities:		
Accounts receivable	(1,377)	(1,089)
Inventories	313	4,379
Prepaid expenses	(64)	(429)
Other assets	(90)	(1,658)
Deferred revenue	750	117
Accounts payable	352	4,896
Accrued expenses	1,445	(391)
Accrued income taxes	12	51
Net cash used in operating activities	<u>(1,705)</u>	<u>(3,197)</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(7)	(41)
Proceeds from disposals of property, plant and equipment	6	21
Net cash used in investing activities	<u>(1)</u>	<u>(20)</u>
Cash flows from financing activities:		
Bank overdrafts	287	(297)
Proceeds from DIP credit facility	13,493	33,946
Payments of DIP credit facility	(12,157)	(30,441)
Payments of mortgage payable	(7)	(14)
Net cash provided by financing activities	<u>1,616</u>	<u>3,194</u>
Net decrease in cash and cash equivalents	(90)	(23)
Cash and cash equivalents at beginning of period	134	67
Cash and cash equivalents at end of period	<u>\$ 44</u>	<u>\$ 44</u>

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ACCRUAL BASIS - 4

ACCOUNTS RECEIVABLE AGING	SCHEDULE AMOUNT	MONTH	MONTH	MONTH
		02/29/12	01/31/12	12/31/11
1. 0-30		1,920,647	880,731	1,451,537
2. 31-60		158,542	217,858	83,649
3. 61-90		172,655	108,797	176,445
4. 91+		310,453	11,438	299,791
5. TOTAL ACCOUNTS RECEIVABLE		2,562,297	1,218,824	2,011,421
6. ALLOWANCE FOR DOUBTFUL ACCOUNTS		(24,152)	(57,596)	(83,305)
7. ACCOUNTS RECEIVABLE (NET)		2,538,145	1,161,228	1,928,116

AGING OF POSTPETITION TAXES AND PAYABLES		MONTH: <u>As of February 29, 2012</u>			
TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL					-
2. STATE	628,831				628,831
3. LOCAL	73,597				73,597
4. OTHER (SEE APPENDIX A)	255,304				255,304
5. TOTAL TAXES PAYABLE	957,732	-	-	-	957,732
6. ACCOUNTS PAYABLE	3,075,429	607,034			3,682,463

STATUS OF POSTPETITION TAXES		MONTH: <u>02/01/12 - 02/29/12</u>		
FEDERAL	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1. WITHHOLDING**		177,691	(177,691)	
2. FICA-EMPLOYEE**		112,745	(112,745)	
3. FICA-EMPLOYER**		152,654	(152,654)	
4. UNEMPLOYMENT		9,954	(9,954)	
5. INCOME				
6. OTHER (ATTACH LIST)				
7. TOTAL FEDERAL TAXES	-	453,044	(453,044)	-
STATE AND LOCAL				
8. WITHHOLDING				
9. SALES	463,274	867,891	(702,334)	628,831
10. EXCISE				
11. UNEMPLOYMENT		101,854	(101,854)	
12. REAL PROPERTY	12,536	13,970		26,506
13. PERSONAL PROPERTY	29,983	17,108		47,091
14. OTHER (SEE APPENDIX A)	255,305	304,658	(181,703)	378,260
15. TOTAL STATE & LOCAL	761,098	1,305,481	(985,892)	1,080,688
16. TOTAL TAXES	761,098	1,758,526	(1,438,936)	1,080,688

* The beginning tax liability should represent the liability from the prior month or, if this is the first operating report, the amount should be zero.

** Attach photocopies of IRS Form 6123 or your FTD coupon and payment receipt to verify payment or deposit.

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APPENDIX A

AGING OF POSTPETITION TAXES AND PAYABLES	MONTH: <u>As of February 29, 2012</u>
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OTHER TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. STATE INCOME TAXES					
2. STATE FRANCHISE TAXES	239,091				239,091
(PASSED THROUGH BY 3. LANDLORD)	16,214				16,214
4. OTHER					
5. TOTAL OTHER TAXES	255,304	-	-	-	255,304

STATUS OF POSTPETITION TAXES	MONTH: <u>02/01/12 - 02/29/12</u>
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OTHER TAXES PAYABLE	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1. STATE INCOME TAXES				
2. STATE FRANCHISE TAXES (1)	239,091	18,640		239,091
(PASSED THROUGH BY 3. LANDLORD)	16,214	286,018	(181,703)	16,214
4. OTHER				
5. TOTAL TAXES	255,305	304,658	(181,703)	255,304

* The beginning tax liability should represent the liability from the prior month or, if this is the first operating report, the amount should be zero.

** Attach photocopies of IRS Form 6123 or your FTD coupon and payment receipt to verify payment or deposit.

(1) Franchsie taxes for the fiscal year ending 02/29/12 are considered "postpetition" for Texas as those amounts are not payable until the tax return is filed in May 2014.

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ACCRUAL BASIS - 5

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

MONTH: As of February 29, 2012

BANK RECONCILIATIONS				
	Account #1	Account #2	Account #3	
A. BANK:	SEE APPENDIX B			TOTAL
B. ACCOUNT NUMBER:				
C. PURPOSE (TYPE):				
1. BALANCE PER BANK STATEMENT				
2. ADD: TOTAL DEPOSITS NOT CREDITED				
3. SUBTRACT: OUTSTANDING CHECKS				
4. OTHER RECONCILING ITEMS				
5. MONTH END BALANCE PER BOOKS				(274,877)
6. NUMBER OF LAST CHECK WRITTEN				

INVESTMENT ACCOUNTS				
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE	TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7.				
8. NONE				
9.				
10.				
11. TOTAL INVESTMENTS				

CASH	
12. CURRENCY ON HAND	31,017
13. CASH OVERDRAFTS	287,389
14. TOTAL CASH - END OF MONTH	43,529

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APPENDIX B

MONTH: As of February 29, 2012

Bank	Account Name	Bank Acct #	Bank Balance + Adjmts/InTransit	- Outstanding Chks	+/-Other Items	GL Balance	Last Chk #
Wells Fargo Bank N.A.	Store Depositories (72 subs below)	*****5406	-	221,561.41	-	-	221,561.41
The Columbia Bank (Hagers)	Store Depository (#8220)	*****7015	0.00	0.00	-	-	-
JPMorgan Chase Bank N.A.	Store Depository (#1499)	*****5688	9,599.32	2,384.64	-	-	11,983.96
Wells Fargo Bank N.A.	Concentration	*****5331	43,177.65	-	-	-	43,177.65
Wells Fargo Bank N.A.	Operating	*****5349	49,573.96	-	-	-	49,573.96
Wells Fargo Bank N.A.	Controlled Disbursement	*****7627	-	-	(603,724.78)	-	(603,724.78) 52868
Wells Fargo Bank N.A.	Payroll	*****5356	-	-	2,550.92	-	2,550.92
Total Cash			102,350.93	223,946.05	(603,724.78)	2,550.92	(274,876.88)

Account Name	Bank Acct #	Bank Bal.	Adjmts/InTransit	- Outstanding Chks	+/-Other Items	GL Balance
Store Depository (#100)	*****5749	-	(53.50)	-	-	(53.50)
Store Depository (#199)	*****5061	-	6,150.25	-	-	6,150.25
Store Depository (#399)	*****5087	-	160.02	-	-	160.02
Store Depository (#499)	*****5095	-	927.13	-	-	927.13
Store Depository (#799)	*****5111	-	1,399.02	-	-	1,399.02
Store Depository (#899)	*****5129	-	1,868.39	-	-	1,868.39
Store Depository (#999)	*****5137	-	7,966.65	-	-	7,966.65
Store Depository (#1099)	*****5145	-	11,145.17	-	-	11,145.17
Store Depository (#1158)	*****5756	-	838.90	-	-	838.90
Store Depository (#1299)	*****5152	-	-	-	-	-
Store Depository (#1599)	*****5160	-	8,529.35	-	-	8,529.35
Store Depository (#1899)	*****5178	-	10,499.07	-	-	10,499.07
Store Depository (#2099)	*****5186	-	-	-	-	-
Store Depository (#2120)	*****5533	-	978.27	-	-	978.27
Store Depository (#2220)	*****5509	-	12,274.14	-	-	12,274.14
Store Depository (#2299)	*****5194	-	-	-	-	-
Store Depository (#2420)	*****5335	-	-	-	-	-
Store Depository (#2526)	*****5202	-	-	-	-	-
Store Depository (#2530)	*****5400	-	1,827.17	-	-	1,827.17
Store Depository (#2726)	*****5210	-	-	-	-	-
Store Depository (#2820)	*****5376	-	6,552.82	-	-	6,552.82
Store Depository (#3099)	*****5228	-	1,377.15	-	-	1,377.15
Store Depository (#3199)	*****5236	-	1,978.01	-	-	1,978.01
Store Depository (#3299)	*****5244	-	812.45	-	-	812.45
Store Depository (#3399)	*****0872	-	10,304.92	-	-	10,304.92
Store Depository (#3420)	*****5582	-	4,545.16	-	-	4,545.16
Store Depository (#3499)	*****0880	-	-	-	-	-
Store Depository (#4030)	*****5434	-	7,922.25	-	-	7,922.25
Store Depository (#4230)	*****5574	-	13,434.14	-	-	13,434.14
Store Depository (#4320)	*****5517	-	-	-	-	-
Store Depository (#4420)	*****5731	-	-	-	-	-
Store Depository (#4530)	*****5566	-	3,206.23	-	-	3,206.23
Store Depository (#4720)	*****5350	-	-	-	-	-
Store Depository (#5320)	*****5459	-	6,567.63	-	-	6,567.63
Store Depository (#5520)	*****5673	-	-	-	-	-
Store Depository (#5620)	*****5343	-	501.06	-	-	501.06
Store Depository (#5920)	*****5392	-	7,703.49	-	-	7,703.49
Store Depository (#6168)	*****5251	-	-	-	-	-
Store Depository (#6220)	*****5632	-	2,136.59	-	-	2,136.59
Store Depository (#6268)	*****5269	-	-	-	-	-
Store Depository (#6320)	*****5368	-	-	-	-	-
Store Depository (#6368)	*****5277	-	-	-	-	-
Store Depository (#6430)	*****5616	-	6,825.01	-	-	6,825.01
Store Depository (#6468)	*****5285	-	-	-	-	-
Store Depository (#6568)	*****5293	-	-	-	-	-
Store Depository (#6668)	*****5301	-	-	-	-	-
Store Depository (#6720)	*****5491	-	7,903.39	-	-	7,903.39
Store Depository (#6920)	*****5442	-	300.00	-	-	300.00
Store Depository (#7120)	*****5525	-	11,004.83	-	-	11,004.83
Store Depository (#7320)	*****5418	-	648.98	-	-	648.98
Store Depository (#7530)	*****5558	-	3,785.81	-	-	3,785.81
Store Depository (#7720)	*****5590	-	-	-	-	-
Store Depository (#7830)	*****5541	-	9,340.25	-	-	9,340.25
Store Depository (#7920)	*****5624	-	4,243.27	-	-	4,243.27
Store Depository (#8120)	*****5665	-	18,482.86	-	-	18,482.86
Store Depository (#8530)	*****5475	-	3,356.54	-	-	3,356.54
Store Depository (#8630)	*****5467	-	10,181.29	-	-	10,181.29
Store Depository (#8730)	*****5707	-	-	-	-	-
Store Depository (#9550)	*****5640	-	5,080.01	-	-	5,080.01
Store Depository (#9615)	*****5657	-	1,675.53	-	-	1,675.53
Store Depository (#9673)	*****5699	-	134.74	-	-	134.74
Store Depository (#9674)	*****5715	-	-	-	-	-
Store Depository (#9685)	*****5483	-	-	-	-	-
Store Depository (#9745)	*****5426	-	6,856.75	-	-	6,856.75
Store Depository (#9750)	*****5608	-	190.22	-	-	190.22
			221,561.41			221,561.41

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ACCRUAL BASIS - 6

MONTH: 02/01/12 - 02/29/12**PAYMENTS TO INSIDERS AND PROFESSIONALS**

OF THE TOTAL DISBURSEMENTS SHOWN FOR THE MONTH, LIST THE AMOUNT PAID TO INSIDERS (AS DEFINED IN SECTION 101 (31) (A)-(F) OF THE U.S. BANKRUPTCY CODE) AND TO PROFESSIONALS. ALSO, FOR PAYMENTS TO INSIDERS, IDENTIFY THE TYPE OF COMPENSATION PAID (e.g. SALARY, BONUS, COMMISSIONS, INSURANCE, HOUSING ALLOWANCE, TRAVEL, CAR ALLOWANCE, ETC.). ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSIDERS			
NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID TO DATE
1.			
2.			
3.			
4.			
5.			
6. TOTAL PAYMENTS TO INSIDERS (1)			

PROFESSIONALS					
NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID *
1. FTI Consulting, Inc.			\$ -	\$ -	\$ 379,860
2. Lowenstein Sandler PC			-	-	465,736
3. Kaplan Voekler Cunningham & Frank, PLC			41,140	41,140	58,901
4. Alvarez & Marsal North America, LLC			15,304	15,304	200,436
5. Hunton & Williams LLP			48,532	48,532	189,754
6. Official Committee of Unsecured Creditors			-	-	1,237
6. TOTAL PAYMENTS TO PROFESSIONALS			\$ 104,976	\$ 104,976	\$ 1,295,925

* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POSTPETITION
1. Leases (2)	\$ 2,001,362	\$ 2,003,283	\$ 574,554
2. DIP Credit Facility (3)		12,157,373	6,524,921
3. GE Commercial Finance (mortgage on retail store location)	21,340	21,340	2,344,890
4. Adequate Protection Payments for Utilities	236,602	236,602	
5.			
6. TOTAL	\$ 2,259,304	\$ 14,418,599	\$ 9,444,365

- (1) Other than salary, fees and benefit payments made in the ordinary course of business and reimbursements for business expenses, no payments have been made to insiders during the reporting period.
- (2) The lease line item consists of rent, CAM, real estate taxes, etc. payable to landlords for the leased locations. Total unpaid postpetition amount changed from prior month due to leases rejected on first day motions. Approximately \$336,000 of January scheduled payments were paid the last week of December.
- (3) The amounts paid during the month under the DIP facility represent the amounts swept from the debtor's bank account to repay amounts owed under the facility.

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APPENDIX C

MONTH: 02/01/12 - 02/29/12

POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS
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NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POSTPETITION
1. Virginia Electric and Power Company d/b/a Dominion Virginia	\$ 50,000	\$ 50,000	
2. Piedmont Natural Gas Company	1,000	1,000	
3. Carolina Power & Light Company d/b/a Progress Energy	12,098	12,098	
4. Baltimore Gas and Electric Company (BG&E)	15,104	15,104	
5. City of Richmnd	1,900	1,900	
5. Duke Energy	3,200	3,200	
6. Constellation New Energy	153,300	153,300	
TOTAL	\$ 236,602	\$ 236,602	\$ -

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ACCRUAL BASIS - 7

MONTH: As of February 29, 2012**QUESTIONNAIRE**

	YES	NO
1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?		X
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?		X
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?	X	
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?	X	
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?	X	
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?		X
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?		X
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?		X
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?		X
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?	X	
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?		X
12. ARE ANY WAGE PAYMENTS PAST DUE?		X

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "YES," PROVIDE A DETAILED EXPLANATION OF EACH ITEM. ATTACH ADDITIONAL SHEETS IF NECESSARY.

- (3). Intercompany transactions in the ordinary course of business have given rise to postpetition receivables of approximately \$86,000 at January 31, 2012.
- (5). The Debtor entered into a debtor-in-possession revolving credit facility with its existing lender, Wells Fargo in December and the loan was assigned to Salus Capital Partners, LLC on January 20, 2012. Loans were received from both parties during January.
- (10). Rent for the stub period (12/12/11 - 12/31/11) for certain store locations where the Debtor is currently conducting going out of business sales has not been paid based on the court decision in Circuit City and section 365(d) of the Bankruptcy Code.

INSURANCE

	YES	NO
1. ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT?	X	
2. ARE ALL PREMIUM PAYMENTS PAID CURRENT?	X	
3. PLEASE ITEMIZE POLICIES BELOW.		

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "NO," OR IF ANY POLICIES HAVE BEEN CANCELLED OR NOT RENEWED DURING THIS REPORTING PERIOD, PROVIDE AN EXPLANATION BELOW.

INSTALLMENT PAYMENTS			
TYPE OF POLICY	CARRIER	PERIOD COVERED	PAYMENT AMOUNT & FREQUENCY
Automobile	Travelers	06/01/11 to 06/01/12	\$107,821 paid in monthly installments (varying amounts)
Crime	Zurich American	06/01/11 to 06/01/12	\$4,750 paid at inception
Directors & Officers	National Union	06/01/11 to 06/01/12	\$18,718 paid at inception
Fiduciary	Continental Casualty	01/20/10 to 01/20/12	\$5,632 paid annually
Foreign, AL, GL and WC	ACE	06/01/11 to 06/01/12	\$2,000 paid at inception
General Liability	Travelers	06/01/11 to 06/01/12	\$137,439 paid in monthly installments (varying amounts)
Motor Cargo	Hanover Insurance Company	06/15/11 to 06/15/12	\$6,000 paid at inception
Ocean Cargo	ACE	06/01/11 to 06/01/12	\$21,300 paid at inception
Property	Travelers	06/01/11 to 06/01/12	\$221,747 paid in monthly installments (varying amounts)
Umbrella	Travelers	06/01/11 to 06/01/12	\$65,609 paid in monthly installments (varying amounts)
UST -- Pollution Liability	American Safety Insurance	12/14/11 to 12/14/13	\$2,560 paid at inception
Workers Compensation	Sentry	06/01/11 to 06/01/12	\$226,255 paid in monthly installments (varying amounts)