

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of November 30, 2005 (this "Agreement"), by and among PLVTZ, LLC, a Delaware limited liability company ("PLVTZ"), The Pride Capital Group, LLC (d/b/a Great American Group), a California limited liability company ("Great American" and, together with PLVTZ, the "Purchaser"), Levitz Home Furnishings, Inc., a Delaware corporation (the "Company"), and each of the Company's subsidiaries listed on the signature page hereto (individually, a "Subsidiary" and, together with the Company, each a "Seller" and, collectively, the "Sellers").

W I T N E S S E T H:

WHEREAS, Sellers are engaged in the business of selling residential furniture, and a portion of such business is conducted at Stores, Clearance Centers and Warehouses (as each is defined below)(the "Business");

WHEREAS, each of the Sellers filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") on October 11, 2005 (the "Petition Date"), and such Sellers' Chapter 11 cases (the "Bankruptcy Case") are being jointly administered in Case No. 05-45189-(BRL) for procedural purposes;

WHEREAS, upon the terms and subject to the conditions set forth herein and as authorized under Sections 105, 363, and 365 of the Bankruptcy Code, Purchaser desires to purchase from the Sellers, and the Sellers desire to sell to Purchaser, substantially all of the Sellers' assets in exchange for the payment to the Sellers of the Purchase Price and the assumption by the Purchaser of the Assumed Liabilities;

WHEREAS, the Sellers believe, following consultation with their financial advisors and reasonable due diligence, that, in light of the current circumstances, a sale of their assets is necessary to maximize value and is in the best interest of the Sellers, their respective shareholders and creditors;

WHEREAS, the transactions contemplated by this Agreement (the "Transactions") are subject to the approval of the Bankruptcy Court and will be consummated only pursuant to a Sale Order (as defined below) to be entered in the Bankruptcy Case and other applicable provisions of the Bankruptcy Code.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, and intending to be bound hereby, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 Certain Definitions.

For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1 or in other Sections of this Agreement, as identified in the chart in Section 1.2:

“Acquired Location” means a Location operated by a Seller other than (i) the Excluded Stores and (ii) any Locations operated subject to a Lease that has not yet been designated as a Purchased Lease, an Excluded Lease or a Designee Lease.

“Additional Agent Merchandise” shall have the meaning given to it in the Agency Agreement.

“Additional Return” shall have the meaning given to it in the Agency Agreement.

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

“Agency Agreement” means the Agency Agreement of even date herewith among the Sellers, the Purchaser and the other parties thereto.

“Agent” has the meaning set forth in the preamble to the Agency Agreement.

“Applicable Lease Marketing Period Termination Date” means the earliest to occur of (a) the Designation Deadline, (b) the tenth (10th) day following the date upon which Purchaser delivers to the Sellers a Property Dropout Notice with respect to such Leased Real Property, (c) the fifteenth (15th) day following the date upon which Purchaser delivers to Sellers a Lease Assumption Notice with respect to a Leased Real Property, and (d) Purchaser’s receipt of a Revocation Notice with respect to such Leased Real Property.

“Approved Budget” has the meaning set forth in the DIP Credit Agreement.

“Assumption Order” means an Order of the Bankruptcy Court authorizing the assumption or the assumption and assignment of a Contract or Lease pursuant to Section 365 of the Bankruptcy Code.

“Avoidance Actions” means all avoidance claims or other causes of action, whether arising under the Bankruptcy Code or otherwise, and the proceeds thereof, which are available to the Sellers under Section 510 or under Sections 542 through 553 of the Bankruptcy Code, of whatever kind or nature, and whether asserted or unasserted.

“Bidding Procedures Order” means an order of the Bankruptcy Court, attached hereto as Exhibit A.

“Business Day” means any day of the year on which national banking institutions in New York are open to the public for conducting business and are not required or authorized to close.

“Clearance Centers” means the free-standing clearance centers set forth on Schedule 1.1(a).

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral” shall have the meaning ascribed to such term in the Amended and Restated Intercreditor Agreement, dated as of May 20, 2005, by and between (i) Wells Fargo Bank, National Association, as Collateral Agent under the Indenture (as defined therein) for the benefit of itself, the Trustee, and the holders from time to time of the Note Obligations (as defined therein) and (ii) General Electric Capital Corporation, as agent under the Credit Agreement (as defined therein) for the benefit of the holders from time to time of the Priority Lien Obligations (as defined therein).

“Contract” means any contract, indenture, note, bond, lease, license, purchase or sale order (including Customer Orders), warranties, commitments, or other written or oral agreement other than a Lease which are related to the Business.

“Cure Costs” means amounts that must be paid and obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code, in connection with the assumption and/or assignment of the Purchased Leases, the Purchased Contracts, the Designee Leases and the Designee Contracts.

“Customer Order” means a partially or completely unfulfilled order by a customer or potential customer of a Seller.

“Customer Ordered Inventory” means those items of finished goods Inventory that have been previously earmarked or reserved from available Inventory and designated by Sellers for satisfaction of a Customer Order received prior to the Closing Date.

“Customer Returned Goods” means returned merchandise, finished goods or inventory that were sold or delivered prior to the Closing to a customer and returned to Sellers after the Closing Date, to the extent such return is consistent with Seller's customary policies.

“Defective Inventory” means such items of inventory that are non-first quality inventory, such as parts, inventory unsaleable in its current physical condition, incomplete sets of inventory intended to be sold as a set, mismatched sets, and used or previously owned, damaged, shopworn or soiled inventory.

“Designation Deadline” means 5:00 p.m., New York time, on May 31, 2006, or such later date as the Bankruptcy Court may authorize.

“Designation Rights” means, collectively, the Lease Designation Rights and the Contract Designation Rights as described in Section 2.5 hereof.

“Designee Contract” means a Contract assumed and assigned by the Sellers to a person other than the Purchaser pursuant to Section 2.5.

“Designee Lease” means a Lease that is assumed and assigned by the Sellers to a person other than Purchaser pursuant to Section 2.5.

“DIP Credit Agreement” means that certain Senior Secured, Super-Priority Debtor-In-Possession Credit Agreement, by and between the Company and Seaman Furniture Company, Inc., as Borrowers; the other Credit Parties signatory thereto, as Credit Parties; the Lenders signatory thereto from time to time, as Lenders; General Electric Capital Corporation, as Agent and Lender; GECC Capital Markets Group, Inc., as sole Lead Arranger and Book Runner; Prentice Capital Management, LP, as Tranche C Agent and Tranche C Arranger; and the Purchaser, as Lender, dated as of October 12, 2005, including all exhibits, schedules and appendices thereto.

“Documents” means all files, documents, instruments, papers, books, reports, records, tapes, microfilms, photographs, letters, budgets, forecasts, ledgers, journals, title policies, customer lists, regulatory filings, operating data and plans, technical documentation (design specifications, functional requirements, operating instructions, logic manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, etc.), and other similar materials related to the Purchased Assets or used or held for use in connection with the Business in each case whether or not in electronic form.

“Employee Benefit Plans” means each deferred compensation and each bonus or other incentive compensation, stock purchase, stock option and other equity compensation plan, program, agreement or arrangement; each severance or termination pay, medical, surgical, hospitalization, life insurance and other “welfare” plan, fund or program (within the meaning of Section 3(1) of ERISA); each profit-sharing, stock bonus or other “pension” plan, fund or program (within the meaning of Section 3(2) of ERISA); each employment, termination, retention or severance plan, agreement or arrangement; and each other employee benefit plan, fund, program, agreement or arrangement, in each case, that is sponsored, maintained or contributed to or required to be contributed to by the Company, the Sellers or an ERISA Affiliate, that together with the Company would be deemed a “single employer” within the meaning of Section 4001(b) of ERISA, or to which the Company, the Sellers or an ERISA Affiliate is party, whether written or oral, for the benefit of any employee or former employee of the Company or any former Subsidiary of the Company.

“Employees” means all individuals, as of the date hereof, who are employed by Sellers.

“Environmental Laws” means all federal, state, local and foreign laws, regulations, rules and ordinances, and common law, relating to pollution or protection of human health, safety, or the environment, including, without limitation, laws relating to releases or threatened releases of

Hazardous Substances into the environment (including, without limitation, ambient air, surface water, groundwater, land, surface and subsurface strata).

“Equipment” means any and all equipment, computers, personal property, furniture (other than Inventory), furnishings (other than Inventory), fixtures, office supplies, supply inventory, vehicles and all other fixed assets owned by, or on order to be delivered to, the Sellers.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any entity that with the subject Person is:

- (a) a member of a controlled group of corporations within the meaning of Section 414(b) of the Code.
- (b) a member of a group of trades or businesses under common control within the meaning of Section 414(c) of the Code;
- (c) a member of an affiliated service group within the meaning of Section 414(m) of the Code; or
- (d) a member of a group of organizations required to be aggregated under Section 414(o) of the Code.

“Excluded Contract” means a Contract (other than a Customer Order) designated by Purchaser as such pursuant to Section 2.5 prior to the Designation Date.

“Excluded Lease” means a Lease designated by Purchaser as such pursuant to Section 2.5 prior to the Designation Date.

“Excluded Location” means a Location subject to an Excluded Lease.

“Excluded Matter” means the effect of: (i) any change in the United States or foreign economies or financial markets in general; (ii) any change that generally affects the industry in which Sellers generally compete; (iii) any change arising in connection with earthquakes, hostilities, acts of war, sabotage or terrorism or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage or terrorism or military actions existing or underway as of the date hereof; (iv) any change in applicable Laws or GAAP; (v) any actions taken or proposed to be taken by Purchaser or any of its Affiliates; (vi) any effect resulting from the public announcement of this Agreement, compliance with terms of this Agreement or the consummation of the Transactions; or (vii) any effect resulting from the filing of the Bankruptcy Case and reasonably anticipated effects thereof.

“Excluded Store” means a Location operated by a Seller that is subject to an Excluded Lease.

“Fixture Display Inventory” means those items of inventory that are on display at the Leased Real Property, but are not included in Sellers’ inventory, but rather are reflected on Sellers’ books as fixture displays

“Funding Commitment” means the commitment letter agreement, dated the date hereof, between Prentice and Purchaser.

“GAAP” means generally accepted accounting principles in the United States, consistently applied throughout the specified period and the immediately prior comparable period.

“Governmental Body” means any government or governmental or regulatory body thereof, or political subdivision thereof, whether foreign, federal, state, or local, or any agency, instrumentality or authority thereof, or any court or arbitrator (public or private).

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Indenture Collateral” shall have the meaning ascribed to such term in the Amended and Restated Intercreditor Agreement, dated as of May 20, 2005, by and between (i) Wells Fargo Bank, National Association, as Collateral Agent under the Indenture (as defined therein) for the benefit of itself, the Trustee, and the holders from time to time of the Note Obligations (as defined therein) and (ii) General Electric Capital Corporation, as agent under the Credit Agreement (as defined therein) for the benefit of the holders from time to time of the Priority Lien Obligations (as defined therein).

“In-Transit Inventory” means Inventory that is to be delivered by the vendor of such Inventory to a Seller Location pursuant to an order made by or on behalf of the Sellers prior to the Closing.

“Intellectual Property” means all intellectual property arising from or in respect of the following: (i) all patents and applications therefor, including continuations, divisionals, continuations-in-part, or reissues of patent applications and patents issuing thereon, (ii) all trademarks, service marks, trade names, service names, brand names, all trade dress rights, logos, Internet domain names and corporate names and general intangibles of a like nature, together with the goodwill associated with any of the foregoing, and all applications, registrations and renewals thereof, (iii) copyrights and registrations and applications therefor and works of authorship, and mask work rights, and (iv) all Software of Sellers.

“Inventory” means any and all (i) finished goods merchandise or inventory that is owned by the Sellers that is either located at a Store, Clearance Center or Warehouse or any other Seller Location on the Closing Date (including Defective Inventory and Fixture Display Inventory); (ii) Returned Inventory; (iii) In-Transit Inventory; and (iv) Customer Ordered Inventory; provided, however, notwithstanding the foregoing, "Inventory" shall not include (A) goods which belong to sublessees, licensees or concessionaires of Sellers, or (B) goods held by Sellers on memo, on consignment, or as bailee.

“Knowledge of Sellers” means the actual knowledge of those officers of Sellers identified on Schedule 1.1(b).

“Law” means any federal, state, local or foreign law, statute, code, ordinance, rule or regulation or common law requirement.

“Lease Extension Order” means a final, non-appealable Order (Orders) of the Bankruptcy Court, which is not subject to a stay pending appeal, in form and substance reasonably acceptable to Purchaser, extending the Sellers' deadline under Section 365(d)(4) of the Bankruptcy Code to assume or reject Leases until May 31, 2006.

“Leased Real Property” means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures or other interest in nonresidential real property held by the Sellers.

“Leases” means all unexpired leases, subleases, licenses or other agreements, including all amendments, extensions, renewals, guaranties or other agreements with respect thereto, pursuant to which the Sellers hold or use any Leased Real Property.

“Legal Proceeding” means any judicial, administrative or arbitral actions, suits, proceedings (public or private) or claims or any proceedings by or before a Governmental Body.

“Liability” means any debt, liability or obligation (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due), and including all costs and expenses relating thereto.

“Lien” as applied to any Person means any lien, encumbrance, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, easement, servitude, proxy, voting trust or agreement, transfer restriction under any shareholder or similar agreement or encumbrance or any other right of a third party in respect of an asset of such Person.

“Location” means a Store, Clearance Center, Warehouse or other place at which the Sellers operate the Business.

“Order” means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Body.

“Permits” means any approvals, authorizations, consents, licenses, permits or certificates of a Governmental Body.

“Permitted Exceptions” means (i) all defects, exceptions, restrictions, easements, rights of way and encumbrances of record; (ii) statutory liens for current Taxes, assessments or other governmental charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings provided an appropriate reserve is established therefor; (iii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the ordinary course of the Sellers' business; (iv) zoning, entitlement and other land use and environmental regulations by any Governmental Body provided that such regulations have not been violated; (v) title of a lessor under a capital or operating lease; (vi) any other imperfections

in title, charges, easements, restrictions and encumbrances that do not materially affect the value or use of the affected asset; and (vii) liens for Taxes that constitute Assumed Liabilities.

“Person” means any individual, corporation, limited liability company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

“Prentice” means Prentice Capital Management, LP.

“Purchaser Material Adverse Effect” means a material adverse effect on the ability of Purchaser to consummate the Transactions or perform its obligations under this Agreement.

“Real Estate Occupancy Expenses” means the total amounts incurred of rent, CAM, real estate and use taxes, HVAC, utilities (including base telephone charges), ordinary repairs and maintenance, ordinary course third party cleanings, and general liability, property and casualty insurance for each location subject to a Lease on a per diem basis.

“Returned Inventory” means Customer Returned Goods and Customer Ordered Inventory for which the order has been cancelled by either the customer (in accordance with any Seller's customary policies regarding cancellation) or Sellers.

“Sale Order” shall be a final, non-appealable order (or orders) of the Bankruptcy Court which is not subject to a stay pending appeal, in form and substance reasonably acceptable to Purchaser and Sellers approving this Agreement and all of the terms and conditions hereof, and approving and authorizing Sellers to consummate the Transactions. Without limiting the generality of the foregoing, such order shall find and provide, among other things, that (i) the Purchased Assets sold to Purchaser pursuant to this Agreement shall be transferred to Purchaser free and clear of all Liens (other than Liens created by Purchaser and other than Permitted Exceptions) and claims, such Liens and claims to attach to the Purchase Price; (ii) the Purchaser has acted in “good faith” within the meaning of section 363(m) of the Bankruptcy Code; (iii) this Agreement was negotiated, proposed and entered into by the parties without collusion, in good faith and from arm’s length bargaining positions; (iv) the Bankruptcy Court shall retain jurisdiction to resolve any controversy or claim arising out of or relating to this Agreement, or the breach hereof as provided in Section 12.4 hereof; and (v) this Agreement and the Transactions may be specifically enforced against and binding upon, and not subject to rejection or avoidance by, Sellers or any chapter 7 or chapter 11 trustee of Sellers.

“Seller Material Adverse Effect” means any event, occurrence or effect (regardless of whether such event, occurrence or effect constitutes a breach of any representation, warranty or covenant of Sellers hereunder) which has had or would reasonably be expected to have, individually or when considered together with any other events, occurrences or effects, (i) a material adverse effect on or a material adverse change in the Purchased Assets or the Assumed Liabilities, (taken as a whole) or (ii) a material adverse effect on or a material adverse change in or to the ability of Sellers to consummate the Transactions or perform their obligations under this Agreement, other than in either case, to the extent such effect or change results from an Excluded Matter.

“Software” means, except to the extent generally available for purchase from a third Person, any and all (i) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code, (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (iii) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, (iv) screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, and (v) all documentation including user manuals and other training documentation related to any of the foregoing.

“Store Closing Order” means a final, non-appealable order (or orders) of the Bankruptcy Court which is not subject to a stay pending appeal, in form and substance reasonably acceptable to Purchaser, approving the Agency Agreement and all of the terms and conditions thereof, and approving and authorizing Sellers to consummate the Store Closing Sales contemplated by the this Agreement and the Agency Agreement. Without limiting the generality of the foregoing, such order shall find and provide, among other things, that (i) the Sellers are authorized to enter into and consummate the transactions contemplated by the Agency Agreement; (ii) Purchaser is authorized and empowered to serve as the Sellers’ Agent in connection with the Store Closing Sales; (iii) the Agency Agreement was negotiated, proposed and entered into by the parties without collusion, in good faith and from arm’s length bargaining positions; (iv) the Bankruptcy Court shall retain jurisdiction to resolve any controversy or claim arising out of or relating to the Agency Agreement, and that Purchaser is entitled to the protection of Section 363(m) of the Bankruptcy Code; and (v) the Agency Agreement and the transactions contemplated therein may be specifically enforced against and binding upon, and not subject to rejection or avoidance by, Sellers or any chapter 7 or chapter 11 trustee of Sellers.

“Store Closing Sales” means those “going out of business”, “store closing”, “bankruptcy liquidation” or other similarly themed sales conducted by the Agent pursuant to the Agency Agreement and the Store Closing Order at the Store Closing Locations.

“Stores” means the Seller locations identified as such on Schedule 1.1(d).

“Tax Authority” means any government, or agency, instrumentality or employee thereof, charged with the administration of any law or regulation relating to Taxes.

“Taxes” means (i) all federal, state, local or foreign taxes, charges or other assessments, including, without limitation, all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, (ii) any item described in clause (i) for which a taxpayer is liable as a transferee or successor, by reason of the regulations under Section 1502 of the Code, or by contract, indemnity or otherwise, and (iii) all interest, penalties, fines, additions to tax or additional amounts imposed by any Tax Authority in connection with any item described in clause (i) or (ii).

“Tax Return” means all returns, declarations, reports, estimates, information returns and statements required to be filed in respect of any Taxes (including any attachments thereto or amendments thereof).

“Transition Services Agreement” means an agreement is substantially the form attached hereto as Exhibit B to this Agreement.

“Title IV Plans” means Employee Benefit Plans subject to Title IV of ERISA.

“Warehouse” means, collectively, any and all warehouses owned, operated or used by Sellers.

1.2 Terms Defined Elsewhere in this Agreement. For purposes of this Agreement, the following terms have meanings set forth in the sections indicated:

<u>Term</u>	<u>Section</u>
Accounting Referee	3.5(c)
Actual Financial Statements	5.11
Agreement	Preamble
Allocation Statement	11.2
Antitrust Division	8.4(a)
Antitrust Laws	8.4(b)
Applicable Lease Marketing Period	2.5(e)(i)
Assigned Permits	2.1(b)(ix)
Assumed Liabilities	2.3
Audited Financial Statements	5.11
Bankruptcy Case	Recitals
Bankruptcy Code	Recitals
Bankruptcy Court	Recitals
Base Cash Consideration	3.1(a)
Business	Recitals
Closing	4.1
Closing Date	4.1
Company	Preamble
Competing Transaction	7.1
Cost File	3.5(a)
Credit Bid Amount	3.1(c)
Deposit Amount	3.2
Dropout Property	2.5(e)(iv)
Eligible Inventory Value	3.5(a)
Environmental Liability	2.4(k)
Excluded Assets	2.2
Excluded Liabilities	2.4
Existing L/Cs	8.10
Final Eligible Inventory Value	3.6
Financial Statements	5.11
FTC	8.4(a)
Great American	Preamble
Inventory Completion Date	3.5(a)
Inventory Date	3.5(a)

Inventory Deposit	3.2(a)(ii)
Inventory Taking	3.5(a)
Inventory Taking Instructions	3.5(a)
Inventory Taking Service	3.5(a)
Lease Assumption Notice	2.5(e)(v)
Material Contracts	5.10
Operational Expenses	2.5(e)(i)
P&L Statements	5.11
Periodic Taxes	11.1(a)
Petition Date	Recitals
PLVTZ	Preamble
Pre-Closing Eligible Inventory Value	3.5(a)
Pre-Closing Inventory Statement	3.5(a)
Property Dropout Notice	2.5(e)(iv)
Purchased Assets	2.1(b)
Purchased Contracts	2.1(b)(v)
Purchased Intellectual Property	2.1(b)(vii)
Purchased Leases	2.1(b)(iv)
Purchase Price	3.1
Purchase Price Deposit	3.2(a)(i)
Purchaser	Preamble
Reference Balance Sheet	5.11
Retained Employee Notice	2.5(e)(vi)
Revocation Notice	2.5(e)(ii)
Seller or Sellers	Preamble
Store Closing Locations	2.5(c)
Subsidiary	Preamble
Termination Date	4.4(a)
Transactions	Recitals
Transfer Tax Returns	11.1(b)
Transfer Taxes	11.1(b)
Transferred Employees	9.1
Unpaid Expenses	2.5(e)(ii)
WARN Act	9.1(c)

1.3 Other Definitional and Interpretive Matters.

(a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

Calculation of Time Period. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

Dollars. Any reference in this Agreement to \$ means U.S. dollars.

Exhibits/Schedules. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement.

Gender and Number. Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

Headings. The provision of a Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement. All references in this Agreement to any “Section” are to the corresponding Section of this Agreement unless otherwise specified.

Herein. The words such as “herein,” “hereinafter,” “hereof” and “hereunder” refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

Including. The word “including” or any variation thereof means “including, without limitation” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

ARTICLE II

PURCHASE AND SALE OF ASSETS; ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of Assets.

(a) On the terms and subject to the conditions set forth in this Agreement, at the Closing, Purchaser shall purchase, acquire and accept from Sellers, and Sellers shall sell, transfer, convey and deliver to Purchaser all of Sellers’ right, title and interest in, to and under the Purchased Assets, free and clear of all Liens other than those created by Purchaser and other than Permitted Exceptions to the fullest extent permitted by Sections 363 and 365 of the Bankruptcy Code.

(b) For all purposes of and under this Agreement, the term “Purchased Assets” means all of the properties, assets, and rights of Sellers (other than the Excluded Assets) existing as of the Closing, real or personal, tangible or intangible, including:

(i) all cash and cash equivalents located at any Location in an amount not less than \$300 per Location;

- (ii) all accounts receivable of the Sellers that relate to the Sellers' business or the Purchased Assets;
- (iii) all Inventory;
- (iv) all Leases of Sellers that are assumed and assigned to the Purchaser pursuant to an Assumption Order on or prior to the Designation Deadline (the "Purchased Leases"), together with all security deposits related thereto and all permanent fixtures, improvements and appurtenances thereto and associated with such Purchased Leases;
- (v) all Contracts (other than Customer Orders) of Sellers that are assumed and assigned to the Purchaser pursuant to an Assumption Order on or prior to the Designation Date (the "Purchased Contracts"), together with the right to receive income in respect of such Purchased Contracts on or after the Closing Date, and any causes of action relating to past or present breaches of the Purchased Contracts;
- (vi) all Equipment;
- (vii) subject to Section 8.9, (x) all rights in and to Intellectual Property rights owned or licensed by Sellers to the broadest extent Sellers are permitted by law to transfer such Intellectual Property (the "Purchased Intellectual Property") and (y) to the extent such Intellectual Property may not be transferred to Purchaser, Seller shall be deemed to have granted to Purchaser an exclusive, royalty free right and license to use the Intellectual Property from and after the Closing Date, to the broadest extent permitted by law;
- (viii) all Documents that are used in, held for use in or intended to be used in, or that arise primarily out of, the business and operations of the Sellers, including Documents relating to products of the Sellers, services, marketing, advertising, promotional materials, Purchased Intellectual Property, personnel files for Transferred Employees and all files, customer files and documents (including credit information), supplier lists, records, literature and correspondence, whether or not physically located on any of the premises subject to the Purchased, but excluding any Documents exclusively related to an Excluded Asset;
- (ix) all Permits used by Sellers that relate to the Purchased Assets, to the extent assignable (the "Assigned Permits");
- (x) all insurance policies relating to the Purchased Assets and all rights of every nature and description under or arising out of such policies;
- (xi) any rights, claims or causes of action of Sellers against third parties relating to the Purchased Assets, whether arising out of events occurring prior to, on or after the Closing Date, including without limitation any rights under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent relating to products sold, or services provided, to Sellers and

relating to the Purchased Assets, other than the Avoidance Actions and causes of actions relating exclusively to Excluded Assets;

(xii) all goodwill and other intangible assets associated with the business of the Sellers and the goodwill associated with the Purchased Intellectual Property; and

(xiii) all Designation Rights;

(xiv) the right to be engaged and serve as the Sellers' exclusive agent for the limited purpose of selling or otherwise disposing of Inventory and Equipment, in connection with Store Closing Sales or otherwise, and to sell Additional Agent Merchandise and Inventory in accordance with the terms of the Agency Agreement;

(xv) all proceeds in respect of the Agency Agreement including, without limitation, from the sales and dispositions described in clause (xiv) above other than the Additional Return, and all other payments expressly due Sellers under the Agency Agreement;

(xvi) all prepaid assets and deposits, including security deposits, utility deposits, deposits with creditors and other deposits or prepaid items of any kind or nature whatsoever, except to the extent such prepaid items or deposits relate exclusively to an Excluded Asset;

(xvii) all Customer Orders, but only to the extent that such Customer Orders shall be satisfied by the delivery of Inventory, merchandise, or other finished goods;

(xviii) subject to Section 2.6, any asset that requires the consent of a third party to be transferred, assumed or assigned notwithstanding the provisions of Section 365 of the Bankruptcy Code, as to which such consent has not been obtained as of the Closing Date; upon receipt of such consent on or after the Closing Date and entry of an appropriate Assumption Order as provided in Section 2.6;

(xix) all Avoidance Actions; and

(xx) all other tangible or intangible assets not expressly identified as Excluded Assets.

2.2 Excluded Assets. Nothing herein contained shall be deemed to sell, transfer, assign or convey the Excluded Assets to Purchaser, and Sellers shall retain all right, title and interest to, in and under the Excluded Assets. For all purposes of and under this Agreement, the term "Excluded Assets" means:

(a) all cash or cash equivalents of Sellers other than as contemplated by Section 2.1(b)(i);

- (b) all Leases of Sellers other than the Purchased Leases and the Designee Leases;
- (c) all Contracts of Sellers other than the Purchased Contracts and the Designee Contracts;
- (d) all Documents exclusively related to any Excluded Asset; provided, that Sellers shall provide copies of such Documents to Purchaser upon request;
- (e) all rights under insurance policies relating to claims for losses arising prior to, on or after the Closing Date related to any Excluded Asset;
- (f) any rights, claims or causes of action of Sellers against third parties relating to the Excluded Assets and arising out of events occurring prior to, on or after the Closing Date, including without limitation any rights under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent relating to products sold, or services provided, to Sellers and relating to the Excluded Assets;
- (g) any shares of capital stock or other equity interest of any Seller or any securities convertible into, exchangeable or exercisable for shares of capital stock or other equity interest of any Seller;
- (h) any minute books, stock ledgers, corporate seals and stock certificates of Sellers, and other similar books and records that Sellers are required by Law to retain or that Sellers determine are necessary or advisable to retain including Tax Returns, financial statements and corporate or other entity filings; provided, that Purchaser shall have the right to request and receive copies of any Excluded Asset described in this subclause (h);
- (i) refunds, credits and rebates of Taxes due to Sellers as a result of Taxes that were paid or will be paid by Sellers;
- (j) all Excluded Locations; and
- (k) any rights of Sellers under this Agreement or the Agency Agreement.

2.3 Assumption of Liabilities. On the terms and subject to the conditions and limitations set forth in this Agreement, at the Closing, Purchaser shall assume, effective as of the Closing, and shall timely perform and discharge in accordance with their respective terms, the following Liabilities (without duplication) existing as of the Closing Date (collectively, the “Assumed Liabilities”) and no others:

- (a) all Liabilities of Sellers under Leases and Contracts (other than Customer Orders which are provided for in Section 2.3(b)) arising after the Closing Date other than (i) with respect to any given Lease, Liabilities arising after the Applicable Lease Marketing Termination Date for such Lease and (ii) with respect to any given Contract, Liabilities arising after such Contract is designated an Excluded Contract.

(b) any obligation of Sellers to procure, provide or deliver Inventory or other finished goods, furniture or merchandise in respect of a Customer Order;

(c) Cure Costs for Purchased Contracts, Designee Contracts, Purchased Leases and Designee Leases and any rent payment obligations in respect of October 2005 for any Stores that are not Excluded Stores as of the Closing Date, provided, however, that any such amount assumed pursuant to this Section 2.3(c) in excess of \$8,274,900.00 in the aggregate shall increase, on a dollar-for-dollar basis, the amounts owed to Purchaser under the DIP Credit Agreement;

(d) Liabilities of Sellers for court approved severance to any Retained Employee arising following the Closing Date not to exceed \$1,700,000.00 in the aggregate;

(e) Such customer service and warranty claims arising after the Closing Date with respect to merchandise and finished goods sold at Stores or other Locations on or after the Petition Date but prior to the Closing Date as Purchaser may elect in its sole discretion, and obligations to perform warranty repair or replacement arising after the Closing Date with respect to merchandise or finished goods sold (other than in the Store Closing Sales at the Store Closing Locations which shall not be assumed under the Agency Agreement or this Agreement) on or after the Petition Date but prior to the Closing Date;

(f) all Liability for the Operational Expenses identified in Section 2.5(e)(i);

(g) all obligations under the Transition Services Agreement;

(h) all Liabilities arising out of Purchaser's ownership of the Purchased Assets after the Closing Date;

(i) all obligations of Sellers owed to General Electric Capital Corporation under the DIP Credit Agreement; and

(j) all Transfer Taxes.

2.4 Excluded Liabilities. Purchaser shall not assume and shall be deemed not to have assumed, and Sellers shall be solely and exclusively liable with respect to, any Liabilities of Sellers of whatever nature, whether presently in existence or arising hereafter, known or unknown, disputed or undisputed, contingent or non-contingent, liquidated or unliquidated or otherwise, other than the Assumed Liabilities (collectively, the "Excluded Liabilities"). For the avoidance of doubt, the Excluded Liabilities include the following:

(a) all Liabilities existing prior to the Petition Date that are subject to compromise in the Bankruptcy Case, other than any Liabilities expressly assumed by Purchaser pursuant to Section 2.3;

(b) the amount owed to Purchaser under the DIP Credit Agreement;

(c) any indebtedness other than as expressly assumed by Purchaser pursuant to Section 2.3;

(d) all Liabilities relating to or arising out of the ownership or operation of the Excluded Assets, other than any Liabilities expressly assumed by Purchaser pursuant to Section 2.3;

(e) all Liability for any Taxes due or payable by Sellers for any Tax period (or portion thereof) prior to or on the Closing Date or arising out of the ownership or operation of the Purchased Assets prior to or on the Closing Date; and

(f) (x) all Liabilities of Sellers to any Retained Employee in excess of \$1,700,000.00 in the aggregate for severance and any (y) all Liability relating to workers' compensation claims, employee benefits, severance (other than \$1,700,000.00 specifically assumed by Purchaser pursuant to Section 2.3(d)) or compensation arrangements existing on or prior to the Closing Date, including, without limitation, any key employee retention program or similar program adopted by the Sellers and/or approved by the Bankruptcy Court or any of the Sellers' Plans (including, but not limited to, any Title IV Plan);

(g) any Liability for (i) costs and expenses incurred or owed in connection with the administration of the Bankruptcy Case (including, without limitation, the U.S. Trustee fees, the fees and expenses of attorneys, accountants, financial advisors, consultants and other professionals retained by the Sellers, and any official or unofficial creditors' committee, the fees and expenses of the post-petition lenders or the pre-petition lenders incurred or owed in connection with the administration of the Bankruptcy Case) and (ii) costs and expenses of the Sellers incurred in connection with the negotiation, execution and consummation of the transactions contemplated under this Agreement and the Agency Agreement;

(h) all Liabilities to refund in cash or cash equivalents any customer or security deposits or prepaid items or any amounts with respect to Customer Orders;

(i) all Liabilities of Sellers arising pursuant to product warranties, products returns, customer programs and rebates not assumed pursuant to Section 2.3(e);

(j) any Liability to the extent related to any period prior to the Closing, under any Environmental Laws (such Liability hereinafter referred to as "Environmental Liability");

(k) any Liability arising out of or relating to any violation of any law, rule, regulation, judgment, injunction, order or decree occurring or arising out of or relating to any event or condition occurring or existing at or prior to the Closing;

(l) any Liability for accrued vacation, pension, profit sharing or any other employee benefit plans, compensation or retiree medical or other benefits and obligations, or any obligation, claim or amount for employees, or any obligation, claim or amount under the WARN Act or COBRA;

(m) all Liabilities relating to amounts required to be paid by Sellers hereunder;

(n) any amounts payable by Sellers for benefits for Retained Employees pursuant to Section 2.5(e)(i)(B) in excess of the Benefits Cap;

(o) all expenses (including Real Estate Occupancy Expenses) for the Leased Real Property in excess of the amounts set forth in Schedule 2.5(e)(i); and

(p) any and all Liabilities incurred by the Sellers (whether incurred prior to, on or after the Petition Date) other than the Assumed Liabilities.

2.5 Lease and Contract Designation; Cure Amounts.

(a) Designation. On or prior to the Designation Deadline and pursuant to the terms of this Section 2.5, Purchaser shall designate each Lease a Purchased Lease, a Designee Lease or an Excluded Lease and shall designate each Contract a Purchased Contract, a Designee Contract or an Excluded Contract. Notwithstanding the foregoing, if a Contract or Lease is not designated on or before the Designation Deadline, and such Contract or Lease has not been rejected by the Sellers (subject to the restriction in Section 2.5(k)) pursuant to Section 365 of the Bankruptcy Code, the Sellers shall, upon request of the Purchaser, assume and assign such Contract or Lease to the Purchaser or its designee for no additional consideration.

(b) Assignment and Assumption. At such time as is specified in the Sale Order, this Agreement and any other Orders of the Bankruptcy Court, Sellers shall assign to Purchaser and Purchaser shall assume from Sellers, the Purchased Contracts and the Purchased Leases and Sellers shall assign to Purchaser's designees and Purchaser shall cause such designees to assume from Sellers, the Designee Leases and the Designee Contracts pursuant to Section 365 of the Bankruptcy Code.

(c) Assets to be Liquidated; Proceeds. Subject to entry by the Bankruptcy Court of the Sale Order in the Bankruptcy Case, and subject further to the terms of the Agency Agreement, the Purchaser shall act as Sellers' exclusive agent for the purpose of liquidating the Inventory and Equipment in those Clearance Centers, Warehouses and Stores designated by the Purchaser from time-to-time from the date hereof through the Designation Deadline (such locations the "Store Closing Locations") through the conduct of Store Closing Sales. The terms, conditions and procedures applicable to the conduct of the Store Closing Sales in the Store Closing Locations and the sale or other disposition of the Inventory, Equipment and Additional Agent Merchandise from the Store Closing Locations are set forth in the Agency Agreement; provided, however, notwithstanding any other provision of this Agreement or the Agency Agreement, no Additional Agent Merchandise shall be delivered to any Store Closing Location, or to any other Store, Warehouse or Clearance Center, until after the completion of the Inventory Taking at such Location.

(d) Lease Designation Rights. Purchaser shall have the exclusive right to act as Sellers' exclusive agent for the limited purposes of marketing and disposing of the Leases that have not yet been designated as Purchased Leases, Designee Leases or Excluded Leases through the Applicable Lease Marketing Period, and thereafter to designate the ultimate assignee of all of the Sellers' right, title and interest in and to such Leases, together with all permanent fixtures and improvements (hereinafter, the "Designation Rights").

(e) Parties Respective Obligations During Designation Period

(i) Operational Expenses. Purchasers shall be obligated to reimburse or advance to Sellers for the following expenses incurred by the Sellers from the Closing Date through the Applicable Lease Marketing Period Termination Date (as to each Leased Real Property Location, the "Applicable Lease Marketing Period"), on a per location, per diem basis (the "Operational Expenses):

(A) payroll and commissions, if applicable, for all of the Sellers' full time and part-time employees (including corporate level employees) working at any Location, other than an Excluded Location, on the Closing Date (the "Retained Employees");

(B) any amounts payable by Sellers for benefits for Retained Employees (including, but not limited to, FICA, unemployment taxes, workers' compensation and health care insurance benefits, but excluding Excluded Benefits) in an amount not to exceed 22% of base payroll for each Retained Employee (the "Benefits Cap");

(C) long distance telephone and postage/overnight/courier charges at all Locations other than Excluded Locations;

(D) credit card and bank card fees, chargebacks and discounts;

(E) third party payroll processing fees;

(F) armored car service, security personnel and monthly alarm services at Locations other than Excluded Locations;

(G) trash removal and ordinary third party cleanings at Locations other than Excluded Locations;

(H) all expenses (including Real Estate Occupancy Expenses) for the Leased Real Property limited to the categories and not to exceed amounts set forth on Schedule 2.5(e)(i) hereto, plus the portion of any percentage rent obligations, if any, allocable to the sale of Inventory;

(I) security and building alarm service at Location other than Excluded Locations;

(J) costs and expenses of delivery and assembly services;

(K) routine repair and maintenance costs at Locations other than Excluded Locations; and.

(L) costs and expenses for Sellers' central administrative and distribution services including, but not limited to (a) Sellers' inventory control system; (b) payroll system; and (c) accounting system.

Notwithstanding anything herein to the contrary to the extent that any Operational Expense listed in Section 2.5(e)(i) is included on Schedule 2.5(e)(i), then Schedule 2.5(e)(i) shall control and such Operational Expense shall not be double counted.

(ii) Purchaser shall pay the Operational Expenses on each Wednesday of each week during the Applicable Lease Marketing Period; provided, however, on each Tuesday, Sellers shall provide Purchaser (or its designees) invoices reasonably acceptable to Purchaser in support of the actual expenses incurred during the prior week. If Purchaser (or its designee) fails to reimburse or advance to the Sellers any expenses (including Real Estate Occupancy Expenses) for (x) a Leased Real Property Location within three (3) Business Days after receipt of Sellers' invoice therefor or (y) a Store Closing Location within three (3) Business Days after receipt of a notice of the Agent's failure to pay amounts due and owing under the Agency Agreement in respect of a Store Closing Location ("Unpaid Expenses"), then following the expiration of a five (5) day cure period after receipt by the Purchaser of notice of such failure to reimburse or advance, Sellers shall be entitled to revoke Purchaser's (or its designee's) right to market and attempt to sell Sellers' right, title and interest in and to the affected Lease, which revocation right shall be in addition to all of Sellers' other rights at law and equity. Such revocation shall be effective upon the second Business Day following the expiration of the referenced five (5) day cure period (each, a "Revocation Notice"), and Seller shall have the right to reimbursement of such Unpaid Expenses; provided, however, in the event that there is a good faith dispute between Sellers and Purchaser as to whether such Unpaid Expense is due and owing by Purchaser to Sellers, Purchaser shall tender payment of the undisputed portion of the Unpaid Expense to Sellers, and shall negotiate in good faith with Sellers to resolve the dispute with respect to the remaining Unpaid Expense, in which case Sellers shall not have the right to serve Purchaser with a Revocation Notice. In the event that Purchaser and Sellers are unable to resolve any dispute regarding Unpaid Expenses, the dispute shall be submitted to the Bankruptcy Court on motion of either Purchaser or Sellers, without the need to file an adversary proceeding. Following the effective date of any Revocation Notice, Purchaser shall remain liable to reimburse Sellers for any Unpaid Expense(s).

(iii) During the Applicable Lease Marketing Period, Sellers agree to cooperate reasonably with Purchaser to arrange for the sale of the Sellers' leasehold interests in those Leased Real Properties that Purchaser determines. Without limiting the generality of the foregoing, Sellers agree: (x) to provide Purchaser with all due diligence materials and information as Purchaser shall reasonably request in connection with its efforts to market and attempt to sell the Leases (including complete copies of the subject leases and any abstracts prepared with respect thereto, and all communications with the lessees thereunder, all property surveys, all environmental reports and tax and utility records) and (y) to cooperate with Purchaser, its agents and any potential purchasers of any of the Designated Liquidation Leases and to provide reasonable access to such locations.

(iv) At any time prior to the expiration of the Applicable Lease Marketing Period, Purchaser shall have the right, which right may be exercised at any time and from time to time in Purchaser's sole and absolute discretion, to provide written

notice to the Sellers (each such notice, a “Property Dropout Notice”) of Purchaser’s (or its designee’s) election to discontinue its efforts to market and attempt to sell any Store Closing Location Real Property Lease (each a “Dropout Property” and collectively, the “Dropout Properties”). Upon Sellers’ receipt of a Property Dropout Notice, Purchaser’s obligation to pay expenses for the Dropout Property described therein (including Real Estate Occupancy Expenses) shall continue ten (10) days after the Purchaser delivers the Property Dropout Notice for such Dropout Property. Upon Purchaser’s delivery of a Property Dropout Notice, the affected Lease shall be deemed an Excluded Lease, and Sellers may dispose of such property in such manner as Sellers may elect, and all proceeds realized upon a disposition of same shall be the exclusive property of Sellers.

(v) At any time prior to the expiration of the Applicable Lease Marketing Period for each Lease (other than Purchased Leases), Purchaser shall have the right, which right may be exercised at any time and from time to time in Purchaser’s sole and absolute discretion, to provide written notice to the Sellers (each such notice, a “Lease Assumption Notice”) of Purchaser’s election to deem the Lease identified in the subject Lease Assumption Notice(s) a Designee Lease or a Purchased Lease and require the Sellers to use commercially reasonable efforts to assume and/or assign such Lease(s) to Purchaser or Purchaser’s designee. Within fifteen (15) days following the date Purchaser delivers a Lease Assumption Notice to Sellers, Sellers shall, at no additional cost or expense to Purchaser (other than payment of Cure Costs under the Lease), take all requisite actions (including actions required under § 363 and/or 365 of the Bankruptcy Code, as applicable) to assume and/or assign (or in the case of a fee interest, sell, transfer and convey without any representation or warranty of any kind) such Lease(s) to Purchaser or the designee identified by Purchaser in such Lease Assumption Notice(s). Without limiting the generality of the foregoing, upon receipt of a Lease Assumption Notice, Sellers shall use commercially reasonable efforts to obtain the entry of an order of the Bankruptcy Court approving the sale or assumption of the Lease(s) and the assignment of such lease(s) to Purchaser or the specified designee. As used herein, the term “commercially reasonable efforts” shall not require the Sellers to pay any funds (including Cure Costs) or assume any claims, but shall expressly require Sellers or their chapter 11 estate to expend or incur fees, costs and expenses for the payment of Sellers’ attorneys and other professionals whose services may reasonably be required in connection with the prosecution of any motion seeking the entry of any such assumption and assignment order. Purchaser shall have no further obligation or liability with respect to the Leases (other than Purchased Leases) (including any obligation to continue to pay any expenses with respect thereto), upon termination of the Applicable Lease Marketing Period.

(vi) At any time prior to the expiration of the Designation Deadline, Purchaser shall have the right, which right may be exercised at any time and from time to time in Purchaser’s sole and absolute discretion, to provide written notice to the Sellers of Purchaser’s (or its designee’s) election to offer or not to offer employment to a Retained Employee (each such notice, the “Retained Employee Notice”). Upon Sellers’ receipt of a Retained Employee Notice, Purchaser’s obligation to reimburse the Sellers for payroll and other expenses related to the Retained Employee under Section 2.5(e)(i) and (ii) above shall continue for fourteen (14) additional days other than store level employees

for whom such period shall be seven (7) additional days. In the event that the Purchaser has offered to employ the Retained Employee and the Retained Employee accepts such employment, the Retained Employee will be terminated by the Sellers and immediately thereafter employed by the Purchaser or its designee on the terms agreed upon. In the event that Purchaser does not offer to employ the Retained Employee, Sellers shall be free to continue to employ such person, but such employment shall be at Sellers' sole cost and expense.

(f) Purchasers shall pay Cure Costs that are Assumed Liabilities, as and when finally determined by the Bankruptcy Court pursuant to the procedures set forth in the Sale Order or any other applicable Order of the Bankruptcy Court.

(g) The Purchaser or designee under any Lease Assumption Notice shall be required to provide adequate assurance of future performance with respect to such Purchased Lease or Designee Lease.

(h) Regardless of whether Purchaser directs Sellers to reject any one or more Leases at any time, the legal cost and expenses of the rejection at any time of any one or more such leases, including the filing and prosecution of any motions or other pleadings with respect to the same, shall be borne solely by the Sellers and their chapter 11 estate.

(i) Sellers shall not terminate the employment of any Retained Employee unless such termination is a termination for cause.

(j) Contract Designation. Prior to the Designation Deadline, the Purchaser shall designate each Contract as an Excluded Contract, a Purchased Contract or a Designee Contract. Each of the Sellers hereby appoints Purchaser their agent-in-fact for the sole purpose of allowing Purchaser to continue to operate under the Contracts until such time as Purchaser either designates such Contract as a Purchased Contract or Designee Contract, or designates that it does not want to have such contract assumed and assigned to it or its designee; provided, however, during such period, Purchaser shall be responsible for all obligations arising from or in connection with such Contract(s).

(k) Prior to the Designation Deadline, Sellers shall not reject any Lease or Contract that has not been designated by Purchaser an Excluded Lease or Excluded Contract, as applicable.

2.6 Assignment of Contracts and Rights. To the maximum extent permitted by the Bankruptcy Code, the Purchased Contracts, the Purchased Leases, the Designee Contracts and the Designee Leases and the Sellers' rights to the Intellectual Property shall be assumed and assigned to Purchaser or one or more of its designees pursuant to Section 365 of the Bankruptcy Code as of the Closing Date or such other date as specified in an Order or this Agreement, as applicable. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any asset or any right thereunder if an attempted assignment without the consent of a third party would constitute a breach or in any way adversely affect the rights of the Purchaser or Seller thereunder. If such consent is not obtained or such assignment is not attainable pursuant to Sections 105, 363 and/or 365 of the

Bankruptcy Code other than as a result of the failure to pay Cure Costs which are not Assumed Liabilities, then such Purchased Assets shall not be transferred hereunder and the Closing shall proceed with respect to the Remaining Purchased Assets without any reduction in Purchase Price.

2.7 Further Conveyances and Assumptions.

(a) From time to time following the Closing, Sellers shall, or shall cause their Affiliates to, make available to Purchaser such non-confidential data in personnel records of any Transferred Employee or Retained Employee as is reasonably necessary for Purchaser to determine whether to employ such Retained Employee or transition such employees into Purchaser's records.

(b) From time to time following the Closing, Sellers shall, or shall cause their Affiliates to, transfer to the Purchaser any Purchased Assets received by or in the possession of the Sellers.

(c) From time to time following the Closing, Sellers and Purchaser shall, and shall cause their respective Affiliates to, execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and other instruments, and shall take such further actions, as may be reasonably necessary or appropriate to assure fully to Purchaser and its respective successors or assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges intended to be conveyed to Purchaser under this Agreement and to assure fully to each Seller and its Affiliates and their successors and assigns, the assumption of the liabilities and obligations intended to be assumed by Purchaser under this Agreement, and to otherwise make effective the Transactions.

2.8 Reimbursement for Certain Amounts. Purchaser shall reimburse or advance to the Sellers, at the Closing Date or such later date as the same may come due, the following:

(a) any Bankruptcy Court-approved accrued and unpaid professional fees and expenses incurred by the Sellers in connection with the administration of the Bankruptcy Case (other than those described in clauses (b) or (c) below) in an amount not to exceed the agreed amount under the Carve-Out (as defined in the DIP Credit Agreement and/or the Order approving such agreement);

(b) any Bankruptcy Court-approved fees and expenses incurred by the Sellers in connection with the transactions contemplated by this Agreement in an amount not to exceed \$891,100.00 in the aggregate;

(c) any costs and expenses of the Sellers in connection with the wind-down of the Sellers' bankruptcy estate following the Closing in an amount not to exceed \$848,700.00 in the aggregate;

(d) any accrued and unpaid payroll obligations of the Sellers, provided, however, that any accrued payroll amount in excess of \$1,887,900.00 in the aggregate shall increase, on a dollar-for-dollar basis, the amounts owed to Purchaser under the DIP Credit Agreement; and

(e) any accrued and unpaid sales tax owed by the Sellers, provided, however, that any amount of accrued sales tax in excess of \$4,749,100.00 shall increase, on a dollar-for-dollar basis, the amounts owed to Purchaser under the DIP Credit Agreement.

ARTICLE III

CONSIDERATION; ADJUSTMENT

3.1 Consideration. Subject to Section 3.4, the aggregate consideration for the Purchased Assets (the "Purchase Price") shall be:

- (a) Cash in the amount equal to \$1,000,000.00 (the "Base Cash Consideration") which amount represents the purchase price for Collateral and Indenture Collateral;
- (b) the assumption of the Assumed Liabilities;
- (c) the forgiveness of \$7,000,000.00 due to the Purchaser under the DIP Credit Agreement (the "Credit Bid Amount");
- (d) the Additional Return, which amount shall be applied to the outstanding amount due to the Purchaser under the DIP Credit Agreement; and
- (e) the reimbursement of the amounts described in Section 2.8.

3.2 Purchase Price Deposit. Upon the execution of this Agreement, pursuant to the terms of the Bidding Procedures Order, cash equal to \$6,500,000.00 (the "Deposit Amount") previously delivered to Sellers pursuant to the terms of the DIP Credit Agreement shall be deemed to have been delivered as a deposit under this Agreement. Pursuant to the Bidding Procedures Order, Sellers shall deliver or allocate the Deposit Amount as follows:

- (a) if the Closing shall occur, the Deposit Amount (the "Purchase Price Deposit") shall be applied towards the Credit Bid Amount; and
- (b) if this Agreement is terminated by Sellers pursuant to Section 4.4(f), the amount due to the Purchaser pursuant to the DIP Credit Agreement shall be reduced by an amount equal to the Deposit Amount.

3.3 Payment of Cash Purchase Price. On the Closing Date, Purchaser shall pay the Sellers cash equal to the Base Cash Consideration and the Minimum Additional Return (as defined in the Agency Agreement) in immediately available funds.

3.4 Apportionments. To the extent the following charges relate to a Purchased Contract or to a Location that is subject to a Purchased Lease for a period that begins prior to the Closing Date and ends after the Closing Date, such charges are to be apportioned between the

Sellers, on the one hand, and Purchaser, on the other hand, as of midnight of the day preceding the Closing Date:

- (a) rent apportioned for the month in which the Closing Date occurs;
- (b) assessments, water meter charges, and sewer rents, if any, on the basis of the fiscal year for which assessed; and
- (c) charges and fees payable for telephone services, water, heat, steam, electric power, gas and other utilities, at the price charged by the suppliers, including any taxes thereon and based upon applicable meter readings, where available, made on or immediately prior to the Closing Date.

3.5 Inventory Value.

(a) As promptly as practicable, the Sellers and Purchaser shall cause to be taken a physical inventory of the Inventory, other than a physical inventory of the Inventory at the Stores identified by Purchaser (the "Inventory Taking"), which Inventory Taking shall be completed prior to Closing, unless otherwise agreed to in writing by the Sellers and Purchaser (provided that the Inventory Taking shall not be required to occur on Saturdays and Sundays) (the "Inventory Completion Date", and the date of the Inventory Taking at each of the Stores, the Clearance Centers and the Warehouse being the "Inventory Date" for each such Store, Clearance Center and Warehouse). The Sellers and Purchaser shall jointly employ a mutually acceptable independent inventory taking service (the "Inventory Taking Service") to conduct the Inventory Taking, or if the Sellers and Purchaser mutually agree, shall jointly conduct the Inventory Taking without utilizing a third party Inventory Taking Service. The Inventory Taking shall be conducted in accordance with the procedures and instructions to be mutually agreed by the Sellers and Purchaser and made a part of this Agreement as Schedule 3.5(a) (the "Inventory Taking Instructions"). Purchaser shall be responsible for 100% of the fees and expenses of the Inventory Taking Service, if such service is utilized. In the event that no third party Inventory Taking Service is utilized, then each of the Sellers and Purchaser shall bear their respective costs and expenses incurred in the Inventory Taking. The Sellers and Purchaser shall each have the right to have representatives present during the Inventory Taking, and shall each have the right to review and verify the listing and tabulation of the Inventory Taking Service. During the conduct of the Inventory Taking in each of the Clearance Centers, Warehouse and Stores, the applicable location shall be closed to the public and no sales or other transactions shall be conducted until the Inventory Taking at such location has been completed. No later than five (5) days after the Inventory Completion Date, Sellers shall prepare a statement ("Pre-Closing Inventory Statement") of the Eligible Inventory Value as of the Closing Date based upon such physical inventory count ("Pre-Closing Eligible Inventory Value"). The "Eligible Inventory Value" shall be equal to, with respect to each item of Eligible Inventory (as defined in the DIP Credit Agreement) of the Sellers at the Closing, the cost (determined by applicable Seller accounting unit) for such item of Inventory, as reflected in Sellers' master cost file as of the Closing Date ("Cost File"), plus freight and shipping charges at 9.5%, except to the extent of any mistake or omission contained therein. If the Pre-Closing Eligible Inventory Statement reflects less than \$50,000,000.00 of Pre-Closing Eligible Inventory Value of the Inventory, if agreed to by

Purchaser, in Purchaser's sole discretion, Sellers may count the In-Transit Inventory for purposes of determining the Pre-Closing Eligible Inventory Value of the Inventory.

(b) If Purchaser disagrees with the calculation of Pre-Closing Eligible Inventory Value delivered pursuant to Section 3.5(a), Purchaser may, within five (5) days after delivery of the documents referred to in Section 3.5(a), deliver a notice to the Sellers of such disagreement and setting forth Purchaser's calculation of such amount. Any such notice of disagreement shall specify those items or amounts as to which Purchaser disagrees and the Purchaser shall be deemed to have agreed with all other items and amounts contained in the Pre-Closing Inventory Statement and the calculation of Pre-Closing Eligible Inventory Value delivered pursuant to Section 3.5(a).

(c) If a notice of disagreement shall be duly delivered pursuant to Section 3.5(b), the Sellers and Purchaser shall, during the fifteen (15) days following such delivery, use their reasonable best efforts to reach agreement on the disputed items or amounts in order to determine, as may be required, the amount of Pre-Closing Eligible Inventory Value, which amount shall not be less than the amount thereof shown in the Sellers' calculations delivered pursuant to Section 3.5(a) nor more than the amount thereof shown in the Purchaser's calculation delivered pursuant to Section 3.5(a). If during such period, the Sellers and Purchaser are unable to reach such agreement, they shall promptly thereafter retain a nationally recognized accounting firm that does not provide and has not provided within three (3) years prior to its appointment services to any of the Purchaser, the Sellers or their respective Affiliates (the "Accounting Referee") and cause the Accounting Referee to promptly review this Agreement and the disputed items or amounts for the purpose of calculating Pre-Closing Eligible Inventory Value. In making such calculation, the Accounting Referee shall consider only those items or amounts in the Pre-Closing Inventory Statement or the Purchaser's calculation of Pre-Closing Eligible Inventory Value as to which the Sellers have disagreed. The Accounting Referee shall be instructed to deliver to the Sellers and Purchaser, as promptly as practicable, a report setting forth such calculation. Such report shall be final and binding upon the Sellers and Purchaser. The cost of such review and report shall be borne (i) by the Sellers if the difference between Final Eligible Inventory Value and Pre-Closing Eligible Inventory Value as set forth in the Sellers' calculation of Closing Inventory Value delivered pursuant to Section 3.5(a) is greater than the difference between Final Eligible Inventory Value and Pre-Closing Eligible Inventory Value as set forth in the Purchaser's calculation of Pre-Closing Eligible Inventory Value delivered pursuant to Section 3.5(b), provided, however, that Purchaser shall reimburse the Sellers for such cost (ii) by Purchaser if the first such difference is less than the second such difference and (iii) otherwise equally by the Sellers and Purchaser.

(a) The Sellers and Purchaser agree that they will, and agree to cause their respective independent accountants to, cooperate and assist in the preparation of the Closing Inventory Value Statement and the calculation of Pre-Closing Eligible Inventory Value and in the conduct of the audits and reviews referred to in this Section 3.5, including without limitation, the making available to the extent necessary of books, records, work papers and personnel.

ARTICLE IV

CLOSING AND TERMINATION

4.1 Closing Date. Subject to the satisfaction of the conditions set forth in Sections 10.1, 10.2 and 10.3 hereof (or the waiver thereof by the party entitled to waive that condition), the closing of the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities provided for in Article II hereof (the “Closing”) shall take place at the offices of Jones Day located at 222 East 41st Street, New York, New York (or at such other place as the parties may designate in writing) at 10:00 a.m. (New York City time) on the date the conditions set forth in Article X are satisfied or waived (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), unless another time or date, or both, are agreed to in writing by the parties hereto. The date on which the Closing shall be held is referred to in this Agreement as the “Closing Date.”

4.2 Deliveries by Sellers. At the Closing, Sellers shall deliver to Purchaser:

(a) one or more duly executed bills of sale in a form to be agreed upon the parties hereto;

(b) one or more duly executed assignment and assumption agreements in a form to be agreed upon the parties hereto and duly executed assignments of the U.S. trademark registrations and applications included in the Purchased Intellectual Property, in a form suitable for recording in the U.S. trademark office, and general assignments of all other Purchased Intellectual Property;

(c) the officer’s certificate required to be delivered pursuant to Sections 10.1(a) and 10.1(b);

(d) affidavits executed by each Seller that such Seller is not a foreign person within the meaning of Section 1445(f)(3) of the Code;

(e) the Agency Agreement, duly executed by each of the Sellers;

(f) a certified copy of the Store Closing Order;

(g) a certified copy of the Sale Order;

(h) a certified copy of the Lease Extension Order;

(i) Pre-Closing Eligible Inventory Statement pursuant to Section 3.5; and

(j) all other documents, instruments or writings of conveyance and transfer, in form and substance reasonably acceptable to Purchaser, as may be necessary to convey the Purchased Assets to Purchaser.

4.3 Deliveries by Purchaser. At the Closing, Purchaser shall deliver:

- (a) the Base Cash Consideration and the Additional Return specified in Section 3.3 hereof to the Persons specified therein;
- (b) a writing in the form reasonably acceptable to the Sellers evidencing a release and waiver of the Credit Bid Amount;
- (c) to the Sellers, one or more duly executed assignment and assumption agreements in a form to be agreed upon the parties hereto;
- (d) to the Sellers, the officer's certificate required to be delivered pursuant to Sections 10.2(a) and 10.2(b); and
- (e) to the Sellers, such other documents, instruments and certificates as the Sellers may reasonably request.

4.4 Termination of Agreement. This Agreement may be terminated prior to the Closing as follows:

- (a) by Purchaser or Sellers, if the Closing shall not have occurred by the close of business on February 1, 2006 (the "Termination Date"); provided, however, that if the Closing shall not have occurred on or before the Termination Date due to a material breach of any representations, warranties, covenants or agreements contained in this Agreement by Purchaser or a Seller, then the breaching party may not terminate this Agreement pursuant to this Section 4.4(a);
- (b) by mutual written consent of Sellers and Purchaser;
- (c) by Purchaser, if any condition to the obligations of Purchaser set forth in Section 10.1 or 10.3 shall have become incapable of fulfillment other than as a result of a breach by Purchaser of any covenant or agreement contained in this Agreement, and such condition is not waived by Purchaser;
- (d) by Sellers, if any condition to the obligations of Sellers set forth in Section 10.2 or 10.3 shall have become incapable of fulfillment other than as a result of a breach by Sellers of any covenant or agreement contained in this Agreement, and such condition is not waived by Sellers;
- (e) by Purchaser, if there shall be a breach by Sellers of any representation or warranty, or any covenant or agreement contained in this Agreement which would result in a failure of a condition set forth in Section 10.1 or 10.3 and which breach has not been cured by the earlier of (i) 10 Business Days after the giving of written notice by Purchaser to Sellers of such breach and (ii) the Termination Date;
- (f) by Sellers, if there shall be a breach by Purchaser of any representation or warranty, or any covenant or agreement contained in this Agreement which would result in a failure of a condition set forth in Sections 10.2 or 10.3 and which breach has not been cured by the earlier of (i) 10 Business Days after the giving of written notice by Sellers to Purchaser of such breach and (ii) the Termination Date;

(g) by Sellers or Purchaser if there shall be in effect a final non-appealable Order of a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the Transactions; it being agreed that the parties hereto shall promptly appeal any adverse determination which is not non-appealable (and pursue such appeal with reasonable diligence); or

(h) automatically, if Sellers consummate a Competing Transaction.

4.5 Procedure Upon Termination. In the event of termination pursuant to Section 4.4 hereof, written notice thereof shall forthwith be given to the other party or parties, and this Agreement shall terminate, and the purchase of the Purchased Assets hereunder shall be abandoned, without further action by Purchaser or Sellers. If this Agreement is terminated as provided herein, each party shall redeliver all documents, work papers and other material of any other party relating to the Transactions, whether so obtained before or after the execution hereof, to the party furnishing the same.

4.6 Effect of Termination. In the event that this Agreement is validly terminated as provided herein, then each of the parties shall be relieved of its duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to Purchaser or Sellers; provided, however, that the provisions of Section 3.2 and Article XII hereof shall survive any such termination and shall be enforceable hereunder; provided further, however, that nothing in this Section 4.6 shall be deemed to release any party from liability for any breach of its obligations under this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller hereby jointly and severally represents and warrants to Purchaser that:

5.1 Organization and Good Standing. Each Seller is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and, subject to the limitations imposed on such Seller as a result of having filed a petition for relief under the Bankruptcy Code, has the requisite power and authority to own, lease and operate its properties and to carry on its business as now conducted.

5.2 Authorization of Agreement. Subject to entry of the Sale Order and such other authorization as is required by the Bankruptcy Court, each Seller has the requisite power and authority to execute and deliver this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party and to perform its respective obligations hereunder and thereunder. The execution and delivery of this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of each Seller. This Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party has been duly and validly executed and delivered by each Seller and (assuming the due authorization, execution and delivery by the other parties hereto, the entry of the Sale Order and

receipt of such other authorization as is required by the Bankruptcy Court) this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party constitutes legal, valid and binding obligations of each Seller enforceable against such Seller in accordance with its respective terms, subject to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

5.3 Conflicts; Consents of Third Parties.

(a) The execution and delivery by each Seller of this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party, the consummation of the transactions contemplated hereby and thereby, or compliance by such Seller with any of the provisions hereof do not conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination or cancellation under any provision of (i) the certificate of incorporation and by-laws or comparable organizational documents of such Seller; (ii) subject to entry of the Sale Order, any Contract, Lease or Permit to which such Seller is a party or by which any of the properties or assets of such Seller are bound; (iii) subject to entry of the Sale Order, any Order of any Governmental Body applicable to such Seller or any of the properties or assets of such Seller as of the date hereof; or (iv) subject to entry of the Sale Order, any applicable Law, other than, in the case of clauses (i), (ii), (iii) and (iv), such conflicts, violations, defaults, terminations or cancellations that would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect.

(b) Except as set forth on Schedule 5.3(b) and except to the extent not required if the Sale Order is entered, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Body is required on the part of Sellers in connection with the execution and delivery of this Agreement or any other agreement, document or instrument contemplated hereby or thereby to which it is a party, the compliance by Sellers with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby or the taking by Sellers of any other action contemplated hereby or thereby, except for (i) compliance with the applicable requirements of the HSR Act, (ii) the entry of the Sale Order and (iii) such other consents, waivers, approvals, Orders, Permits, authorizations, declarations, filings and notifications, the failure of which to obtain or make would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect.

5.4 Absence of Changes. Since October 11, 2005, no Seller has, as of the date hereof, taken any action that required the approval of the Bankruptcy Court without having obtained such approval.

5.5 Title to Purchased Assets. Sellers own the Purchased Assets, and, subject to the entry of the Sale Order, Purchaser will be vested with good title to such Purchased Assets, free and clear of all Liens, other than Permitted Exceptions, to the fullest extent permissible under Section 363(f) of the Bankruptcy Code.

5.6 Taxes.

(a) Except for matters that would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect, (i) Sellers have timely filed all Tax Returns required to be filed with the appropriate Tax Authorities in all jurisdictions in which such Tax Returns are required to be filed (taking into account any extension of time to file granted or to be obtained on behalf of Sellers), and all such Tax Returns are correct and complete in all respects; (ii) no adjustment relating to such Tax Returns has been proposed formally or informally in writing by any taxing authority; (iii) the Sellers have not received any written notice or written inquiry from any jurisdiction where the Sellers do not currently file Tax Returns to the effect that such filings may be required with respect to the Assets or the business of the Sellers, or that the business of the Sellers may otherwise be subject to taxation by such jurisdiction; (iv) no power of attorney currently in force has been granted by the Sellers with respect to the business of the Sellers that would be binding on Purchaser with respect to taxable periods commencing on or after the Closing Date; and (v) except as to Taxes of Sellers the payment of which is prohibited or stayed by the Bankruptcy Code, each Seller has paid all Taxes due and payable by it (whether or not such Taxes are shown on any Tax Return).

(b) None of the Sellers is a foreign person within the meaning of Section 1445(f)(3) of the Code.

5.7 Intellectual Property. Except as set forth on Schedule 5.7, Sellers own or have valid licenses to use all material Purchased Intellectual Property. Except as set forth on Schedule 5.7, no claims are pending against Sellers before a Governmental Body or, to the Knowledge of Sellers, threatened with regard to the ownership by Sellers of any Purchased Intellectual Property.

5.8 Employee Benefits.

(a) Schedule 5.8(a) sets forth a complete and correct list of all Employee Benefit Plans contributed to by the Sellers or any ERISA Affiliate in respect of or for the benefit of employees of the Sellers.

(b) No Liability under Title IV or Section 302 of ERISA has been incurred by the Sellers or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk to the Purchaser or any ERISA Affiliate of incurring any such Liability, other than Liability for premiums due the Pension Benefit Guaranty Corporation (which premiums have been paid when due).

(c) Other than as set forth on Schedule 5.8(c), no Title IV Plan is a “multiemployer pension plan,” as defined in Section 3(37) of ERISA, nor is any Title IV Plan a plan described in Section 4063(a) of ERISA.

(d) Each Employee Benefit Plan has been operated and administered in all material respects in accordance with its terms and applicable law, including but not limited to ERISA and the Code.

(e) Each Employee Benefit Plan intended to be “qualified” within the meaning of Section 401(a) of the Code is so qualified and the trusts maintained thereunder are exempt from taxation under Section 501(a) of the Code.

(f) There are no pending, or to the Knowledge of Sellers, threatened claims by or on behalf of any Employee Benefit Plan, by any employee or beneficiary covered under any such Plan, or otherwise involving any such Employee Benefit Plan (other than routine claims for benefits).

(g) No amounts payable under the Employee Benefit Plans will fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code.

5.9 Litigation. Except as set forth on Schedule 5.9, there are no Legal Proceedings pending or, to the Knowledge of Sellers, threatened against any Seller before any Governmental Body, which, if adversely determined, would reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect.

5.10 Material Contracts.

(a) Schedule 5.10(a) contains a correct and complete list, as of the date hereof, of all agreements (the “Material Contracts”) pursuant to which any Seller has any rights or benefits or undertakes any obligations or liabilities with respect to the business, that:

(i) has a duration of one year or more and are not terminable without penalty upon 90 days or less prior written notice by any party;

(ii) requires or could reasonably be expected to require any party thereto to pay \$100,000 or more in any 12 month period, or \$250,000 or more in the aggregate;

(iii) requires any severance or retention payments to its employees after the Closing Date;

(iv) contains any non-competition covenant or exclusivity arrangement;

(v) involves any contract (i) granting or obtaining any right to use any Intellectual Property (other than contracts granting rights to use readily available commercial Software having an annual license and/or maintenance fee of less than \$10,000 in the aggregate for all such related contracts) or (ii) restricting the Sellers’ rights to any Purchased Intellectual Property.

(vi) regards the employment, services, consulting, termination or severance from employment relating to or for the benefit of any director, officer, employee, sales agent, distributor, dealer, independent contractor or consultant of its business;

(vii) constitutes joint venture, partnership and similar contracts involving a sharing of profits or expenses (including but not limited to joint research and development and joint marketing contracts); or

(viii) constitutes master lease agreements providing for the leasing of material personal property primarily used in, or held for use primarily in connection with, its business.

(b) Except as set forth in Schedule 5.10(b): (i) all of the Material Contracts are in full force and effect, (ii) except for breaches and defaults of the type referred to in Section 365(b)(2) of the Bankruptcy Code, none of the Sellers, and to the Knowledge of the Sellers, none of the other parties to the Material Contracts are, in material default under, and no event has occurred which, with the passage of time or giving of notice or both, would result in the Sellers, or to the Knowledge of the Sellers, any of the other parties to the Material Contracts, being in material default under, any of the terms of the Material Contracts, and (iii) none of the Material Contracts requires the consent of any other party thereto in connection with the transactions contemplated by this Agreement except, in the case of clauses (i), (ii) and (iii) above, as have not had, or would not reasonably be expected to have, a Sellers Material Adverse Effect.

5.11 Financial Statements. The Sellers have provided to Purchaser a true and complete copy of: (i) the unaudited balance sheet (the “Reference Balance Sheet”) and statement of income from operations for the six months ended September 30, 2005 (collectively, the “Actual Financial Statements”); (ii) profit and loss statements at store levels for the year ended March 31, 2005 (“P&L Statements”); and (iii) the audited balance sheet, statement of income from operations and statement of cash flows as of and for the year ended March 31, 2005 (the “Audited Financial Statements” and together with Actual Financial Statements and P&L Statements, the “Financial Statements”). (i) the Financial Statements have been prepared from the books and records of the Sellers which contain all properly recorded transactions and (ii) the Audited Financial Statements and the Actual Financial Statements have been prepared in accordance with GAAP on a consistent basis. The Audited Financial Statements and the Actual Financial Statements fairly present in all material respects the consolidated financial position, results of operations and cash flows of the Sellers for the respective fiscal periods or as of the respective dates set forth therein.

5.12 Customers and Suppliers. Except as set forth on Schedule 5.12, there are no outstanding material disputes between the Sellers and any of their respective customers or suppliers and no material customer or supplier has notified any Seller in writing that it intends to terminate or materially reduce the amount of business it conducts with the Sellers.

5.13 Property

(a) None of the Sellers owns in fee simple any land, buildings, structures or improvements.

(b) Schedule 5.13(b) sets forth the address or other description of each parcel of Leased Real Property, and a true, correct and complete list of all Leases for each Leased Real Property held by the Sellers (including the date, if available, and name of each of the parties to

such Lease document). The Sellers have delivered or made available to the Purchaser a true and complete copy of each of the aforementioned Lease documents and, except as set forth on Schedule 5.13(b), such Leases have not been amended, modified, restated or otherwise supplemented. The Sellers have delivered or made available to the Purchaser true, correct and complete copies of material (i) leasehold mortgages and deeds of trust, certificates of occupancy, leasehold title insurance policies and surveys relating to each Leased Real Property and (ii) Liens, occupancy agreements, possessory rights, options and rights of first refusal relating to or affecting any Leased Real Property. Except as set forth in Schedule 5.13(b), with respect to each of the aforementioned Leases: (i) except as results from the pendency of the Bankruptcy Case, Sellers have a valid and subsisting leasehold estate in and the right to quiet enjoyment of such Leased Real Property for the full term of such Lease, and such Lease is legal, valid, binding and enforceable against the applicable Seller and in full force and effect; (ii) there are no material disputes with respect to such Lease, nor have the Sellers received written notice of any default thereunder (or condition or event, which, after notice or a lapse of time or both, would constitute a default thereunder); (iii) no security deposit or portion thereof deposited with respect to such Lease has been applied in respect of a breach or default under such Lease which has not been redeposited in full; (iv) the Sellers do not owe, nor will they in the future owe, any brokerage commissions or finder's fees with respect to such Lease; (v) except as set forth on Schedule 5.13(b), the other party to such Lease is not an Affiliate of, and otherwise does not have any economic interest in, the Sellers; (vi) except as set forth on Schedule 5.13(b), there are no Liens on the estate or interest created by such Lease created or suffered to exist by the Sellers that will not be extinguished pursuant to the Sale Order as against such estate or interest; (vii) except as set forth on Schedule 5.13(b), no Seller and, to the Knowledge of the Sellers, no other party to such Lease has assigned the same or sublet any part of the premises covered thereby or exercised any option or right thereunder; (viii) no material penalties are accrued or unpaid under any Lease; (ix) except as set forth on Schedule 5.13(b), no consent of any third party under such Lease is necessary with respect to the Purchaser's acquisition of the Purchased Assets, nor will such Lease be terminable or in default as a result of the consummation of the transactions contemplated thereby.

(c) Except as set forth on Schedule 5.13(c), to the Knowledge of the Sellers, all improvements are in reasonably good condition and repair in all material respects and sufficient for the operation of the business of the Sellers, subject to reasonable wear and tear. Except as set forth on Schedule 5.13(c), to the Knowledge of the Sellers, there are no facts or conditions affecting any of the Improvements which would interfere in any material respect with the use or occupancy of the Improvements or any portion thereof in the operation of the business of the Sellers.

(d) Sellers have received no written or, to the Sellers' Knowledge, oral notification that they are in violation of any applicable building, zoning, health or other law, ordinance or regulation which would materially adversely affect the use or operations of any Leased Real Property, except for any written notifications that pertain to violations that have been cured or resolved. The Sellers have received no written notification regarding unrecorded easements and/or agreements or encroachments in respect of all or any portion of any Leased Real Property that could materially adversely affect any such Leased Real Property or the use thereof.

(b) Sellers have obtained all material approvals and consents required to use and operate each Leased Real Property in the manner in which such Leased Real Property is currently being used and operated, and, except as set forth on Schedule 5.13(e), no such approvals will be required as a result of the transactions contemplated by this Agreement, to be issued after the date hereof in order to permit the Purchaser, following the Closing, to continue to operate the Leased Real Property.

(c) To the Knowledge of the Sellers, (i) the present use of the land, buildings, structures and improvements on the Leased Real Property are in conformity in all material respects with all applicable laws, rules, regulations and ordinances and (ii) there exists no material conflict or dispute with any regulatory authority or other Person relating to any Leased Real Property or the activities thereon.

(d) To the Knowledge of the Sellers, all requisite certificates of occupancy and other permits or approvals required with respect to the buildings, structures and improvements on any of the Leased Real Property and the occupancy and use thereof have been obtained and are currently in effect, except as would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect.

(e) None of the Sellers has received any written or, to the Sellers Knowledge, oral notice from any insurance company that has issued a policy covering any part of any Leased Real Property or by any board of fire underwriters or other body exercising similar functions, (i) requiring or recommending any repairs or similar work to be done on any part of any Leased Real Property (which repair work has not been completed), or (ii) advises of any other material defects or inadequacies in any Leased Real Property or any part thereof, which might affect the insurability of the same or of any termination or threatened termination of any policy of insurance.

(f) Except as set forth in Schedule 5.13(i), (a) none of the Sellers has received any written notification from any governmental or public authority that any work is required to be done upon or in connection with the Leased Real Property and (b) no portion of any Leased Real Property is subject to any governmental decree or order to be sold or is being condemned, expropriated or otherwise taken by any public authority with or without compensation therefore, nor to the Knowledge of the Sellers, has any such condemnation, expropriation or taking been proposed.

5.14 Inventory

(a) Except has been otherwise disclosed to Purchaser, since October 15, 2005, Sellers have not conducted any promotions or advertised sales at the Stores except promotions and sales in the ordinary course of business consistent with historic promotions and sales for comparable periods last year.

(b) Sellers have not since October 15, 2005, and shall not have up to the Closing Date, marked up or raised the price of any items of Inventory, or removed or altered any tickets or any indicia of clearance merchandise, except in the ordinary course of business and except for the effects of the termination of promotional events.

(c) Sellers have maintained its pricing files (including the Cost File) in the ordinary course of business, and prices charged to the public for goods (whether in-store, by advertisement or otherwise) are the same in all material respects as set forth in such pricing files for the periods indicated therein (without consideration of any point of sale markdowns). All pricing files and records relative to the Inventory have been made available to Purchaser.

(d) Sellers shall ticket or mark all items of Inventory received at the Stores, Clearance Centers and Warehouses prior to the Closing Date in a manner consistent with similar Inventory located at such locations.

(e) Since October 15, 2005, Seller has not transferred and shall not transfer to or from the Stores, any merchandise or goods outside the ordinary course in anticipation of the Closing or of the Inventory Taking.

(f) To the Knowledge of Seller, all Inventory is in material compliance with all applicable federal, state, or local product safety laws, rules, and standards. Seller shall provide Purchaser with its historic policies and practices, if any, regarding product recalls prior to the Closing Date.

5.15 Brokers. Except for the fees and compensation payable to The Blackstone Group, L.P. by the Sellers, the terms and amounts of which have been disclosed in writing to the Purchaser, the Sellers have no obligation to pay any fees, commissions or other similar compensation to any broker, finder, investment banker, financial advisor or other similar Person in connection with the Transactions.

5.16 No Other Representations or Warranties; Schedules. Except for the representations and warranties contained in this Article V (as modified by the Schedules hereto), none of Sellers nor any other Person makes any other express or implied representation or warranty with respect to Sellers, the Sellers' business, the Purchased Assets, the Assumed Liabilities or the Transactions, and each Seller disclaims any other representations or warranties, whether made by Sellers, any Affiliate of Sellers, or any of Sellers' or their Affiliates respective officers, directors, employees, agents or representatives. Except for the representations and warranties contained in Article V hereof (as modified by the Schedules hereto), each Seller (i) expressly disclaims and negates any representation or warranty, expressed or implied, at common law, by statute, or otherwise, relating to the condition of the Purchased Assets (including any implied or expressed warranty of merchantability or fitness for a particular purpose, or of conformity to models or samples of materials) and (ii) disclaims all liability and responsibility for any representation, warranty, projection, forecast, statement, or information made, communicated, or furnished (orally or in writing) to Purchaser or its Affiliates or representatives (including any opinion, information, projection, or advice that may have been or may be provided to Purchaser by any director, officer, employee, agent, consultant, or representative of Sellers or any of its Affiliates). Except for the representations and warranties contained in this Article V (as modified by the Schedules hereto), Sellers makes no representations or warranties to Purchaser regarding the probable success or profitability of the Sellers' business. The disclosure of any matter or item in any schedule hereto shall not be deemed to constitute an acknowledgment that any such matter is required to be disclosed or is material or that such matter would result in a Seller Material Adverse Effect.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Sellers that:

6.1 Organization and Good Standing. Purchaser is an entity duly organized, validly existing and in good standing under the laws of the state of Delaware and has the requisite power and authority to own, lease and operate its properties and to carry on its business as now conducted.

6.2 Authorization of Agreement. Purchaser has the requisite power and authority to execute and deliver this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which Purchaser is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of Purchaser. This Agreement and each other agreement, document or instrument contemplated hereby or thereby to which Purchaser is a party has been duly and validly executed and delivered by Purchaser and (assuming the due authorization, execution and delivery by the other parties hereto) this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which Purchaser is a party constitutes legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

6.3 Conflicts; Consents of Third Parties.

(a) The execution and delivery by Purchaser of this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which Purchaser is a party, the consummation of the transactions contemplated hereby and thereby, or compliance by Purchaser with any of the provisions hereof or thereof do not conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination or cancellation under any provision of (i) the certificate of formation and limited liability company agreement of Purchaser; (ii) any Contract, Lease or Permit to which Purchaser is a party or by which any of the properties or assets of Purchaser are bound; (iii) any Order of any Governmental Body applicable to Purchaser or any of the properties or assets of Purchaser as of the date hereof; or (iv) any applicable Law, other than, in the case of clauses (ii), (iii) and (iv), such conflicts, violations, defaults, terminations or cancellations that would not reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect.

(b) No consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Body is required on the

part of Purchaser in connection with the execution and delivery of this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which Purchaser is a party, the compliance by Purchaser with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby, the taking by Purchaser of any other action contemplated hereby or thereby, except for (i) compliance with the applicable requirements of the HSR Act and (ii) such other consents, waivers, approvals, Orders, Permits, authorizations, declarations, filings and notifications, the failure of which to obtain or make, would not reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect.

6.4 Litigation. There are no Legal Proceedings pending or, to the knowledge of Purchaser, threatened against Purchaser, or to which Purchaser is otherwise a party, before any Governmental Body, which, if adversely determined, would reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect. Purchaser is not subject to any Order of any Governmental Body except to the extent the same would not reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect.

6.5 Brokers. Purchaser has no obligation to pay any fees, commissions or other similar compensation to any broker, finder, investment banker, financial advisor or other similar Person in connection with the Transactions.

6.6 Financial Capability. Purchaser will have, at the Closing sufficient funds, together with amounts owed to Purchaser under the DIP Credit Agreement, available to pay up to the amount of the Base Cash Consideration, the Deposit Amount and any expenses incurred by Purchaser in connection with the Transactions.

6.7 Condition of the Purchased Assets. Notwithstanding anything contained in this Agreement to the contrary, Purchaser acknowledges and agrees that Sellers are not making any representations or warranties whatsoever, express or implied, beyond those expressly given by Sellers in Article V hereof (as modified by the Schedules hereto), and Purchaser acknowledges and agrees that, except for the representations and warranties contained therein, the Purchased Assets are being transferred on a “where is” and, as to condition, “as is” basis. Purchaser acknowledges that it has conducted to its satisfaction its own independent investigation of the business of the Sellers and, in making the determination to proceed with the Transactions, Purchaser has relied on the results of its own independent investigation.

ARTICLE VII

BANKRUPTCY COURT MATTERS

7.1 Competing Transaction. This Agreement is subject to approval by the Bankruptcy Court and the consideration by Sellers and the Bankruptcy Court of higher or better competing bids with respect to any transaction (or series of transactions) involving the direct or indirect sale, transfer or other disposition of a material portion of the Purchased Assets to a purchaser or purchasers other than Purchaser or effecting any other transaction (including a plan of reorganization or liquidation) the consummation of which would be substantially inconsistent with the Transactions (a “Competing Transaction”). Nothing contained herein shall be construed

to prohibit Sellers and its representatives from soliciting, considering, negotiating, agreeing to, or otherwise taking action in furtherance of, any Competing Transaction.

7.2 Sale Order. Subject to Section 7.1, Purchaser agrees that it will promptly take such actions as are reasonably requested by Sellers to assist in obtaining entry of the Sale Order and a finding of adequate assurance of future performance by Purchaser, including furnishing affidavits or other documents or information for filing with the Bankruptcy Court for the purposes, among others, of providing necessary assurances of performance by Purchaser under this Agreement and demonstrating that Purchaser is a “good faith” purchaser under section 363(m) of the Bankruptcy Code. In the event the entry of the Sale Order shall be appealed, Sellers and Purchaser shall use their respective reasonable efforts to defend such appeal.

ARTICLE VIII

COVENANTS

8.1 Access to Information. Sellers agree that, prior to the Closing Date, Purchaser shall be entitled, through its officers, employees, consultants and representatives (including, without limitation, its legal advisors and accountants), to make such investigation of the properties, business and operations of Sellers and such examination of the books and records and financial and operating data of Sellers, the Purchased Assets, the Assumed Liabilities and the Leased Real Property, and access to all the officers, key employees, accountants and other representatives of Sellers, as it reasonably requests and to make extracts and copies of such books and records. Any such investigation and examination shall be conducted upon reasonable advance notice and under reasonable circumstances and shall be subject to restrictions under applicable Law. Sellers shall cause their respective officers, employees, consultants, agents, accountants, attorneys and other representatives to cooperate with Purchaser and Purchaser’s representatives in connection with such investigation, examination and access, and Purchaser and its representatives shall cooperate with Sellers and their representatives and shall use their reasonable efforts to minimize any disruption to their business. Notwithstanding anything herein to the contrary, no such investigation or examination shall be permitted to the extent that it would require Sellers to disclose information subject to attorney-client privilege.

8.2 Conduct Pending the Closing.

(a) Except (i) as expressly set forth in the Approved Budget, (ii) as required by applicable Law, (iii) as otherwise expressly contemplated by this Agreement, the Agency Agreement, or (iv) with the prior written consent of Purchaser, during the period from the date of this Agreement to and through the Closing Date, Sellers shall, to the extent commercially reasonable for a retail company with liquidity problems:

1. conduct their business only in the ordinary course; and
2. use their commercially reasonable efforts to (A) preserve their present business operations, organization and goodwill, and (B) preserve their present relationships with customers and suppliers.

(b) Except (i) as expressly set forth in the Approved Budget, (ii) as required by applicable Law, (iii) as otherwise contemplated by this Agreement, the Agency Agreement or (iv) with the prior written consent of Purchaser or, prior to the entry of the Sale Order, the approval of the Bankruptcy Court, Sellers shall not:

(i) (A) increase the annual level of compensation payable or to become payable by Sellers to any of their respective directors or executive officers, (B) grant any bonus, benefit or other direct or indirect compensation to any director or executive officer, (C) increase the coverage or benefits available under any (or create any new) Employee Benefit Plan or (D) enter into any employment, deferred compensation, severance, consulting, non-competition or similar agreement (or amend any such agreement) to which any Seller is a party or involving a director or executive officer of such Seller, except, in each case, as required by any of the Employee Benefit Plans;

(ii) enter into, modify or terminate any labor or collective bargaining agreement or, through negotiation or otherwise, make any commitment or incur any liability to any labor organization;

(iii) make or rescind any material election relating to Taxes, settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, or, except as may be required by the Code or GAAP, make any material change to any of its methods of accounting or methods of reporting income or deductions for Tax or accounting practice or policy from those employed in the preparation of its most recent audited financial statements or Tax Returns, as applicable;

(iv) subject any of the Purchased Assets to any Lien, except for existing Liens and Permitted Exceptions;

(v) cancel or compromise any material debt or claim or waive or release any material right of Sellers that constitutes a Purchased Asset other than customer accounts receivable compromised in the ordinary course of the business of Sellers;

(vi) enter into any commitment for capital expenditures in excess of \$50,000;

(vii) engage in any transaction with any officer, director or Affiliate of any Seller or any such individual;

(viii) sell, pledge, dispose of, transfer, lease, license or encumber or permit to lapse or authorize the sale, pledge, disposition, transfer, lease, license, or encumbrance of, any Purchased Assets except in the ordinary and usual course of business consistent with past practices;

(ix) transfer, dispose of, permit to lapse (except in accordance with the terms thereof) or grant any right or licenses under, or enter into any settlement regarding the breach or infringement of, any Intellectual Property, or modify any existing rights

with respect thereto or enter into any material licensing or similar agreements or arrangements other than such licenses, agreements or arrangements entered into in the ordinary course of business consistent with past practices;

(x) enter into, assume or terminate any Material Contract or enter into or permit any material amendment, supplement, waiver or other material modification in respect thereof, except in the ordinary and usual course of business consistent with past practices;

(xi) agree to do anything prohibited by this Section 8.2 or do or agree to do anything that would cause Sellers' representations and warranties herein to be false in any material respect.

8.3 Consents. Sellers shall use their commercially reasonable efforts, and Purchaser shall cooperate with Sellers, to obtain at the earliest practicable date all consents and approvals required to consummate the Transactions, including, without limitation, the consents and approvals referred to in Section 5.3(b) hereof; provided, however, that neither Sellers nor Purchaser shall be obligated to pay any consideration therefor to any third party from whom consent or approval is requested or to initiate any litigation or legal proceedings to obtain any such consent or approval; provided, further, that if requested by the Purchaser, the Sellers shall initiate such litigation or legal proceedings requested by the Purchaser to obtain such consents or approvals or an Order, including, without limitation, an Order authorizing the sale, transfer or assumption and assignment of a Real Property Leased Location that is subject to Lease that applies to such Real Property Leased Location as well as other Real Property Leased Location (a "Unitary Lease") and Purchaser shall reimburse Sellers for any and all out of pocket expenses and costs (including reasonable attorneys fees) related thereto.

8.4 Regulatory Approvals.

(a) If necessary, Purchaser and Sellers shall (i) make or cause to be made all filings required of each of them or any of their respective Affiliates under the HSR Act or other Antitrust Laws with respect to the Transactions as promptly as practicable and, in any event, within 10 Business Days after the date hereof in the case of all filings required under the HSR Act and within four weeks in the case of all other filings required by other Antitrust Laws, (ii) comply at the earliest practicable date with any request under the HSR Act or other Antitrust Laws for additional information, documents, or other materials received by each of them or any of their respective subsidiaries from Federal Trade Commission (the "FTC"), the Antitrust Division of the United States Department of Justice (the "Antitrust Division") or any other Governmental Body in respect of such filings or the Transactions, and (iii) cooperate with each other in connection with any such filing (including, to the extent permitted by applicable Law, providing copies of all such documents to the non-filing parties prior to filing and considering all reasonable additions, deletions or changes suggested in connection therewith) and in connection with resolving any investigation or other inquiry of any of the FTC, the Antitrust Division or other Governmental Body under any Antitrust Laws with respect to any such filing or any Transaction. Each such party shall use commercially reasonable efforts to furnish to each other all information required for any application or other filing to be made pursuant to any applicable Law in connection with the Transactions. Each such party shall promptly inform the other

parties hereto of any oral communication with, and provide copies of written communications with, any Governmental Body regarding any such filings or any Transaction. No party hereto shall independently participate in any formal meeting with any Governmental Body in respect of any such filings, investigation, or other inquiry without giving the other parties hereto prior notice of the meeting and, to the extent permitted by such Governmental Body, the opportunity to attend and/or participate. Subject to applicable Law, the parties hereto will consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party hereto relating to proceedings under the HSR Act or other Antitrust Laws. Sellers and Purchaser may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this Section 8.4 as “outside counsel only.” Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient, unless express written permission is obtained in advance from the source of the materials (Sellers or Purchaser, as the case may be).

(b) Each of Purchaser and Sellers shall use its commercially reasonable efforts to resolve such objections, if any, as may be asserted by any Governmental Body with respect to the Transactions under the HSR Act, the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and any other United States federal or state or foreign statutes, rules, regulations, orders, decrees, administrative or judicial doctrines or other laws that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade (collectively, the “Antitrust Laws”). In connection therewith, if any Legal Proceeding is instituted (or threatened to be instituted) challenging any Transaction is in violation of any Antitrust Law, each of Purchaser and Sellers shall cooperate and use its commercially reasonable efforts to contest and resist any such Legal Proceeding, and to have vacated, lifted, reversed, or overturned any decree, judgment, injunction or other order whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents, or restricts consummation of the Transactions, including by pursuing all available avenues of administrative and judicial appeal and all available legislative action, unless, by mutual agreement, Purchaser and Sellers decide that litigation is not in their respective best interests. Each of Purchaser and Sellers shall use its commercially reasonable efforts to take such action as may be required to cause the expiration of the notice periods under the HSR Act or other Antitrust Laws with respect to the Transactions as promptly as possible after the execution of this Agreement. In connection with and without limiting the foregoing, each of Purchaser and Sellers agrees to use its commercially reasonable efforts to take promptly any and all steps necessary to avoid or eliminate each and every impediment under any Antitrust Laws that may be asserted by any Federal, state and local and non-United States antitrust or competition authority, so as to enable the parties to close the Transactions as expeditiously as possible.

8.5 Further Assurances. Subject to the other provisions of this Agreement, each of Purchaser and each Seller shall use its commercially reasonable efforts to (i) take all actions necessary or appropriate to consummate the Transactions and (ii) cause the fulfillment at the earliest practicable date of all of the conditions to their respective obligations to consummate the Transactions.

8.6 Preservation of Records. Sellers or their successors and Purchaser agree that each of them shall preserve and keep the records held by it or their Affiliates relating to the Purchased Assets for one year after the Closing Date (except as provided below) and shall make such records available to the other as may be reasonably required by such party in connection with, among other things, any insurance claims by, Legal Proceedings or tax audits against or governmental investigations of Sellers or Purchaser or any of their Affiliates or in order to enable Sellers or Purchaser to comply with their respective obligations under this Agreement and each other agreement, document or instrument contemplated hereby. In the event Sellers or Purchaser wishes to destroy such records before or within two years after that time, such party shall first give 90 days prior written notice to the other and such other party shall have the right at its option and expense, upon prior written notice given to such party within such 90 day period, to take possession of the records within 180 days after the date of such notice.

8.7 Publicity. None of the parties hereto shall issue any press release concerning this Agreement or the Transactions without obtaining the prior written approval of the other party hereto, which approval will not be unreasonably withheld or delayed, unless, in the sole judgment of Purchaser or Sellers, disclosure is otherwise required by applicable Law or by the Bankruptcy Court with respect to filings to be made with the Bankruptcy Court in connection with this Agreement, provided that the party intending to make such release shall use its commercially reasonable efforts consistent with such applicable Law or Bankruptcy Court requirement to consult with the other party with respect to the text thereof.

8.8 Schedules. Sellers may, at their option, include in the Schedules items that are not material in order to avoid any misunderstanding, and such inclusion, or any references to dollar amounts, shall not be deemed to be an acknowledgement or representation that such items are material, to establish any standard of materiality or to define further the meaning of such terms for purposes of this Agreement. Information provided in one Schedule will suffice, without repetition or cross reference, as a disclosure of such information in any other Schedule to which its relevance is reasonably apparent on its face.

8.9 Transitional License. Effective upon the Closing, Purchaser shall be deemed to have granted Sellers a one-year non-exclusive, royalty-free right and license to use the name "Levitz Home Furnishings, Inc." in connection with the winddown of the Bankruptcy Case for purposes of liquidating the Excluded Assets.

8.10 Letters of Credit and Security Deposits. On the Closing Date or as soon thereafter as is practicable, Purchaser shall use reasonable efforts to (a) replace any letters of credit securing any Seller's obligations and issued under the DIP Credit Agreement (the "Existing L/Cs") and (b) cause the original Existing L/Cs to be returned to Sellers with no drawings having been made thereunder since the date hereof unless such drawing resulted from a default or other event caused by one of the Sellers prior to the Closing. Until the Purchaser replaces the Existing L/Cs, the Sellers shall use the Base Cash Consideration to cash collateralize the Existing L/Cs at 100% of their face amount. Upon the issuance of replacement letters of credit, the Base Cash Consideration used to cash collateralize the Existing L/Cs shall be returned to the Purchaser.

8.11 Funding Commitment. Simultaneously with the execution of this Agreement, Purchaser has delivered to the Company an executed copy of the Funding Commitment.

Purchaser shall fulfill its obligations under the Funding Commitment and, if necessary, enforce its rights under the Funding Commitment to cause the other parties thereto to perform their respective duties, obligations and covenants thereunder. Purchaser will not amend the Funding Commitment in any material respect without the Company's prior written consent.

8.12 Compliance with DIP. Sellers shall not take any action not in compliance with any covenant or other agreements set forth in the DIP Credit Agreement.

ARTICLE IX EMPLOYEES AND EMPLOYEE BENEFITS

9.1 Transferred Employees.

(a) For each Store as to which the Lease is to be assumed and assigned to Purchaser as of the Closing Date, all of Sellers' Employees employed at such Store shall be terminated by the Sellers effective immediately prior to the Closing Date and prior to the assumption and assignment of such Lease. On the Closing Date, Purchaser shall offer employment to substantially all active Sellers' Employees at such store (in each case, other than individuals previously identified by Purchaser to be terminated prior to Closing) (such Sellers' Employees who work at Stores with Leases assumed and assigned to by Purchaser and corporate-level employees, in each case, who actually commence employment after the Closing Date, the "Transferred Employees") on terms and conditions to be determined by Purchaser in its sole discretion.

(b) For purposes of determining eligibility to participate in and vesting under any "employee benefit plan" (as defined in Section 3(3) of ERISA), other than pension plans (including any defined benefit pension plan), that Purchaser offers to Transferred Employees, and for purposes of determining vacation, sickness benefits and other fringe benefits offered to Transferred Employees by Purchaser, each such Transferred Employee shall be credited with the months and years of service he or she completed while employed by the Sellers for any other period or, to the extent such service was credited under a corresponding plan or program maintained by the Sellers.

(c) On or before the Closing Date, Sellers shall provide a list of the name and site of employment of any and all employees of Sellers who have experienced, or will experience, an employment loss or layoff – as defined by the Worker Adjustment and Retraining Notification Act of 1988 or any similar applicable state or local law requiring notice to employees in the event of a closing or layoff (the "WARN Act") – within ninety (90) days prior to the Closing Date. Sellers shall update this list up to and including the Closing Date.

(d) Sellers and Purchaser shall cooperate to comply with and take all actions necessary to minimize the obligations arising under the WARN Act in connection with any (i) plant closing as defined in the WARN Act affecting any site of employment or one or more facilities or operating units within any site of employment of Sellers; (ii) mass layoff as defined in the WARN Act affecting any site of employment of Sellers; or (iii) similar action under the WARN Act requiring notice to employees in the event of an employment loss or layoff. Sellers shall send such notices under the WARN Act as Purchasers may reasonably request.

9.2 Employment Tax Reporting. With respect to Transferred Employees, Purchaser and Sellers shall use the standard procedure set forth in Revenue Procedure 2004-53, 2004-34 I.R.B. 320, for purposes of employment tax reporting.

9.3 Compensation and Benefits. Purchaser shall either maintain the current compensation and benefit arrangements of the Transferred Employees or provide compensation and benefits to such employees that Purchaser determines in good faith are, in the aggregate, at least as favorable as the prevailing industry standard. For purposes of eligibility, vesting and the calculation of the amount of vacation, severance or other benefits under the employee benefit plans of Purchaser providing benefits to Transferred Employees, Purchaser shall credit each Transferred Employee with his or her years of service with Sellers to the same extent as such Transferred Employee was entitled immediately prior to the Closing to credit for such service under any similar Employee Benefit Plan.

9.4 No Obligations. Other than as set forth in Section 9.3, nothing contained in this Agreement shall be construed to require, or prevent the termination of, employment of any individual, require minimum benefit or compensation levels or prevent any change in the employee benefits provided to any individual Transferred Employee.

ARTICLE X

CONDITIONS TO CLOSING

10.1 Conditions Precedent to Obligations of Purchaser. The obligation of Purchaser to consummate the Transactions is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by Purchaser in whole or in part to the extent permitted by applicable Law):

(a) the representations and warranties of Sellers contained in this Agreement (i) that are not qualified by materiality or Seller Material Adverse Effect shall be true and correct in all respects on and as of the Closing, except to the extent expressly made as of an earlier date, in which case as of such earlier date, and except to the extent that the failure of such representations and warranties to be true and correct would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect and (ii) that are qualified by materiality or Seller Material Adverse Effect shall be true and correct in all respects on and as of the Closing (disregarding any materiality or Seller Material Adverse Effect qualifier contained therein, except to the extent expressly made as of an earlier date, in which case as of such earlier date, and except to the extent that the failure of such representations and warranties to be true and correct would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect, and Purchaser shall have received a certificate signed by authorized officers of Sellers, dated the Closing Date, to the foregoing effect;

(b) Sellers shall have performed and complied in all material respects with all obligations and agreements required in this Agreement to be performed or complied with by them prior to the Closing Date, and Purchaser shall have received a certificate signed by authorized officers of Sellers, dated the Closing Date, to the foregoing effect;

(c) The Pre-Closing Eligible Inventory Value of the Inventory, shall be greater than or equal to \$50,000,000.00, as reflected in the Pre-Closing Inventory Statement;

(d) Sellers shall have delivered, or caused to be delivered, to Purchaser all of the items set forth in Section 4.2.

10.2 Conditions Precedent to Obligations of Sellers. The obligations of Sellers to consummate the Transactions are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions (any or all of which may be waived by Sellers in whole or in part to the extent permitted by applicable Law):

(a) the representations and warranties of Purchaser contained in this Agreement (i) that are not qualified by materiality or Purchaser Material Adverse Effect shall be true and correct in all respects on and as of the Closing, except to the extent expressly made as of an earlier date, in which case as of such earlier date, and except to the extent that the failure of such representations and warranties to be true and correct would not reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect and (ii) that are qualified by materiality or Purchaser Material Adverse Effect shall be true and correct in all respects on and as of the Closing (disregarding any materiality or Purchaser Material Adverse Effect qualifier contained therein), except to the extent expressly made as of an earlier date, in which case as of such earlier date, and except to the extent that the failure of such representations and warranties to be true and correct would not reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect, and Sellers shall have received a certificate signed by an authorized officer of Purchaser, dated the Closing Date, to the foregoing effect;

(b) Purchaser shall have performed and complied in all material respects with all obligations and agreements required by this Agreement to be performed or complied with by Purchaser on or prior to the Closing Date, and Sellers shall have received a certificate signed by an authorized officer of Purchaser, dated the Closing Date, to the foregoing effect; and

(c) Purchaser shall have delivered to Sellers all of the items set forth in Section 4.3.

10.3 Conditions Precedent to Obligations of Purchaser and Sellers. The respective obligations of Purchaser and Sellers to consummate the Transactions are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by Purchaser and Sellers in whole or in part to the extent permitted by applicable Law):

(a) there shall not be in effect any Order by a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the Transactions;

(b) the Bankruptcy Court shall have entered the Sale Order and Agency Order, in form and substance reasonably acceptable to Sellers and Purchaser, and such Sale Order and Agency shall each have become final, non-appealable Orders; and

(c) the waiting period applicable to the Transactions under the HSR Act shall have expired or early termination shall have been granted.

10.4 Frustration of Closing Conditions. No party may rely on the failure of any condition set forth in Sections 10.1, 10.2 or 10.3, as the case may be, if such failure was caused by such party's failure to comply with any provision of this Agreement.

ARTICLE XI

TAXES

11.1 Payment of Taxes.

(a) All Taxes imposed on or with respect of the Acquired Assets on a periodic basis (including but not limited to real estate Taxes and assessments) ("Periodic Taxes") relating to periods beginning on or before and ending after the Closing Date shall be allocated on a per diem basis to the Sellers and the Purchaser, respectively, in accordance with Section 164(d) of the Code. All Periodic Taxes relating to periods ending on or before the Closing Date shall be allocated solely to the Sellers. All Periodic Taxes relating to the periods beginning after the Closing Date shall be allocated solely to the Purchaser. If the actual amounts to be prorated are not known as of the Closing Date, the prorations shall be made on the basis of Periodic Taxes assessed for the prior year; provided, however, for purposes of calculating such prorated amounts, such Periodic Taxes for the prior year shall be increased by five percent (5%).

(b) Purchaser shall be responsible for, and shall indemnify Sellers for, all conveyance, sales, use, excise, value, value added, registration, stamp, franchise, property, transfer, real property transfer, gains, recording registration and similar Taxes, together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto ("Transfer Taxes") which become payable in connection with the transactions contemplated by this Agreement. Within ten (10) days following the entry of an Assumption Order, the Sellers shall prepare any and all Tax Returns that must be filed in connection with such Transfer Taxes ("Transfer Tax Returns") and provide copies of such Transfer Tax Returns to the Purchaser for its review and consent.

(c) Within ten (10) days following the entry of an Assumption Order, the Sellers shall use commercially reasonable best efforts to provide to the Purchaser copies of certificates from the appropriate taxing authorities stating that no Taxes are due to any federal, state, local or other taxing authority for which the Purchaser could have liability to withhold or pay Taxes with respect to the transfer of the Acquired Assets.

11.2 Purchase Price Allocation. Sellers and Purchaser shall allocate the Purchase Price among Sellers and among the Purchased Assets of each Seller in accordance with a statement (the "Allocation Statement") provided by Purchaser to Sellers as soon as practicable after the Closing, which statement shall be prepared in accordance with Section 1060 of the Code. The Purchase Price allocated to each Seller shall be comprised first of the Assumed Liabilities of each Seller and then a pro rata portion of each other item comprising the Purchase Price.

Purchaser and Sellers shall file all Tax Returns (including Form 8594) consistent with, and shall take no tax position inconsistent with the Allocation Statement.

11.3 Tax Reporting. Purchaser shall prepare and file (or cause to be prepared and filed) on behalf of Sellers all Tax Returns, whether related to income taxes or non-income taxes, required to be filed or that Purchaser otherwise deems appropriate, including the filing of amended Tax Returns, for all Tax Periods through and including any Tax Period that includes the Closing Date. Purchaser shall furnish a completed copy of any such Tax Return (including any supporting workpapers) to be filed by Purchaser to Sellers for Sellers' review at least 30 days prior to the due date for filing such returns. Sellers shall have the right to raise reasonable objections to such Tax Returns. In the event that the parties are unable to resolve in good faith any dispute prior to 15 days before the due date, the parties shall jointly request that the Accounting Referee resolve any dispute as promptly as possible; provided, however, that Purchaser's position shall prevail provided such position is reasonable. If the Accounting Referee is unable to make a determination with respect to a disputed issue prior to the date which is five days prior to the due date for the filing of the Tax Return in question, then Purchaser may file such Tax Return on the due date therefor without such determination having been made and without Sellers' consent. Notwithstanding the filing of such Tax Return, the Accounting Referee shall make a determination with respect to the disputed issue in accordance with this Section 11.3.

11.4 Cooperation and Audits. Purchaser, its Affiliates and Sellers shall cooperate fully with each other regarding tax matters (including the execution of appropriate powers of attorney) and shall make available to the other as reasonably requested all information, records and documents relating to taxes governed by this Agreement until the expiration of the applicable statute of limitations or extension thereof or the conclusion of all audits, appeals or litigation with respect to such taxes. Without limiting the generality of the foregoing, Sellers shall execute on or prior to the Closing Date a power of attorney authorizing Purchaser to correspond, sign, collect, negotiate, settle and administer all tax payments and Tax Returns.

ARTICLE XII

MISCELLANEOUS

12.1 No Survival of Representations and Warranties. The parties hereto agree that the representations and warranties contained in this Agreement shall not survive the Closing hereunder and no Person shall have any liability for any breach thereof, except to the extent that such breach would reasonably be expected to give rise to a Seller Material Adverse Effect and is determined by a final order of the Bankruptcy Court to have resulted from such Person's fraud, gross negligence or willful misconduct. The parties hereto agree that the covenants contained in this Agreement to be performed at or after the Closing shall survive the Closing hereunder, and each party hereto shall be liable to the other after the Closing for any breach thereof.

12.2 Expenses. Except as otherwise provided in this Agreement, each of Sellers and Purchaser shall bear its own expenses incurred in connection with the negotiation and execution of this Agreement and each other agreement, document and instrument contemplated by this

Agreement and the consummation of the Transactions. Purchaser shall pay the filing fee required in connection with the HSR Act filing contemplated by Section 8.4(a).

12.3 Injunctive Relief. Damages at law may be an inadequate remedy for the breach of any of the covenants, promises or agreements contained in this Agreement, and, accordingly, any party hereto shall be entitled to injunctive relief with respect to any such breach, including without limitation specific performance of such covenants, promises or agreements or an order enjoining a party from any threatened, or from the continuation of any actual, breach of the covenants, promises or agreements contained in this Agreement. The rights set forth in this Section 12.3 shall be in addition to any other rights which a party hereto may have at law or in equity pursuant to this Agreement.

12.4 Submission to Jurisdiction; Consent to Service of Process.

(a) Without limiting any party's right to appeal any order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the Transactions, and (ii) any and all proceedings related to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereby consent to and submit to the jurisdiction and venue of the Bankruptcy Court and shall receive notices at such locations as indicated in Section 12.8 hereof; provided, however, that if the Bankruptcy Case has closed, the parties agree to unconditionally and irrevocably submit to the exclusive jurisdiction of the United States District Court for the Southern District of New York sitting in New York County or the Commercial Division, Civil Branch of the Supreme Court of the State of New York sitting in New York County and any appellate court thereof, for the resolution of any such claim or dispute. The parties hereby irrevocably waive, to the fullest extent permitted by applicable Law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by delivery of a copy thereof in accordance with the provisions of Section 12.8.

12.5 Waiver of Right to Trial by Jury. Each party to this Agreement waives any right to trial by jury in any action, matter or proceeding regarding this Agreement or any provision hereof.

12.6 Entire Agreement; Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) and the Agency Agreement collectively represent the entire understanding and agreement between the parties hereto with respect to the subject matter hereof. This Agreement can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any

investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

12.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed in such State.

12.8 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given (i) when delivered personally by hand, (ii) when sent by facsimile (with written confirmation of transmission) or (iii) one Business Day following the day sent by overnight courier (with written confirmation of receipt), in each case at the following addresses and facsimile numbers (or to such other address or facsimile number as a party may have specified by notice given to the other party pursuant to this provision):

If to the Sellers, to:

Levitz Home Furnishings, Inc.
300 Crossways Park Drive
Woodbury, New York 11797
Attn: General Counsel
Tel: (516) 496-9560
Fax: (516) 682-1620

with copies to:

Jones Day
222 East 41st Street
New York, New York 10017
Attn: John Hyland, Esq.
David G. Heiman, Esq.
Tel.: (212) 326-3939
Fax: (212) 755-7306

If to Purchaser, to:

PLVTZ, LLC
c/o Prentice Capital Management, LP
623 Fifth Avenue
32nd Floor
New York, New York 10022

Attn: Michael Zimmerman
Tel: (212) 756-8048

and

The Pride Capital Group, LLC
d/b/a Great American Group
One Parkway North
Deerfield, IL 60015
Attn: Mark P. Naughton
Fax: (847) 444-1401

With copies (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attn: D.J. Baker, Esq.
Gregg M. Galardi, Esq.
Thomas W. Greenberg, Esq.
Tel: (212) 735-3000
Fax: (212) 735-2000

and

Cohen Tauber Spievack & Wagner LLP
420 Lexington Avenue – Suite 2400
New York, NY 10170
Attn: Robert A. Boghosian, Esq.
Fax: (212) 586-5095

12.9 Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any law or public policy, all other terms or provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Transactions is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the Transactions are consummated as originally contemplated to the greatest extent possible.

12.10 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any Person or entity not a party to this Agreement. No assignment of this Agreement or of any rights or obligations hereunder may be made by either Sellers or Purchaser (by operation of law or otherwise) without the prior written consent of the other parties hereto and any attempted assignment without the required

consents shall be void, provided that Purchaser may assign some or all of its obligations hereunder to one or more subsidiaries formed by it prior to the Closing. No assignment of any obligations hereunder shall relieve the parties hereto of any such obligations. Upon any such permitted assignment, the references in this Agreement to Sellers or Purchaser shall also apply to any such assignee unless the context otherwise requires.

12.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first written above.

PURCHASER

PLVTZ, LLC

By: _____
Name:
Title:

PRIDE CAPITAL GROUP, LLC

By: _____
Name:
Title:

SELLERS:

LEVITZ HOME FURNISHINGS, INC.

By: _____
Name:
Title:

SEAMAN FURNITURE COMPANY, INC.

By: _____
Name:
Title:

LEVITZ FURNITURE LLC

By: _____
Name:
Title:

LEVITZ FURNITURE CORPORATION

By: _____
Name:
Title:

LEVITZ FURNITURE COMPANY OF THE
MIDWEST, INC.

By: _____
Name:
Title:

LEVITZ FURNITURE COMPANY OF
WASHINGTON, INC.

By: _____
Name:
Title:

LEVITZ FURNITURE COMPANY OF
DELAWARE, INC.

By: _____
Name:
Title:

JOHN M. SMYTH CORPORATION

By: _____

Name:

Title:

SEAMAN FURNITURE COMPANY OF UNION
SQUARE, INC.

By: _____

Name:

Title:

PARALAX DEVELOPMENT INDUSTRIES, INC.

By: _____

Name:

Title:

RHM, INC.

By: _____

Name:

Title:

SEAMAN FURNITURE COMPANY OF
PENNSYLVANIA, INC.

By: _____

Name:

Title:

LEVITZ SHOPPING SERVICE, INC.

By: _____
Name:
Title:

LEVITZ FURNITURE REINSURANCE, LTD.

By: _____
Name:
Title:

LEVITZ FURNITURE COMPANY OF CANADA,
LTD.

By: _____
Name:
Title:

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