

**SENIOR SECURED, SUPER-PRIORITY DEBTOR-IN-POSSESSION
CREDIT AGREEMENT**

Dated as of February 16, 2011

by and among

**BORDERS GROUP, INC. and BORDERS, INC.,
as the Borrowers,**

**THE OTHER PERSONS PARTY HERETO THAT ARE
DESIGNATED AS CREDIT PARTIES,**

**GENERAL ELECTRIC CAPITAL CORPORATION,
for itself, as a Revolving Lender, FILO Lender and Swingline Lender
and as Working Capital Agent for all Lenders,**

**GA CAPITAL, LLC
as Term B Agent for all Term B Lenders
and as Sole Lead Arranger and Bookrunner on the Term B Facility**

and

**THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO,
as Lenders**

**GE CAPITAL MARKETS, INC.,
as Sole Lead Arranger and Bookrunner on the Working Capital Facility**

_____ **and**

THE CIT GROUP/BUSINESS CREDIT, INC.
as Syndication Agent

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CREDIT AGREEMENT

This **SENIOR SECURED, SUPER-PRIORITY DEBTOR-IN-POSSESSION CREDIT AGREEMENT** (including all exhibits and schedules hereto, as the same may be amended, modified and/or restated from time to time, this “Agreement”) is entered into as of February 16, 2011, by and among (i) **BORDERS GROUP, INC.** a Michigan corporation, as a debtor-in-possession (“BGI”), (ii) **BORDERS, INC.**, a Colorado corporation, as a debtor-in-possession (“Borders” and collectively with BGI, the “Borrowers” and each individually a “Borrower”), each other Persons from time to time party hereto as a “Credit Party” (each as a debtor-in-possession), (iii) **GENERAL ELECTRIC CAPITAL CORPORATION**, a Delaware corporation (in its individual capacity, “GE Capital”), as Working Capital Agent for the Lenders (as defined herein) and for itself as a Revolving Lender (including as Swingline Lender) and as L/C Issuer with respect to the Cash Management Letter of Credit (as defined below), (iv) **GA CAPITAL, LLC**, a Delaware limited liability company, as Term B Agent for the Term B Lenders and (v) the Lenders party hereto.

WITNESSETH:

WHEREAS, on February 16, 2011 (the “Petition Date”), each of the Credit Parties commenced a case under Chapter 11 of the Bankruptcy Code Chapter 11, 11 U.S.C. 101 et seq. (the “Bankruptcy Code”), Case Nos. ~~[NOT YET ISSUED]~~ [No. 11-10614 \(MG\)](#) (the “Chapter 11 Cases”) by filing a voluntary petition for relief under Chapter 11, with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). The Credit Parties continue to operate their businesses and manage their properties as debtors and debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code;

WHEREAS, the Borrowers have requested, and upon terms and conditions set forth in this Agreement, (i) the Revolving Lenders have agreed to make available to the Borrowers, a senior secured, super-priority revolving credit facility (including a Seventy-Five Million Dollar (\$75,000,000) letter of credit subfacility) in an amount up to Four Hundred and Ten Million Dollars (\$410,000,000) (the “Revolving Facility”), (ii) the FILO Lenders have agreed to make available to the Borrowers, a senior secured, super-priority “first in last out” term loan in an amount up to Twenty Million Dollars (\$20,000,000) (the “FILO Facility”), (iii) the Term B Lenders have agreed to make available to the Borrowers, a senior secured, super-priority term loan in an amount up to Fifty-Five Million Dollars (\$55,000,000) (the “Term B Facility”), in each instance of clauses (i), (ii) and (iii) in order to (a) repay the Pre-Petition Facilities on the Closing Date, (b) fund the Chapter 11 Cases in accordance with the Approved Budget, (c) make certain other payments on the Closing Date as more fully provided in this Agreement and (d) provide for working capital and other general corporate purposes of the Credit Parties during the pendency of the Chapter 11 Cases, and (iv) Working Capital Agent as an L/C Issuer has agreed to make available to the Borrowers an additional letter of credit facility in an amount up to Twenty Million Dollars (\$20,000,000) in support of the Actual Cash

Rate Loans and (B) thereafter until payment in full, at the interest rate applicable during such period to past due Revolving Loans that are Base Rate Loans.

(vii) Reimbursement Obligations of the Revolving Lenders.

(1) Subject to Section 1.1(c)(viii) hereof with respect to the Cash Management Letter of Credit, upon receipt of the notice described in clause (vi) above from Working Capital Agent, each Revolving Lender shall pay to Working Capital Agent for the account of such L/C Issuer its Commitment Percentage of such Letter of Credit Obligations (as such amount may be increased pursuant to Section 1.11(e)(ii)).

(2) Subject to Section 1.1(c)(viii) hereof with respect to the Cash Management Letter of Credit, by making any payments described in clause (1) above, such Revolving Lender shall be deemed to have made a Revolving Loan to the Borrowers, which, upon receipt thereof by Working Capital Agent for the benefit of such L/C Issuer, the Borrowers shall be deemed to have used in whole to repay such L/C Reimbursement Obligation. Subject to Section 1.1(c)(viii) hereof with respect to the Cash Management Letter of Credit, any such payment that is not deemed a Revolving Loan shall be deemed a funding by such Revolving Lender of its participation in the applicable Letter of Credit and the Letter of Credit Obligation in respect of the related L/C Reimbursement Obligations. Such participation shall not otherwise be required to be funded. Following receipt by any L/C Issuer of any payment from any Revolving Lender pursuant to this clause (vii) with respect to any portion of any L/C Reimbursement Obligation, such L/C Issuer shall promptly pay to Working Capital Agent, for the benefit of such Revolving Lender, all amounts received by such L/C Issuer (or to the extent such amounts shall have been received by Working Capital Agent for the benefit of such L/C Issuer, Working Capital Agent shall promptly pay to such Revolving Lender all amounts received by Working Capital Agent for the benefit of such L/C Issuer) with respect to such portion.

(viii) Cash Management Letter of Credit During Event of Default. If the Cash Management Letter of Credit is drawn at any time upon or during the continuance of an Event of Default, (i) the Working Capital Agent (as Issuer of such Cash Management Letter of Credit) shall be deemed to have acquired, without recourse or warranty, an undivided interest and participation in such Cash Management Letter of Credit and the related Letter of Credit Obligations in an amount equal to the face amount of such Cash Management Letter of Credit and (ii) no Working Capital Lender shall be required to reimburse Working Capital Agent (as Issuer of such Cash Management Letter of Credit) on account of the Letter of Credit Obligations relating to such Cash Management Letter of Credit nor shall any Working Capital Lender be deemed to have incurred an obligation to participate in the Cash Management Letter of Credit or the Letter of Credit Obligations relating thereto nor shall any Revolving Loans be made or deemed made to repay the Letter of Credit Obligations with respect to the Cash Management Letter of Credit. Following the occurrence and the continuance of an Event of Default, all Letter of Credit fees payable on account of the Cash Management Letter of Credit shall be for the account of the Working Capital Facility Agent in its individual capacity and any L/C Reimbursement Obligations relating thereto including interest or

(d) Swing Loans made by the Swingline Lender shall be evidenced by this Agreement and, if requested by such Swingline Lender, a Swingline Note in an amount equal to the Swingline Commitment.

1.3 Interest.

(a) Subject to Sections 1.3(c) and 1.3(d), (i) each Revolving Loan and Swing Loan shall bear interest on the outstanding principal amount thereof from the date when made at a rate per annum equal to the LIBOR or the Base Rate, as the case may be, plus the Revolving Applicable Margin; provided Swing Loans may not be LIBOR Rate Loans, (ii) the FILO Loan shall bear interest on the outstanding principal amount thereof from the Closing Date at a rate per annum equal to the LIBOR or the Base Rate, as the case may be, plus the FILO Applicable Margin and (iii) the Term B Loans shall bear interest on the outstanding principal amount thereof from the Closing Date at a rate per annum equal to LIBOR or the Base Rate, as the case may be, plus the Term B Applicable Margin. Each determination of an interest rate by Agents shall be conclusive and binding on each Borrower and the Lenders in the absence of manifest error. All computations of fees and interest payable under this Agreement for LIBOR Rate Loans and Term B Loans shall be made on the basis of a 360-day year and actual days elapsed. All computations of interest payable under this Agreement for Base Rate Loans (other than Term B Loans) shall be made on the basis of a 365/366 day year and actual days elapsed. Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any payment or prepayment of the Loans.

(c) Upon the occurrence and during the continuance of an Event of Default, without further notice, motion or application to, hearing before, or order from the Bankruptcy Court, the Borrowers shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on all Obligations hereunder and under the Loan Documents from and after the date of occurrence of such Event of Default, at a rate per annum which is determined by adding two percent (2.00%) per annum to the rate of interest or fees applicable thereto (or, if no rate of interest or fees is then applicable thereto, the rate applicable to Revolving Loans at the Base Rate). All such interest shall be payable on demand of the applicable Agent or the Required Working Capital Lenders or the Required Term B Lenders (as applicable).

(d) Anything herein to the contrary notwithstanding, the obligations of the Borrowers hereunder shall be subject to the limitation that payments of interest shall not be required, for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by the respective Lender would be contrary to the

amount of such charges would exceed the Maximum Revolving Borrowing Availability at such time. At the applicable Agent's option and to the extent permitted by law, any charges so made shall constitute part of the Loans hereunder.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, if any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be and to the extent applicable.

(c) (i) So long as no Event of Default has occurred and is continuing, (a) all payments received by Working Capital Agent in respect of any Obligation and all funds transferred and credited to the Working Capital Collection Account (other than from proceeds of Term Priority Collateral) and (b) all Net Proceeds from any Disposition of Revolving Priority Collateral (subject to the provisions at the end of Section 1.8(e)), each shall be applied to the Obligations as follows:

first, to payment of fees, costs and expenses ~~and any other amounts~~ (including Attorney Costs) then due and payable by the Credit Parties under this Agreement and the other Loan Documents;

second, to payment of interest with respect to the Revolving Loans and the Swing Loans;

third, to payment of all Swing Loans;

fourth, to payment of all Revolving Loans that are Base Rate Loans;

fifth, to payment of all Revolving Loans that are LIBOR Rate Loans; ~~and~~

sixth, to the payment of interest with respect to the FILO Loans; and

seventh, to the Borrower Representative's operating account.

In carrying out the foregoing, (A) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category and (B) each of the Lenders or other Persons entitled to payment shall receive an amount equal to its pro rata share of amounts available to be applied pursuant to clauses second, fourth ~~and~~, fifth and sixth.

(ii) During the continuance of an Event of Default, Working Capital Agent shall apply any and all payments proceeds of Revolving Priority Collateral as follows:

first, to funding the Carve-Out up to the Carve-Out Amount;

second, to the payment of any Permitted Overadvance funded by Working Capital Agent and fees, costs and expenses, including Attorney Costs, of Working Capital Agent payable or reimbursable by the Credit Parties under the Loan Documents;

third, to payment of Attorney Costs of Agents and Lenders payable or reimbursable by the Borrowers under this Agreement;

fourth, with respect to the Swing Loans and the Revolving Loans owed to Working Capital Agent, the Revolving Lenders and L/C Issuers, to payment of all accrued unpaid interest on the Obligations and fees ~~with respect to the Swing Loans and the Revolving Loans owed to Working Capital Agent, the Revolving Lenders and L/C Issuers~~;

fifth, to payment of principal of the Obligations relating to the Revolving Loans then due and payable including, without limitation, L/C Reimbursement Obligations (other than with respect to the Cash Management Letter of Credit) then due and payable and cash collateralization in an amount equal to 104% of unmaturing L/C Reimbursement Obligations (other than with respect to the Cash Management Letter of Credit) to the extent not then due and payable;

sixth, with respect to the FILO Loans owed to the FILO Lenders, to payment of all principal and accrued but unpaid interest on the Obligations and fees ~~with respect to the FILO Loans owed to the FILO Lenders~~;

seventh, to payment of ~~principal of the Obligations relating to the FILO Loans~~ L/C Reimbursement Obligations with respect to the Cash Management Letter of Credit and cash collateralization in an amount equal to 104% of unmaturing L/C Reimbursement Obligations with respect to the Cash Management Letter of Credit to the extent not then due and payable;

eighth, ~~to payment of L/C Reimbursement Obligations with respect to the Cash Management Letter of Credit~~; ninth, to fund the DIP Indemnity Account;

~~tenth~~ ninth, to payment of all other Obligations (excluding Bank Products not subject to a Reserve, Obligations with respect to Secured Rate Contracts and Overadvances that are not Permitted Overadvances) with respect to all Loans other than the Term B Loans;

tenth, to payment of all Obligations in respect of the Term B Loans;

~~eleventh~~, ~~to payment of all Term B Loans Obligations~~; and ~~twelfth~~, to payment of all other Obligations relating to Bank Products subject to a Reserve;

~~thirteenth~~twelfth, to payment of all other Obligations, including Overadvances other than Permitted Overadvances; and

~~fourteenth~~thirteenth, any remainder shall be for the account of and paid to whoever may be lawfully entitled thereto.

In carrying out the foregoing, (A) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category and (B) each of the Lenders or other Persons entitled to payment shall receive an amount equal to its pro rata share of amounts available to be applied pursuant to clauses fourth (other than with respect to Swing Loans which shall be for the account of the Swingline Lender), fifth, sixth, ~~seventh~~ninth, and tenth ~~and eleventh~~ above.

(iii) Whether or not an Event of Default has occurred and is continuing, all Net Term B Proceeds from any Disposition of Term Priority Collateral shall be applied to the Obligations as follows:

first, to payment of fees, costs and expenses, including Attorney Costs, of Term B Agent and Term B Lenders payable or reimbursable by the Credit Parties under the Loan Documents;

second, to the Working Capital Agent for repayment of the Swing Loans (if any) and then Revolving Loans, to the extent the Term B Lenders shall have received proceeds from Revolving Priority Collateral pursuant to Section 1.8(e), in the event the guaranteed amount (after all adjustments, set-offs and claw-backs) paid by the Approved Liquidator in connection with the initial Permitted Store Closings is less than \$100,000,000, an amount equal to the amount by which such payment is less than \$100,000,000, but no greater than \$5,000,000 in the aggregate;

third, to payment of all accrued unpaid interest and fees and payment of principal of the Obligations relating to the Term B Loans;

fourth, to fund the DIP Term Indemnity Account;

fifth, to the payment of any Overadvance funded by Working Capital Agent and fees, costs and expenses, including Attorney Costs, of ~~Term~~Working Capital Agent payable or reimbursable by the Credit Parties under the Loan Documents;

sixth, to payment of Attorney Costs of Working Capital Facility Lenders payable or reimbursable by the Borrowers under this Agreement;

seventh, with respect to the Swing Loans and the Revolving Loans owed to Working Capital Agent, the Revolving Lenders and L/C Issuers, to payment of all accrued unpaid interest on the Obligations and fees ~~with respect to the Swing~~

~~Loans and the Revolving Loans owed to Working Capital Agent, the Revolving Lenders and L/C Issuers;~~

~~eighth~~, to payment of principal of the Obligations relating to the Revolving Loans then due and payable including, without limitation, L/C Reimbursement Obligations (other than with respect to the Cash Management Letter of Credit) then due and payable and cash collateralization in an amount equal to 104% of unmatured L/C Reimbursement Obligations (other than with respect to the Cash Management Letter of Credit) to the extent not then due and payable;

~~ninth~~, ~~with respect to the FILO Loans owed to the FILO Lenders~~, to payment of all principal and accrued but unpaid interest on the Obligations and fees ~~with respect to the FILO Loans owed to the FILO Lenders~~;

~~tenth~~, to payment of ~~principal of the Obligations relating to the FILO Loans~~L/C Reimbursement Obligations with respect to the Cash Management Letter of Credit and cash collateralization in an amount equal to 104% of unmatured L/C Reimbursement Obligations with respect to the Cash Management Letter of Credit to the extent not then due and payable;

~~eleventh~~, ~~to payment of L/C Reimbursement Obligations with respect to the Cash Management Letter of Credit~~twelfth, to fund the DIP Indemnity Account;

~~thirteenth~~twelfth, to the payment of any other Obligations; and

~~fourteenth~~thirteenth, any remainder shall be for the account of and paid to whoever may be lawfully entitled thereto.

In carrying out the foregoing, (A) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category and (B) each of the Lenders or other Persons entitled to payment shall receive an amount equal to its pro rata share of amounts available to be applied pursuant to clauses second, third, seventh (other than in respect of Swing Loans which shall be for the account of the Swingline Lender), ~~eighth~~, ~~ninth~~, ~~tenth~~, and ~~thirteenth~~twelfth above.

1.11 Payments by the Revolving Lenders to Working Capital Agent; Settlement.

(a) Working Capital Agent may, on behalf of Lenders, disburse funds to the Borrowers for Loans requested. Each Lender in accordance with its Commitment Percentage shall reimburse Working Capital Agent on demand for all funds disbursed on its behalf by Working Capital Agent, or if Working Capital Agent so requests, each Lender will remit to Working Capital Agent its Commitment Percentage of any Loan before Working Capital Agent disburses same to the Borrowers. If Working Capital Agent elects to require that each

foregoing, Agents are hereby authorized, subject to the terms set forth in Section 9.2, to establish procedures to make available or deliver, or to accept, notices, documents and similar items on, by posting to or submitting and/or completion on, E-Systems.

1.12 Borrower Representative. Each Credit Party hereby designates and appoints Borders, Inc. as its representative and agent on its behalf (the “Borrower Representative”) for the purposes of issuing Notices of Borrowings, Notices of Conversion/Continuation, L/C Requests and Swingline Requests, delivering certificates including Borrowing Base Certificates, giving instructions with respect to the disbursement of the proceeds of the Loans, selecting interest rate options, executing Loan Documents on behalf of such Credit Party, giving and receiving all other notices and consents hereunder or under any of the other Loan Documents and taking all other actions (including in respect of compliance with covenants) on behalf of any Credit Party or the Credit Parties under the Loan Documents. Borrower Representative hereby accepts such appointment. Agents and each Lender may regard any notice or other communication pursuant to any Loan Document from Borrower Representative as a notice or communication from all Credit Parties. Each warranty, covenant, agreement and undertaking made on behalf of a Credit Party by Borrower Representative shall be deemed for all purposes to have been made by such Credit Party and shall be binding upon and enforceable against such Credit Party to the same extent as if the same had been made directly by such Credit Party.

1.13 Super Priority Nature of Obligations and Lenders’ Liens.

(a) The priority of Lenders’ and Agents’ Liens on the Collateral owned by the Credit Parties shall be set forth in the Interim Order and the Final Order.

(b) All Obligations shall constitute administrative expenses of the Credit Parties in the Chapter 11 Cases, with administrative priority and senior secured status under Sections 364(c) and 364(d) of the Bankruptcy Code. Subject only to the Carve-Out up to the Carve-Out Amount, the Adequate Protection Superpriority Claims and Indebtedness secured by Pre-Petition Perfected Liens, such administrative claim shall have priority over any and all administrative expense claims, unsecured claims and costs and expenses against the Credit Parties or their respective estates in the Chapter 11 Cases (or any subsequent proceedings or cases under the Bankruptcy Code), at any time existing or arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy Code Sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726 (to the extent permitted by law), 1113, 1114 or any other provision of the Bankruptcy Code or otherwise and shall at all times be senior to the rights of the Credit Parties, the Credit Parties’ respective estates and any successor trustee or estate representative in the Chapter 11 Cases or any subsequent proceedings or cases under the Bankruptcy Code subject to the priorities set forth in the Interim Order or Final Order (as applicable). The Liens

3.29 Patriot Act. The Credit Parties, each of their Subsidiaries and each of their Affiliates are in compliance with (a) the Trading with the Enemy Act, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B Chapter V, as amended) and any other enabling legislation or executive order relating thereto, (b) the Patriot Act and (c) other federal or state laws relating to “*know your customer*” and anti-money laundering rules and regulations. No part of the proceeds of any Loan will be used directly or indirectly for any payments to any government official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

3.30 Reorganization Matters.

(a) The Chapter 11 Cases were commenced on the Petition Date in accordance with applicable law and proper notice thereof and the proper notice for (i) the motion seeking approval of the Loan Documents and the Interim Order and Final Order, (ii) the hearing for the entry of the Interim Order, and (iii) the hearing for the entry of the Final Order has been or will be given. Credit Parties shall give, on a timely basis as specified in the Interim Order or the Final Order, as applicable, all notices required to be given to all parties specified in the Interim Order or Final Order, as applicable.

(b) After the entry of the Interim Order, and pursuant to and to the extent permitted in the Interim Order and the Final Order, the Obligations will constitute allowed administrative expense claims in the Chapter 11 Cases having priority over all administrative expense claims and unsecured claims against the Credit Parties now existing or hereafter arising, of any kind whatsoever, including, without limitation, all administrative expense claims of the kind specified in Sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(c), 726, 1114 or any other provision of the Bankruptcy Code or otherwise, as provided under Section 364(c)(1) of the Bankruptcy Code, subject, ~~as to priority only to (i) the Carve-Out up to the Carve-Out Amount, (ii) the Pre-Petition Perfected Liens and (iii) the Adequate Protection Superpriority Claims~~ the priorities set forth in the Interim Order or Final Order (as applicable).

(c) After the entry of the Interim Order and pursuant to and to the extent provided in the Interim Order and the Final Order, the Obligations will be secured by a valid and perfected first priority Lien on all of the Collateral subject, as to priority only to the Carve-Out up to the Carve-Out Amount, the Adequate Protection Superpriority Claims and the Pre-Petition Perfected Liens.

(d) The Interim Order (with respect to the period on and after entry of the Interim Order and prior to entry of the Final Order) or the Final Order (with respect to the period on and after entry of the Final Order), as the case may

recoupment, the aggregate amount ~~of~~applied to Pre-Petition Indebtedness, Pre-Petition trade payables and other Pre-Petition claims subject to all such agreements, setoffs and recoupments since the Petition Date would exceed \$250,000.

5.24 Chapter 11 Claims. No Credit Party shall incur, create, assume, suffer to exist or permit any other superpriority administrative claim which is pari passu with or senior to the claims of Agents and Lenders against the Credit Parties, except as set forth in Section 1.13(b).

5.25 Bankruptcy Actions. The Borrowers will not seek, consent to, or permit to exist, without the prior written consent of Agents, any order ~~seeking~~granting authority to take any action that is prohibited by the terms of this Agreement or the other Loan Documents or refrain from taking any action that is required to be taken by the terms of this Agreement or any of the other Loan Documents.

ARTICLE VI.
[INTENTIONALLY OMITTED]

ARTICLE VII.
EVENTS OF DEFAULT

7.1 Events of Default. Notwithstanding the provisions of Section 362 of the Bankruptcy Code and without notice, application or motion to, hearing before, or order of the Bankruptcy Court or any notice to any Credit Party, and subject to Section 7.2, any of the following shall constitute an “Event of Default”:

(a) Non-Payment. Any Credit Party fails (i) to pay when and as required to be paid herein, any amount of principal of any Loan, including after maturity of the Loans, or to pay any L/C ~~reimbursement~~Reimbursement Obligations, (ii) to pay within one (1) Business Days after the same shall become due, any amount of interest on any Loan, or (iii) to pay within three (3) Business Days after the same shall become due, any fee or any other amount payable hereunder or pursuant to any other Loan Document;

(b) Representation or Warranty. (i) Any representation, warranty or certification by or on behalf of any Credit Party or any of its Subsidiaries made or deemed made herein, in any other Loan Document, or which is contained in any certificate, document or financial or other written statement by any such Person, or their respective Responsible Officers, furnished at any time under this Agreement, or in or under any other Loan Document, shall prove to have been incorrect in any material respect (without duplication of other materiality qualifiers contained therein) on or as of the date made or deemed made or (ii) any information contained in any Borrowing Base Certificate is untrue or incorrect in any respect (other than (1) inadvertent, immaterial errors

(iii) on or before fourteen (14) weeks prior to the Lease Rejection Date, the Credit Parties have not filed a motion or series of motions seeking authority to establish bidding procedures and to engage an Approved Liquidator to conduct the Affected Asset Sale as the so-called “stalking horse”, which bidding procedures shall be reasonably acceptable to the Agents;

(iv) on or before thirteen (13) weeks prior to the Lease Rejection Date, the Credit Parties have not entered into a stalking horse bid with an Approved Liquidator pursuant to an Approved Liquidation Agreement with respect to the Affected Asset Sale;

(v) on or before twelve (12) weeks prior to the Lease Rejection Date, the Credit Parties have not (i) received Bankruptcy Court approval of the Affected Asset Sale or (ii) commenced the Affected Asset Sale;

(vi) the Credit Parties shall (i) fail to comply with the terms of the stalking horse bid for the Permitted Store Closings and any of the documents or agreements executed in connection therewith, including, without limitation the Approved Liquidation Agreement in any manner which results in a decrease in proceeds from the Permitted Store Closings of more than \$500,000, (ii) fail to consummate the Permitted Store Closings strictly in accordance with the terms of such Approved Liquidation Agreement (in each case (i) and (ii) without any waiver or amendment to the Approved Liquidation Agreement unless consented to by Agents) or (iii) take any action to or an event has occurred which could reasonably be expected to adversely affect the value of the stalking horse bid or any Credit Party’s ability to comply with the terms of the Approved Liquidation Agreement;

(vii) the bringing of a motion, taking of any action or the filing of any plan of reorganization or disclosure statement attendant thereto by any of the Credit Parties in the Chapter 11 Cases: (A) to obtain additional financing under Section 364(c) or (d) of the Bankruptcy Code not otherwise permitted pursuant to this Agreement; (B) to grant any Lien other than Permitted Encumbrances upon or affecting any Collateral; (C) subject to this Section 7, except as provided in the Interim Order or Final Order, as the case may be, to use cash collateral of Working Capital Agent and the other Secured Parties under Section 363(c) of the Bankruptcy Code without the prior written consent of Agents and the Required Lenders; or (D) any other action or actions adverse to Agents and the Lenders or their rights and remedies hereunder or their interest in the Collateral;

(viii) (A) the filing of any plan of reorganization or disclosure statement attendant thereto, or any direct or indirect amendment

to such plan or disclosure statement, by a Credit Party or any other Person to which Agents and the Required Lenders do not consent or otherwise agree to the treatment of their claims, (B) the entry of any order terminating any Credit Party's exclusive right to file a plan of reorganization, or (C) the expiration of any Credit Party's exclusive right to file a plan of reorganization;

(ix) the entry of an order in any of the Chapter 11 Cases confirming a plan of reorganization that (A) is not acceptable to Agents in ~~its~~their sole discretion or (B) does not contain a provision for termination of the Commitments and repayment in full in cash of all of the Obligations under this Agreement and the Prior Lender Obligations on or before the effective date of such plan or plans;

(x) the entry of an order amending, supplementing, staying, vacating or otherwise modifying the Loan Documents or the Interim Order, the Final Order or the Cash Management Order without the written consent of all of the Lenders or the filing of a motion for reconsideration with respect to the Interim Order or the Final Order or the Interim Order, the Final Order or the Cash Management Order shall otherwise not be in full force and effect;

(xi) the Final Order is not entered immediately following the expiration of the Interim Order, and in any event within 45 days of the Petition Date;

(xii) the payment of, or application for authority to pay, any Pre-Petition claim without Agents' and Required Lenders' prior written consent unless otherwise permitted under this Agreement;

(xiii) the allowance of any claim or claims under Section 506(c) of the Bankruptcy Code or otherwise against Agents, any Lender or any of the Collateral;

(xiv) the appointment of an interim or permanent trustee in the Chapter 11 Cases or the appointment of a receiver or an examiner in the Chapter 11 Cases with expanded powers to operate or manage the financial affairs, the business, or reorganization of the Credit Parties; or the sale without Agents' and Lenders' consent, of all or substantially all of the Borrower's assets either through a sale under Section 363 of the Bankruptcy Code, through a confirmed plan of reorganization in the Chapter 11 Cases, or otherwise that does not provide for payment in full in cash of the Obligations and termination of Lenders' commitment to make Loans;

(xv) the dismissal of the Chapter 11 Cases, or the conversion of the Chapter 11 Cases from Chapter 11 to Chapter 7 of the

demand, protest or other notice of any kind, all of which are hereby expressly waived by each Credit Party; or

(c) terminate, reduce or restrict any right or ability of the Borrowers to use any cash collateral derived from the proceeds of Collateral (other than as expressly set forth in the Interim Order or the Final Order, as applicable, during the Remedies Notice Period).

With respect to the Revolving Priority Collateral, following the Termination Declaration Date, subject to the Remedies Notice Period, the Working Capital Agent may exercise on behalf of itself and the Working Capital Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law against the Revolving Priority Collateral. Subject to Section 7.9, without limiting the foregoing, the Working Capital Agent may subject to the Remedies Notice Period (i) with respect to a Sales Process Default only, direct any or all of the Credit Parties to comply with the sales procedures set forth in Section 7.9, (ii) enter onto the premises of any Credit Party in connection with an orderly liquidation of the Revolving Priority Collateral; and/or (iii) exercise any rights and remedies provided to Working Capital Agent under the Loan Documents or at law or equity, including all remedies provided under the Code; and pursuant to the Interim Order and the Final Order. Following the termination of the Remedy Standstill Period, subject at all ~~times~~ times to Section 1.10 (c)(ii), the Term B Agent may require the Credit Parties to conduct the sale process described in Section 7.9.

7.3 Term B Termination Declaration. Subject to Section 7.5, notwithstanding the provisions of Section 362 of the Bankruptcy Code, without any application, motion or notice to, hearing before, or order from, the Bankruptcy Court, upon the occurrence and during the continuance of any Event of Default, Term B Agent may, and shall at the request of the Required Term B Lenders (the declaration of any of the foregoing a “Term B Termination Declaration Date”):

(a) declare all or any portion of the unpaid principal amount of all outstanding Loans under Term B Facility, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable; without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by each Credit Party; or

(b) terminate, reduce or restrict any right or ability of the Borrowers to use any cash collateral derived from the proceeds of Collateral (other than the use of proceeds of Loans made in the form of Protective Overadvances) (other than as expressly set forth in the Interim Order or the Final Order, as applicable, during the Remedies Notice Period).

With respect to the Term B Priority Collateral, following the Termination Declaration Date, subject to the Remedies Notice Period, the Term B Agent may (and at the request of the Required Term B Lenders shall), on behalf of itself and the Term B Lenders, direct the Working Capital Agent to take all rights and remedies available to it and the Term B

Lenders under the Loan Documents or applicable law against the Term B Priority Collateral. Subject to Section 7.5, ~~Without~~without limiting the foregoing, upon such direction of the Term B Agent, the Working Capital Agent shall subject to the Remedies Notice Period and the Use Rights (i) with respect to a Sales Process Default only, direct any or all of the Credit Parties to comply with the sales procedures set forth in Section 7.9, (ii) enter onto the premises of any Credit Party in connection with an orderly liquidation of the Term B Priority Collateral; and/or (iii) exercise any rights and remedies provided to Working Capital Agent under the Loan Documents or at law or equity, including all remedies provided under the Code; and pursuant to the Interim Order and the Final Order. Following the termination of the Remedy Standstill Period, subject at all time to Section 1.10(c)(iii), the Working Capital Agent, whether or not it shall have received such direction ~~form~~from Term B Agent may require the Credit Parties to conduct the sale process described in Section 7.9.

7.4 Use Rights. Without limiting any rights the Working Capital Agent may otherwise have under applicable law or by agreement, and whether or not the Term Agent or any Term B Lender has directed the Working Capital Agent to commence exercising remedies against Term B Priority Collateral, Working Capital Agent or any other Person acting with the consent and on behalf of Working Capital Agent, shall have Use Rights. In the event that any Working Capital Agent has commenced and is continuing the exercise of rights and remedies with respect to any Revolving Priority Collateral or any other sale or liquidation of the Revolving Priority Collateral has been commenced by or with the consent of the Working Capital Agent, the Term B Agent may not and may not direct the Working Capital Agent to, sell, assign or otherwise transfer the related Term B Priority Collateral prior to the expiration of the Use Period, unless the purchaser, assignee or transferee thereof agrees to be bound by the provisions hereof.

7.5 Restrictions on Remedies. Notwithstanding anything to the contrary contained herein, (a) until repayment in full in cash of the Working Capital Facility and a termination of the Revolving Commitments, (i) without the consent of the Working Capital Agent and the Working Capital Lenders (A) the Agents shall not seek relief from the automatic stay under Section 362 of the Bankruptcy Code or any other stay in the Chapter 11 Cases in respect of the Revolver Priority Collateral and (B) the Agents shall not consent to any release of the liens granted to the Working Capital Agent on the Revolving Priority Collateral; provided, however that, if the Working Capital Agent and the Working Capital Lenders consent to any sale or other disposition of the Revolving Priority Collateral, such sale ~~e~~for other disposition shall be made free and clear of any liens of the Agents on such Revolving Priority Collateral, and (b) until payment in full of the Term B Facility (i) without the consent of the Term B Agent and the Term B Lenders (A) the Agents shall not seek relief from the automatic stay under Section 362 of the Bankruptcy Code or any other stay in the bankruptcy in respect of the Term Loan Priority Collateral and (B) the Agents shall not consent to any release of the liens granted to the Working Capital Agent on the Term Loan Priority Collateral; provided, however that, if the Term B Agent and the Term B Lenders consent to any sale or other disposition of the Term Loan Priority Collateral, such sale ~~e~~for other disposition shall be made free and clear of any liens of the Agents on such Term Loan Priority Collateral. In addition, notwithstanding anything to the contrary contained herein (i) the Working Capital Agent

and the Working Capital Lenders shall have the right to object to any sale or disposition of Revolver Priority Collateral and (ii) the Term B Agent and Term B Lenders shall have the right to object to any sale or other disposition of Term B Priority Collateral.

7.6 Borrowers' Assistance, Intellectual Property Access. Upon the occurrence and the continuance of an Event of Default and the exercise by Working Capital Agent or Lenders of their rights and remedies under this Agreement and the other Loan Documents, Borrowers shall assist Working Capital Agent and Lenders in effecting a sale or other disposition of the Collateral upon such terms as are reasonably acceptable to Working Capital Agent, Term Agent and Required Lenders and shall assist Working Capital Agent in obtaining, and shall provide Working Capital Agent with, access and the rights to use, at no cost or expense, the Intellectual Property of the Credit Parties and all real property owned or leased by the Credit Parties to the extent necessary, appropriate or reasonably requested in order to sell, lease or otherwise dispose of any of the Collateral.

7.7 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

7.8 Cash Collateral for Letters of Credit. If an Event of Default has occurred and is continuing, this Agreement (or the Aggregate Revolving Commitment) shall be terminated for any reason, or if any Letters of Credit remain outstanding for any reason whatsoever after the Termination Date or if otherwise required by the terms hereof, Working Capital Agent may, and upon request of Required Working Capital Lenders, shall, demand (which demand shall be deemed to have been delivered automatically upon any acceleration of the Loans and other obligations hereunder pursuant to Section 7.2), and the Borrowers shall thereupon deliver to Working Capital Agent, to be held for the benefit of the L/C Issuers, Working Capital Agent and the Revolving Lenders entitled thereto, an amount of cash equal to 104% of the amount of L/C Reimbursement Obligations as additional collateral security for such Obligations. Working Capital Agent may at any time apply any or all of such cash and cash collateral to the payment of any or all of the Credit Parties' Obligations. The remaining balance of the cash collateral will be returned to the Borrowers when all Letters of Credit have been terminated or discharged, the Aggregate Revolving Commitments have been terminated and all Obligations have been indefeasibly paid in full in cash.

7.9 Sale Process Default. In addition to the rights and remedies set forth above but expressly subject to Sections ~~7.2 and 7.5~~, upon the occurrence of a Sale Process Default, Working Capital Agent may (or shall if requested to do so by the Required Working Capital Lenders) or the Term B Agent may (or ~~with respect to the Term B Agent~~, shall if requested to do so by the Required Term B Lenders), by written notice to the Borrowers, require the Credit Parties to file a motion or motions seeking to sell, assume, assign, or otherwise dispose of any or all of the applicable Collateral (including without limitation, inventory, leases, and furnishings, fixtures, and equipment) pursuant to Sections 363 and 365 of the Bankruptcy Code, on terms reasonably acceptable to the Agents. The Credit Parties shall file such motion within ten (10) days

of the Agent's notice and shall diligently prosecute such motion. The Credit Parties shall consult with the applicable Agents with respect to such process (which process and any such disposition shall be on terms reasonably acceptable to applicable Agent) and shall provide such information as may be requested by Agents in connection therewith. Without limiting the foregoing, the sale process shall include a motion or series of motions seeking authority to establish bidding procedures and to engage an Approved Liquidator to conduct a chain-wide going out of business sale as the so-called "stalking horse" and going concern bids, which bidding procedures shall be reasonably acceptable to the applicable Agent. Any such store closing sales and any other store liquidations approved by the applicable Agents shall be conducted only on a so-called "equity" basis and not a commission or other basis. Any going concern sale shall be in cash and in an amount to be paid at closing of such sale (subject to the application of proceeds provisions of the Loan Documents) ~~shall be~~ in excess of all Obligations with respect to the Term B Facility, the obligations under the Pre-Petition Facilities (if not repaid), the Working Capital Facility and shall contain no financing or due diligence contingencies. The provisions of this Section 7.9 are expressly made subject to Section 7.5 in all respects.

ARTICLE VIII. THE AGENT

8.1 Appointment and Duties.

(a) Appointment of Agents. Each Lender and each L/C Issuer hereby appoints GE Capital (together with any successor Working Capital Agent pursuant to Section 8.9) as Working Capital Agent and GA Capital, LLC as Term B Agent (together with any successor Term B Agent pursuant to Section 8.9) and authorizes such Agents to (i) execute and deliver the Loan Documents and accept delivery thereof on its behalf from any Credit Party, (ii) take such action on its behalf and to exercise all rights, powers and remedies and perform the duties as are expressly delegated to such Agent under such Loan Documents and (iii) exercise such powers as are incidental thereto. Without limiting the generality of the foregoing, each Lender hereby authorizes the Agents to consent, on behalf of each Lender, to an Interim Order substantially in the form attached as Exhibit A hereto and a Final Order to be negotiated between the Borrower, Agents and the Committee.

(b) Duties of Working Capital Agent as Collateral Agent for all Lenders and Disbursing Agent for Working Capital Lenders. Without limiting the generality of clause (a) above, Working Capital Agent shall have the sole and exclusive right and authority (to the exclusion of the Term B Agent, Lenders and L/C Issuers), and is hereby authorized, to (i) act as the disbursing and collecting agents for the Working Capital Lenders and the L/C Issuers (as applicable) with respect to all payments and collections arising in connection with the Loan Documents (including in any proceeding in the Chapter 11 Cases or any other bankruptcy, insolvency or similar proceeding), and each Person making any payment in connection with any Loan Document to any Working Capital Lender

(a) (i) Each Revolving Lender and FILO Lender agrees to reimburse ~~each~~ the Working Capital Agent and each of ~~such~~ Working Capital Agent's Related Persons and (ii) each Term B Lender agrees to reimburse the Term B Agent and each of Term B Agent's Related Persons, in each case of clause (i) and (ii), ~~(to the extent not reimbursed by any Credit Party),~~ promptly upon demand, severally and ratably, for any costs and expenses (including fees, charges and disbursements of financial, legal, sales and other advisors and Other Taxes paid in the name of, or on behalf of, any Credit Party) that may be incurred by such applicable Agents or any of its Related Persons in connection with the preparation, syndication, execution, delivery, administration, modification, consent, waiver or enforcement (whether through negotiations, through any work-out, bankruptcy, restructuring or other legal or other proceeding or otherwise) of, or legal advice in respect of its rights or responsibilities under, any Loan Document.

(b) (i) Each Revolving Lender ~~further~~ and FILO Lender agrees to ~~indemnify each~~ reimburse the Working Capital Agent and each of ~~such~~ Working Capital Agent's Related Persons ~~(and (ii) each Term B Lender agrees to reimburse the Term B Agent and each of Term B Agent's Related Persons, in each case of clause (i) and (ii),~~ to the extent not reimbursed by any Credit Party), severally and ratably, from and against Liabilities (including, to the extent not indemnified pursuant to Section 8.8(c), taxes, interests and penalties imposed for not properly withholding or backup withholding on payments made to or for the account of any Lender) that may be imposed on, incurred by or asserted against such applicable Agent or any of its Related Persons in any matter relating to or arising out of, in connection with or as a result of any Loan Document, any Related Document or any other act, event or transaction related, contemplated in or attendant to any such document, or, in each case, any action taken or omitted to be taken by such applicable Agent or any of its Related Persons under or with respect to any of the foregoing; provided, however, that no Lender shall be liable to any Agent or any of its Related Persons to the extent such liability has resulted primarily from the gross negligence or willful misconduct of such Agent or, as the case may be, such Related Person, as determined by a court of competent jurisdiction in a final non-appealable judgment or order.

(c) To the extent required by any applicable law, each Agent may withhold from any payment to any Lender under a Loan Document an amount equal to any applicable withholding tax. If the IRS or any other Governmental Authority asserts a claim that either such Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate certification form was not delivered, was not properly executed, or fails to establish an exemption from, or reduction of, withholding tax with respect to a particular type of payment, or because such Lender failed to notify Agents or any other Person of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), or such Agent reasonably determines that it was required to withhold taxes from a prior payment but failed to do so, such Lender shall promptly indemnify such

Agent fully for all amounts paid, directly or indirectly, by such Agent as tax or otherwise, including penalties and interest, and together with all expenses incurred by such Agent, including legal expenses, allocated internal costs and out-of-pocket expenses. Each Agent may offset against any payment to any Lender under a Loan Document, any applicable withholding tax that was required to be withheld from any prior payment to such Lender but which was not so withheld, as well as any other amounts for which such Agent is entitled to indemnification from such Lender under this Section 8.8(c).

8.9 Resignation of Agent or L/C Issuer.

(a) Either Agent may resign at any time by delivering notice of such resignation to the Lenders and the Borrower Representative, effective on the date (the “Effective Resignation Date”) which is the later of (i) thirty (30) days after receipt by the Lenders and the Borrower Representative of such notice and (ii) the date set forth in such notice ~~or, if no such date is set forth therein, upon the date such notice shall be effective in accordance with the terms of this Section 8.9.~~ If an Agent delivers any such notice, the Required Working Capital Lenders or Required Term B Lenders shall have the right to appoint a successor Working Capital Agent and Term B Agent, respectively. If, within thirty (30) days after the retiring Agent having given notice of resignation, no successor Agent has been appointed by the Required Working Capital Lenders or Required Term B Lenders (as applicable) that has accepted such appointment, then the retiring Agent may, on behalf of the applicable Lenders, appoint a successor Agent from among the Lenders. Each appointment under this clause (a) shall be subject to the prior consent of the Borrowers, which may not be unreasonably withheld but shall not be required during the continuance of an Event of Default.

(b) Effective immediately upon ~~its resignation~~ the Effective Resignation Date, (i) the retiring Agent shall be discharged from its duties and obligations under the Loan Documents, (ii) the Revolving Lenders shall assume and perform all of the duties of Working Capital Agent until a successor Working Capital Agent shall have accepted a valid appointment hereunder, (iii) the Term B Lenders shall assume and perform all of the duties of Term B Agent until a successor Term B Agent shall have accepted a valid appointment hereunder, (iv) the retiring Agent and its Related Persons shall no longer have the benefit of any provision of any Loan Document other than with respect to any actions taken or omitted to be taken while such retiring Agent was, or because such Agent had been, validly acting as Agent under the Loan Documents and (v) subject to its rights under Section 8.3, the retiring Agent shall take such action as may be reasonably necessary to assign to the successor Agent its rights as Agent under the Loan Documents. Effective immediately upon its acceptance of a valid appointment as Agent, a successor Agent shall succeed to, and become vested with, all the rights, powers, privileges and duties of the retiring Agent under the Loan Documents.

to the extent of Liabilities, costs and expenses with respect to or otherwise relating to the Collateral held for the benefit of such Secured Party, in which case the obligations of such Secured Party thereunder shall not be limited by any concept of pro rata share or similar concept, (b) each of Working Capital Agent, Term Agent, the Lenders and the L/C Issuers party hereto shall be entitled to act at its sole discretion, without regard to the interest of such Secured Party, regardless of whether any Obligation to such Secured Party thereafter remains outstanding, is deprived of the benefit of the Collateral, becomes unsecured or is otherwise affected or put in jeopardy thereby, and without any duty or liability to such Secured Party or any such Obligation and (c) except as otherwise set forth herein, such Secured Party shall not have any right to be notified of, consent to, direct, require or be heard with respect to, any action taken or omitted in respect of the Collateral or under any Loan Document.

8.12 Documentation Agent and Syndication Agent. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Documentation Agent and Syndication Agent shall not have any duties or responsibilities, nor shall the Documentation Agent and Syndication Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Documentation Agent and Syndication Agent. At any time that any Lender serving (or whose Affiliate is serving) as Documentation Agent and/or Syndication Agent shall have transferred to any other Person (other than any Affiliates) all of its interests in the Loans and the Revolving Commitment, such Lender (or an Affiliate of such Lender acting as Documentation Agent or Syndication Agent) shall be deemed to have concurrently resigned as such Documentation Agent and/or Syndication Agent.

ARTICLE IX. MISCELLANEOUS

9.1 Amendments and Waivers.

(a) No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by any Credit Party therefrom, shall be effective unless the same shall be in writing and signed by ~~Working Capital Agent,~~ the Required Lenders (or by Working Capital Agent with the consent of the Required Lenders), and the Borrowers, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Lenders directly affected thereby (or by Working Capital Agent with the consent of all the Lenders directly affected thereby), in addition to ~~Working Capital Agent~~ ~~and~~ the Required Lenders (or by Working Capital Agent with the consent of the Required Lenders) and the Borrowers, do any of the following:

(c) No amendment or waiver shall, unless signed by Working Capital Agent and Required Lenders (or by Working Capital Agent and Required Lenders (or by Working Capital Agent with the consent of Required Lenders) in addition to the Required Lenders (or by Working Capital Agent with the consent of the Required Lenders): (i) amend or waive compliance with the conditions precedent to the obligations of FILO Lenders to make the FILO Loan, (ii) amend or waive compliance with the conditions precedent to the obligations of Term B Lenders to make the Term B Loans, (iii) amend or waive compliance with the conditions precedent to the obligations of Revolving Lenders to make any Revolving Loan (or of L/C Issuer to issue any Letter of Credit) in Section 2.2; (iv) amend or waive non-compliance with any provision of Section 1.1(b)(ii); (v) waive any Default or Event of Default for the purpose of satisfying the conditions precedent to the obligations of Revolving Lenders to make any Revolving Loan (or of L/C Issuer to issue any Letter of Credit) in Section 2.2; or (vi) amend or waive this Section 9.1(c) or the definitions of the terms used in this Section 9.1(c) insofar as the definitions affect the substance of this Section 9.1(c).

(d) No amendment or waiver shall, unless signed by Agents, Required Lenders (or by Working Capital Agent with the consent of Required Lenders) and Term B Lenders (or by Term B Agent with the consent of Term B Lenders) (A) amend and or modify any of the following definitions: Borrowing Base (and any component definitions thereof), Mandatory Reserves, Availability Reserves, Term B Reserve, Minimum Excess Availability Amount, Excluded Cash Management Services, Lease Assumption Reserve Commencement Date, Lease Rejection Date, Carve-Out, Carve-Out Amount, Approved Budget, Variance Report, Interim Order, Final Order or Sale Process Default, (B) amend or waive any provision in Article IV or V, (C) waive any Event of Default or (D) amend this Section 9.1(d). As among the Lenders and the Agents, nothing contained herein shall limit, restrict or impair the discretionary rights and ability of the Working Capital Agent to impose or establish any and all Reserves and to thereafter reduce or eliminate such Reserves (other than Reserves the amount or methodology of calculation of which are expressly set forth pursuant to the terms of this Agreement), or to determine the eligibility of Collateral for inclusion in the calculation of the Borrowing Base, consistent with Working Capital Agent's usual business practices and in accordance with the terms of this Agreement; provided, that, other than as expressly set forth herein, the Working Capital Agent agrees to impose a methodology no less restrictive than that used as of the date hereof in determining reserves or eligibility.

(e) Notwithstanding anything to the contrary contained in this Section 9.1, (w) Borrowers may amend Schedules 3.16, 3.19 and 3.21 upon notice to Agents, (x) Borrowers may amend Schedules 3.22, provided that the Borrowers shall have complied with the requirements set forth in Section 4.11, (y) Working Capital Agent may amend Schedules 1.1(a)(ii) or 1.1(b) to reflect Sales entered into pursuant to Section 9.9 and Term B Agent may amend Schedule 1.1(a)(ii) to reflect Sales entered into pursuant to Section 9.9, and (z) Agents and Borrowers may amend or modify this Agreement and any other Loan Document to (1) cure

Requirement of Law requiring certain documents to be in writing or signed; provided, however, that nothing herein shall limit such party's or beneficiary's right to contest whether any posting to any E-System or E-Signature has been altered after transmission.

(c) Separate Agreements. All uses of an E-System shall be governed by and subject to, in addition to Section 9.2 and this Section 9.3, the separate terms, conditions and privacy policy posted or referenced in such E-System (or such terms, conditions and privacy policy as may be updated from time to time, including on such E-System) and related Contractual Obligations executed by Agents and Credit Parties in connection with the use of such E-System.

(d) LIMITATION OF LIABILITY. ALL E-SYSTEMS AND ELECTRONIC TRANSMISSIONS SHALL BE PROVIDED "AS IS" AND "AS AVAILABLE". NONE OF AGENTS, LENDERS OR ANY OF THEIR RELATED PERSONS WARRANTS THE ACCURACY, ADEQUACY OR COMPLETENESS OF ANY E-SYSTEMS OR ELECTRONIC TRANSMISSION AND DISCLAIMS ALL LIABILITY FOR ERRORS OR OMISSIONS THEREIN. NO WARRANTY OF ANY KIND IS MADE BY EITHER AGENT, ANY LENDER OR ANY OF THEIR RELATED PERSONS IN CONNECTION WITH ANY E-SYSTEMS OR ELECTRONIC COMMUNICATION, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD-PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS. Each of each Borrower, each other Credit Party executing this Agreement and each Secured Party agrees that Agents have no responsibility for maintaining or providing any equipment, software, services or any testing required in connection with any Electronic Transmission or otherwise required for any E-System.

9.4 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of either Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. No course of dealing between any Credit Party, any Affiliate of any Credit Party, either Agent or any Lender shall be effective to amend, modify or discharge any obligation or provision of this Agreement or any of the other Loan Documents.

9.5 Costs and Expenses. Borrower shall reimburse (i) each Agent for all fees, costs and expenses (including the reasonable fees and expenses of all of such Agent's counsel, advisors, consultants and auditors (including without limitation financial advisors and sales consultants)), (ii) Lenders for all reasonable and actual out of pocket costs and expenses (other than Attorneys Costs), and (iii) each Agent (and, with respect to clauses (c) and (d) below, all Lenders) for all fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including sales

consultants and advisors, environmental and management consultants and appraisers), incurred in connection with the negotiation and preparation of the Loan Documents, the Interim Order and the Final Order and incurred in connection with:

(a) the forwarding to any Borrower or any other Person on behalf of any Borrower by any Agent of the proceeds of any Loan;

(b) any amendment, modification or waiver of, consent with respect to, or termination of, any of the Loan Documents or advice in connection with the syndication and administration of the Loans made pursuant hereto or its rights hereunder or thereunder;

(c) any litigation, contest, dispute, suit, proceeding or action (whether instituted by any Agent, any Lender, any Borrower or any other Person and whether as a party, witness or otherwise) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case or proceeding commenced by or against any Borrower or any other Person that may be obligated to any Agent by virtue of the Loan Documents; including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided that in the case of reimbursement of counsel for Lenders other than Agents, such reimbursement shall be limited to one counsel for all Revolving Lenders and one counsel for all Term B Lenders; provided, further, that no Person shall be entitled to reimbursement under this clause (c) in respect of any litigation, contest, dispute, suit, proceeding or action to the extent any of the foregoing results from such Person's gross negligence or willful misconduct (as determined by a final non-appealable judgment);

(d) any attempt to enforce any remedies of any Agent against any or all of the Credit Parties or any other Person that may be obligated to any Agent or any Lender by virtue of any of the Loan Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided, that in the case of reimbursement of counsel for Lenders other than Agents, such reimbursement shall be limited to one counsel for all Revolving Lenders and one counsel for all Term B Lenders;

(e) any workout or restructuring of the Loans during the pendency of one or more Events of Default;

(f) the obtaining of approval of the Loan Documents by the Bankruptcy Court;

(g) the preparation and review of pleadings, documents and reports ~~related to the Chapter 11 Cases and any subsequent case under Chapter 7~~

~~of the Bankruptcy Code, attendance at meetings, court hearings or conferences~~ related to the Chapter 11 Cases and any subsequent case under Chapter 7 of the Bankruptcy Code, attendance at meetings, court hearings or conferences related to the Chapter 11 Cases and any subsequent case under Chapter 7 of the Bankruptcy Code, and general monitoring of the Chapter 11 Cases and any subsequent case under Chapter 7 of the Bankruptcy Code; ~~and~~

(h) efforts to (i) monitor the Loans or any of the other Obligations, (ii) evaluate, observe or assess any of the Credit Parties or their respective affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral; and

(i) any lien searches or request for information listing financing statements or liens filed or searches conducted to confirm receipt and due filing of financing statements and security interests in all or a portion of the Collateral;

including, as to each of clauses (a) through (i) above, all reasonable attorneys' and other professional and service providers' fees arising from such services and other advice, assistance or other representation, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this Section 9.5, all of which shall be payable, on demand, by Borrowers to applicable Agent. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, sales consultants, financial advisors, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

9.6 Indemnity.

(a) Each Credit Party agrees to indemnify, hold harmless and defend each Agent, each Lender, each L/C Issuer and each of their respective Related Persons (each such Person being an "Indemnitee") from and against all Liabilities (including brokerage commissions, fees and other compensation) that may be imposed on, incurred by or asserted against any such Indemnitee in any matter relating to or arising out of, in connection with or as a result of (i) any Loan Document, any Obligation (or the repayment thereof), any Letter of Credit, the use or intended use of the proceeds of any Loan or the use of any Letter of Credit or any securities filing of, or with respect to, any Credit Party, (ii) any commitment letter, proposal letter or term sheet with any Person or any Contractual Obligation, arrangement or understanding with any broker, finder or consultant, in each case entered into by or on behalf of any Credit Party or any Affiliate of any of them in connection with any of the foregoing and any

“Cash Management Order” means ~~the~~ the Interim Order Pursuant to 11 U.S.C. §§ 105(a), 45(b), 63(b), 363(c), AND 364(a) and Fed. R. Bankr. P. 6003 and 6004 Granting (I) Authority To (A) Continue To Operate The Debtors’ Cash Management System, (B) Honor Certain Prepetition Obligations On Account Of Service Charges Related Thereto, (C) Maintain Existing Bank Accounts and Business Forms, (D) Maintain The Ability to Use Debit, Wire and ACH Payments, And (E) Honor The Continued Use of Certain Corporate Credit Cards; and (II) An Extension of Time To Comply With 11 U.S.C. § 345(b), in form and substance acceptable to Agent.

“Cash Management Systems” has the meaning ascribed to it in Section 2.1(i).

“CERCLA” has the meaning specified in Section 3.12.

“Change of Control” shall mean (a) an event or series of events by which any “person” or “group” of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934) (other than any other “person” or “group” that the Agent shall have approved in writing in its sole discretion) shall have acquired “beneficial ownership” (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time or the satisfaction of other conditions and irrespective of the financial and other terms upon which such right may be exercised (such right, an “option right”)), directly or indirectly, of thirty seven and a half percent (37.5%) or more of the voting Stock or Stock Equivalents of BGI that is entitled (or would be entitled upon exercise) to vote for members of the board of directors or equivalent governing body of BGI (and taking into account all such securities that such “person” or “group” and all other “persons” or “groups” have the right to acquire pursuant to any option right); or (b) during any period of twelve consecutive calendar months, individuals who were directors of BGI on the first day of such period (together with any new directors whose election by the Board of Directors of BGI was approved by a vote of sixty-six and two-thirds percent (66 2/3%) of the directors then still in office who were either directors at the beginning of such period or whose election was previously so approved) shall cease to constitute a majority of the board of directors of BGI; or (c) BGI fails to own 100% of the Stock and Stock Equivalents of all other Credit Parties, except as a result of a transaction permitted hereunder.

“Chapter 11 Cases” has the meaning assigned to it in the recitals to the Agreement.

“Closing Date” means the date on which all of the conditions precedent set forth in Section 2.1 have been satisfied or waived in writing by the Agents and the initial Loans are made or initial Letters of Credit Issued.

“Credit Card Agreements” shall mean all agreements or notices, each in form and substance reasonably satisfactory to Agents, now or hereafter entered into by applicable Credit Party(ies) with any credit card issuer or any credit card processor, as the same may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced; provided, that any such credit card agreement or notice shall provide, among other things, that each such credit card processor shall transfer all proceeds due with respect to credit card charges for sales (net of expenses and chargebacks of the credit card issuer or processor) by applicable Credit Party(ies) received by it (or other amounts payable by such credit card processor) into the Concentration Account on a daily basis, or on such other basis as Agents may agree in writing in the exercise of their Permitted Discretion.

“Credit Card Receivables” shall mean, collectively, all present and future rights of Borrowers to payment from (a) any major credit card issuer or major credit card processor arising from sales of goods or rendition of services to customers who have purchased such goods or services using a credit or debit card and (b) any major credit card issuer or major credit card processor in connection with the sale or transfer of Accounts arising pursuant to the sale of goods or rendition of services to customers who have purchased such goods or services using a credit card or a debit card, including, but not limited to, all amounts at any time due or to become due from any major credit card issuer or major credit card processor under the Credit Card Agreements or otherwise.

“Credit Parties” means each Borrower, each Guarantor and each other Person (a) which executes a guaranty of the Obligations, (b) which grants a Lien on all or substantially all of its assets to secure payment of the Obligations and (c) all of the Stock of which is pledged to Working Capital Agent for the benefit of the Secured Parties. As of the Closing Date, the Credit Parties are Borders Group, Inc., Borders, Inc., Borders Properties Inc., Borders International Services Inc, and Borders Direct LLC.

“Cumulative Period” means the period from the Petition Date through the most recent week ended.

“Cumulative Four Week Period” shall mean the four-week period up to and through the Saturday of the most recent week then ended, or if a four-week period has not then elapsed from the Petition Date, such shorter period since the Petition Date through the Saturday of the most recent week then ended.

“Default” means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

“DIP Indemnity Account” has the meaning ascribed to such term in the Interim Order (or the Final Order, when applicable).

“DIP Term Indemnity Account” has the meaning ascribed to such term in the Interim Order (or the Final Order, when applicable).

“Disposition” means (a) the sale, lease, conveyance or other disposition of Property and (b) the sale or transfer by a Borrower or any Subsidiary of a Borrower of any Stock or Stock Equivalent issued by any Subsidiary of a Borrower and held by such transferor Person.

“Dollars”, “dollars” and “\$” each mean lawful money of the United States of America.

“Domestic Subsidiary” means any Subsidiary other than a Foreign Subsidiary.

[“Effective Resignation Date” has the meaning specified in Section 8.9.](#)

“Electronic Transmission” means each document, instruction, authorization, file, information and any other communication transmitted, posted or otherwise made or communicated by e-mail or E-Fax, or otherwise to or from an E-System or other equivalent service acceptable to Working Capital Agent.

“Eligible Credit Card Accounts” means all of the Credit Card Receivables (net of fees) of the Credit Parties that arise in the ordinary course of business, which have been earned by performance, that are not excluded as ineligible by virtue of one or more of the criteria set forth below and are reflected in the most recent Borrowing Base Certificate delivered by the Borrower Representative to Agents. None of the following shall be deemed to be Eligible Credit Card Accounts:

(a) Credit Card Receivables due from major credit card processors that have been outstanding for more than five (5) Business Days from the date of sale;

(b) Credit Card Receivables due from major credit card processors with respect to which a Borrower or a Guarantor does not have good, valid and marketable title thereto, free and clear of any Lien (other than the offset or chargeback rights of such credit card processors (which shall be governed by clause (d) below);

(c) Credit Card Receivables due from major credit card processors that are not subject to a first priority perfected security interest in favor of Working Capital Agent, as applicable, for its own benefit and the benefit of the other Secured Parties;

(d) Credit Card Receivables due from major credit card processors which are disputed, or with respect to which a claim, counterclaim, offset or chargeback has been asserted by the related credit card processor (but only to the extent of such dispute, counterclaim, offset or chargeback);

(e) Credit Card Receivables due from major credit card processors as to which the credit card processor has the right under certain circumstances to require the Borrowers to repurchase such Accounts from such credit card processor;

“FILO Exposure” means, with respect to any FILO Lender at any time, the aggregate outstanding principal amount of such FILO Lender’s FILO Loans.

“FILO Lenders” means each of the financial institutions from time to time party to this Agreement holding a FILO Loan and individually each a “FILO Lender”.

“FILO Loan” has the meaning specified in Section 1.1(a)(i).

“FILO Note” means a promissory note of the Borrowers payable to the order of a FILO Lender in substantially the form of Exhibit 11.1(c) hereto, evidencing Indebtedness of the Borrowers under the FILO Commitment of such FILO Lender.

“Final Availability Date” means the earlier of the Termination Date and one (1) Business Day prior to the date specified in clause (a) of the definition of Termination Date.

“Final Order” means, collectively, the order of the Bankruptcy Court entered in the Chapter 11 Cases after a final hearing under Bankruptcy Rule 4001(c)(2) or such other procedures as approved by the Bankruptcy Court which order shall be satisfactory in form and substance to Agents, and from which no appeal or motion to reconsider has been timely filed, or if timely filed, such appeal or motion to reconsider has been dismissed or denied unless each Agent waives such requirement), together with all extensions, modifications and amendments thereto, in form and substance satisfactory to Agents and Required Term B Lenders, which, among other matters but not by way of limitation, authorizes the Credit Parties to obtain credit, incur (or guaranty) Indebtedness, and grant Liens under this Agreement and the other Loan Documents, as the case may be, and provides for the super priority of Agents’ and the Lenders’ claims.

“FIRREA” means the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended.

“First Tier Foreign Subsidiary” means a Foreign Subsidiary held directly by a Credit Party or indirectly by a Credit Party through one or more Domestic Subsidiaries.

“Fiscal Month” means each monthly accounting period of Borrowers.

“Fiscal Quarter” means for the first three Fiscal Quarters of each year, the 13 week period commencing on the day after the last day of the preceding Fiscal Quarter and for the fourth Fiscal Quarter of each year, the period commencing on the day after the last day of the third Fiscal Quarter and ending on the Saturday closest to January 31 of each year.

“Fiscal Year” means the annual accounting period of Borrowers ending on the Saturday nearest to January 31st in each calendar year.

“Flood Insurance” means, for any Real Estate located in a Special Flood Hazard Area, Federal Flood Insurance or private insurance that meets the requirements set forth by FEMA in its *Mandatory Purchase of Flood Insurance Guidelines*. Flood Insurance

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

BORROWERS:

BORDERS GROUP, INC.

By: _____
Name: _____
Title: _____
FEIN: 38-3294588

BORDERS, INC

By: _____
Name: _____
Title: _____
FEIN: 38-2104285

BORROWER REPRESENTATIVE:

[]

By: _____
Name: _____
Title: _____
FEIN: _____

Address for notices:

100 Phoenix Drive
Ann Arbor, MI 48108

Attn: _____
Facsimile: _____

Address for wire transfers:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

BORDERS PROPERTIES, INC.

By: _____
Name: _____
Title: _____
FEIN: 38-3237978

Address for notices:
100 Phoenix Drive
Ann Arbor, MI 48108

Attn: _____
Facsimile: _____

-
BORDERS INTERNATIONAL SERVICES, INC.

By: _____
Name: _____
Title: _____
FEIN: 20-2025075

Address for notices:
100 Phoenix Drive
Ann Arbor, MI 48108

Attn: _____
Facsimile: _____

BORDERS DIRECT, LLC

By: _____

Name: _____

Title: _____

FEIN: 20-899-0084

Address for notices:

100 Phoenix Drive

Ann Arbor, MI 48108

Attn: _____

Facsimile: _____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

GENERAL ELECTRIC CAPITAL CORPORATION, as Working Capital Agent, Swingline Lender, Revolving Lender and FILO Lender

By: _____

Name: _____

Title: Duly Authorized Signatory

Address for Notices:

General Electric Capital Corporation
500 West Monroe Street
10th Floor
Chicago, IL 60661-3679 USA
Attn: Kristina M. Miller
Senior Vice President and Team Lead
Facsimile: 312 441 6817

With a copy to:

General Electric Capital Corporation
201 Merritt 7
PO Box 5201
Norwalk, CT 06851
Attn: Borders/John Pistocchi
Facsimile: 203 956 4002

Address for payments:

ABA# 021001033
Account# ~~50279513~~[50285681](#)
Deutsche Bank Trust Company Americas
New York, NY
Account Name: GECC/CAF
Reference: Borders Group, Inc.

GA CAPITAL, LLC, as Term B Agent

By: _____

Name:

Title:

**SPECIAL VALUE CONTINUATION
PARTNERS, LP, as a Term B Lender**

By: Tennenbaum Capital Partners, LLC
Its: Investment Manager

By: _____
Name:
Title:

**TENNENBAUM OPPORTUNITIES
PARTNERS V, LP, as a Term B Lender**

By: Tennenbaum Capital Partners, LLC
Its: Investment Manager

By: _____
Name:
Title:

**1903 ONSHORE FUNDING, LLP, as a Term
B Lender**

By: GB Merchant Partners, LLC
Its: Investment Manager

By: _____
Name:
Title:

**1903 OFFSHORE LOANS SPV LIMITED,
as a Term B Lender**

By: GB Merchant Partners, LLC
Its: Investment Manager

By: _____
Name:
Title:

**STONE TOWER CREDIT FUNDING I
LTD., as a Term B Lender**

By: Stone Tower Fund Management LLC
Its: Collateral Manager

By: _____
Name:
Title:

CIT CAPITAL SECURITIES, LLC,
as Syndication Agent and as a Lender

By: _____
Name: _____
Title: _____

Address for notices:

Attn: _____
Facsimile: _____

Lending office:

CRYSTAL FINANCIAL LLC,

as a Lender

By:

Name:

Title:

Address for notices:

Attn:

Facsimile:

Lending office:

Schedule 1.1(a)(i)

FILO Commitments

FILO Lender	FILO Commitment
General Electric Capital Corporation	\$20,000,000 <u>10,000,000</u>
<u>Crystal Financial LLC</u>	<u>\$10,000,000</u>
Total:	\$20,000,000

Schedule 1.1(a)(ii)

Term B Commitments

Term B Lender	Term B Commitment
Special Value Continuation Partners, LP	\$8,111,295.03
Tennenbaum Opportunities Partners V, LP	\$22,826,204.97
1903 Onshore Funding, LLP	\$5,837,234.28
1903 Offshore Loans SPV Limited	\$3,037,544.29
Stone Tower Credit Funding I Ltd	\$15,187,721.42
Total:	\$55,000,000

Schedule 1.1(b)

Revolving Commitments

Revolving Lender	Revolving Commitment
General Electric Capital Corporation	\$410,000,000 <u>\$375,000,000</u>
<u>CIT Bank</u>	<u>\$35,000,000</u>
Total:	\$410,000,000

~~IN WITNESS WHEREOF, Borrower Representative has caused this Borrowing Base Certificate to be executed by its [] this [] day of [], 20 []:~~

[]

By: _____
Its: _____